



**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**PERFORMANCE AUDIT REPORT ON THE MANAGEMENT OF  
CONSTRUCTION DEVELOPMENT PROJECTS FINANCED  
THROUGH LOANS**



BRIDGES

**CONTROLLER AND AUDITOR GENERAL**

**FEBRUARY, 2022**



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## About National Audit Office

### Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 and in Sect. 10 (1) of the Public Audit Act, Cap 418.

### Vision, Mission and Core Values

#### Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

#### Mission

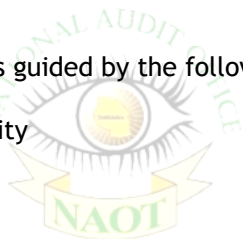
To provide high-quality audit services through modernisation of functions that enhances accountability and transparency in the management of public resources.

**Motto: “Modernising External Audit for Stronger Public Confidence”**

#### Core Values

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit



#### We do this by:-

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence.

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## PREFACE



Section 28 of the Public Audit Act Cap 418 gives mandates to the Controller and Auditor General to carry-out Performance Audit (Value-for-Money Audit) to establish the economy, efficiency and effectiveness of any expenditure or use of resources in the Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs) and Public Authorities and Other Bodies which involves enquiring, examining, investigating and reporting, as deemed necessary under the circumstances.

I have the honour to submit to Her Excellency, the President of the United Republic of Tanzania, Hon. Samia Suluhu Hassan and through her to the Parliament of the United Republic of Tanzania, the *Performance Audit Report on Management of Construction Development Projects Financed through Loans*.

The report contains findings, conclusions and recommendations that are directed to the Ministry of Finance and Planning.

The Ministry of Finance and Planning was given the opportunity to scrutinize the factual contents of the report and comment on it. I wish to acknowledge that discussions with the Ministry of Finance and Planning as audited entity have been useful and constructive.

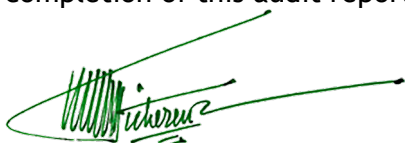
My Office will carry out a follow-up audit at an appropriate time regarding actions taken by MoFP in implementing the recommendations given in this report.

In completion of the audit assignment, the office subjected the draft report to a critical review of subject matter experts namely Dr. Elinami Minja and Dr. Johavaness Aikaeli, Senior Lecturers from the University of Dar es Salaam who came up with useful inputs for improvement of this report.

The report has been prepared by Mr. Andalason K. Hamba (Team Leader), Ms. Janeth M. Rutagengwa (Team Member) and Mr. Odilo M. Mdimi (Team Member) under the supervision and guidance of Ms. Asnath L. Mugassa (Chief External Auditor), Mr. George C. Haule - Acting Deputy Auditor General.

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I would like to thank my staff for their commitment in the preparation of this report. My acknowledgment should also be extended to the audited entities for their cooperation with my Office which facilitated timely completion of this audit report.



Mr. Charles E. Kichere  
Controller and Auditor General  
United Republic of Tanzania  
February, 2022



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## TABLE OF CONTENTS

TABLE OF CONTENTS.....	III
LIST OF TABLES .....	V
LIST OF FIGURES .....	VI
LIST OF ABBREVIATIONS AND ACRONYMS .....	VII
EXECUTIVE SUMMARY .....	VIII
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.1 BACKGROUND OF THE AUDIT .....	1
1.2 MOTIVATION FOR THE AUDIT .....	2
1.3 DESIGN OF THE AUDIT.....	3
1.4 DATA VALIDATION PROCESS .....	13
1.5 STANDARD USED FOR AUDIT.....	13
1.6 STRUCTURE OF THE AUDIT REPORT .....	14
CHAPTER TWO .....	15
SYSTEM FOR MANAGING CONSTRUCTION DEVELOPMENT PROJECTS FINANCED THROUGH LOANS .....	15
2.1 INTRODUCTION.....	15
2.2 LEGAL AND REGULATORY FRAMEWORK GOVERNING THE MANAGEMENT OF PROJECTS FINANCED THROUGH LOANS.....	15
2.3 ROLE AND RESPONSIBILITIES OF KEY ACTORS.....	19
2.4 PROCESS FOR MONITORING CONSTRUCTION DEVELOPMENT PROJECTS FINANCED THROUGH LOANS .....	24
2.5 RESOURCES FOR MANAGING CONSTRUCTION DEVELOPMENT PROJECTS .....	28
FINANCED THROUGH LOANS.....	28
CHAPTER THREE .....	31
AUDIT FINDINGS.....	31
3.1 INTRODUCTION.....	31
3.2 EXTENT TO WHICH MOFP HAS EFFECTIVELY MANAGED LOAN FINANCED CONSTRUCTION PROJECTS.....	31

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3.3	WEAKNESSES IN PLANNING OF THE CONSTRUCTION DEVELOPMENT PROJECTS	38
3.4	INEFFECTIVE MANAGEMENT OF LOANS FOR DEVELOPMENT PROJECTS .....	48
3.5	EFFECTIVENESS IN COORDINATION BETWEEN MOFP AND IMPLEMENTING AGENCIES OF THE DEVELOPMENT PROJECTS .....	65
3.6	EFFECTIVENESS IN MONITORING AND EVALUATION OF THE PERFORMANCE OF LOAN FINANCED PROJECTS .....	68
<b>CHAPTER FOUR.....</b>		<b>76</b>
<b>AUDIT CONCLUSION .....</b>		<b>76</b>
4.1	INTRODUCTION .....	76
4.2	GENERAL CONCLUSION .....	76
4.3	SPECIFIC CONCLUSIONS .....	77
<b>CHAPTER FIVE .....</b>		<b>80</b>
<b>AUDIT RECOMMENDATIONS .....</b>		<b>80</b>
5.1	INTRODUCTION .....	80
5.2	THE SPECIFIC AUDIT RECOMMENDATIONS .....	80
<b>REFERENCES .....</b>		<b>83</b>
<b>APPENDICES .....</b>		<b>86</b>

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## LIST OF TABLES

Table 1.1: Summary of Selected Projects and Involved Sectors .....	10
Table 1.2: List of Selected Projects that were Audited .....	10
Table 2.1: Regulations Governing Management of Construction Development Projects Financed by Loans.....	17
Table 2.2: Allocated Budget for Monitoring of Construction Projects Financed through Loan in 2016/17 - 2020/21 .....	29
Table 2.3: Status of Human Resources Available against Required at MoFP in Two Departments .....	30
Table 3.1: Extent of Delay in Completion of Implementation of Project (in Years) .....	33
Table 3.2: Percentage of Cost Overrun of the 3 Construction Projects...	37
Table 3.3: Assessment of Quantities and Prices inputs of Projects .....	40
Table 3.4: Planned Action of compensation as per Projects Appraisal ...	42
Table 3.5: Projects with Delays in the Implementation of Compensation Plans .....	43
Table 3.6: Time Extended as a Result of Delays in Compensation of the Land Owners .....	44
Table 3.7: Compensation Time versus the Loan Effective Dates for the sampled Projects.....	44
Table 3.8: Assessment of Quantities and Prices Inputs of the Projects ...	46
Table 3.9: Analysis of the Loan Disbursement Schedule.....	48
Table 3.10: Factors Contributed to Delays in Commencement of Implementation for the 6 Sampled Development Projects ....	51
Table 3.11: Extent of Delays in the Commencement of Works Contracts From the Accrue Date of the Commitment Fees .....	53
Table 3.12: Commitment Charges Charged on Before Commencement of Work Contract .....	54
Table 3.13: Extent of Delays in Publication/Issuance of GN for the Sampled Projects.....	57
Table 3.14: Extent of Delays in the Payment for the Sampled Projects ...	61
Table 3.15: Time Taken to Approval IPC by MoFP and Implementing Agency for the 3 Projects .....	63

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## LIST OF FIGURES

Figure 2.1: Details of Legislation Governing Management of Development Projects Financed Through Loans .....	16
Figure 2.2: Relationships between Key Actors .....	23
Figure 2.3: Process for the Management of Loans during the Project Implementation .....	26
Figure 2.4: Stages involved in Payment of Contractors Implementing Development Construction Projects .....	27
Figure 2.5: Summary of Process for Managing Construction Development Projects Financed through Loans .....	28
Figure 3.1: Percentage of Elapsed Loans Duration Period against the Percentage of Fund Utilization .....	34
Figure 3.2: Extent of Delays in Completion of the Six Sampled Construction Development Projects .....	49
Figure 3.3: Delays in Projects Commencement .....	50
Figure 3.4: Payment Delays prior and after the Introduction of the D-Fund Systems .....	60
Figure 3.5: Extent of Delay in Payment based on Sources of Fund .....	62





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## LIST OF ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
AfDB	African Development Bank
BTPIP	Backbone Transmission Power Investment Project
CAG	Controller and Auditor General
DAWASA	Dar-es-Salaam Water Supply and Sanitation Authority
DC	District Council
DUTP	Dar es Salaam Urban Transport Improvement Project
EIB	European Investment Bank
EPC	Engineering, Procurement and Construction
ESIA	Environmental and Social Impact Assessment
GN	Government Notices
GoT	Government of Tanzania
IDA	International Development Association
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards for Supreme Audit Institutions
IPC	Interim Payment Certificate
JICA	Japan International Cooperation Agency
KTIPI	Kenya-Tanzania Power Interconnection Project
LGAs	Local Government Authorities
M&E	Monitoring and Evaluation
MDAs	Ministries, Departmental and Agencies
MoE	Ministry of Energy
MoH	Ministry of Health
MoFP	Ministry of Finance and Planning
MoW	Ministry of Water
MoWT	Ministry of Works and Transport
NIDA	Natizional Identification Authority
NPD	National Planning Department
NPMIS	National Project Management Information System
PO-RALG	President's Office - Regional Administration and Local Government
RS	Regional Secretariat
SATTFP	Southern Africa Trade and Transport Facilitation Project
TANESCO	Tanzania Electric Supply Company
TANROADS	Tanzania National Roads Agency
TAZA	Tanzania-Zambia
TPA	Tanzania Ports Authority
TRC	Tanzania Railways Cooperation
TRIP	Tanzania Railway Intermodal Project
TSSP	Transport Sector Support Program
TZS	Tanzanian Shillings
USD	United State Dollar
URT	United Republic of Tanzania
VAT	Value Added Tax

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## EXECUTIVE SUMMARY

### Background

Development is a process that creates growth, progress, positive change and transformations in the physical, economic, environmental, social and demographic components of a country. Usually, organizations implement development projects to strengthen the capabilities of local institutions and promote community self-reliance. Therefore, development requires effective management of construction development projects, among other things. Tanzania has implemented various construction development since independence. These projects include the construction of water supply schemes, roads, harbours, airports, factories, electricity supply and irrigation infrastructures, buildings for hospitals, markets, and school infrastructures.

This audit report presents findings from assessment of -construction development projects financed through loans and implemented in the transportation, energy and water sectors.

Proper management of development projects financed through loans is vital to ensure that projects are timely completed so as to reduce interest charges for the loans. Apart from that, proper management of such projects is important because it ensures timely repayment of loans when the projects start to provide services. It is therefore important for the Ministry of Finance and Planning to make sure that all issues that affect timely completion of these projects are effectively addressed.

The main objective of the audit was to assess whether the Ministry of Finance and Planning ensured effective management of development projects financed through loans so as to minimize delays, cost overrun and prevent avoidable cost burdens associated with loans charges. The audit mainly focused on assessing the effectiveness of planning, loans management, coordination and monitoring and evaluation of the performance of development projects financed through loans.

The audit covered a period of five financial years from 2016/17 to 2020/21. The aim was to assess the performance trend of the Ministry in managing development projects financed through loans. The period was selected because it was the period when the Government was implementing its Five Year Development Plan. In addition, this is the period when most of the

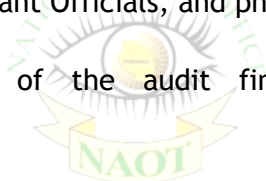
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implemented development projects were financed through loans. Also, the government planned to spent loan amounting to TZS 11.96 Trillion to finance the development projects.

The main audited entity was the Ministry of Finance and Planning (MoFP). This is because MoFP has been mandated to approve proposals for all development projects, seek loans and grants from both internal and external sources, issue tax exemptions, and approve payments for all development projects financed through loans on behalf of the Government. Apart from that, the Ministry has the role of monitoring all development projects financed through loans.

The audit targeted 55 projects whose loans were approved between 2007 and July 2020, and their financing agreement were not yet closed up to June 2020. For deep analysis of root causes, verification and triangulation of facts with the Implementing Agencies, purposive sampling was used to select 6 out of the 55 projects. Evidences were gathered through document reviews, interviews with relevant Officials, and physical verifications.

Below are the summaries of the audit findings, conclusion and recommendations.



## **Main Audit Findings**

### **Management of Development Projects Financed through Loans**

The Audit Team recognizes the efforts made by the Ministry of Finance and Planning towards improving the management of loans for the construction development projects. These efforts include: the development of Guidelines for the Negotiation and Raising Loans and Grants, of 2020, enhancement of the payment systems through the use of D-Fund system and transferring the role of Tax Exemptions from the MoFP to the Commissioner General of Tanzania Revenue Authority. However, the Audit Team noted some challenges that affected effectiveness of the entire process for managing construction development projects financed through loans as explained below:

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### ***Delayed Completion of 32 out of 34 Development Projects Financed through Loan***

Analysis of the completion time of projects against the agreed loan closure date revealed that 32 out of the 34 projects (equivalent to 94%) were completed late, with delays ranging from 0.8 months to 3.9 years. The remaining 2 projects which were implemented by the Ministry of Energy, and the Ministry of Health, did not experience in relation to loans closing date.

The 28 projects implemented by the Ministry of Water and Energy and those by the Ministry of Works and Transport were found to have the longest delays ranging from 3.2 to 3.9 years. The four projects implemented by PO-RALG, Ministry of Agriculture and Ministry of Education experienced shortest delays of 0.8 months and 2 year, respectively. This means that most of the projects required extension of time to be completed.

This is contrary to the Guidelines for Raising and Negotiation of Loans and Grants and Public Investment Operational Manual, 2015 which emphasized MoFP to properly manage development projects financed through loans so as to ensure that they are completed in line with the conditions and terms of their respective financing agreements.

The audit further noted that delayed completion of work was associated with ineffective planning for the projects, ineffective management of loans to achieve financing agreement terms, ineffective monitoring of development projects and absence of effective coordination between MoFP and respective implementers of the projects.

### **Ineffective Planning for the Construction Development Projects**

The Audit Team noted that the Ministry of Finance and Planning did not ensure the development projects are effectively planned to guarantee their completion within the planned time and cost. This is because MoFP did not thoroughly review the submitted project proposals, designs and feasibility study reports to ensure that cost and time were aligned with the loans agreement terms. The Audit noted that for the few reviewed proposals and designs, the Ministry concentrated more on assessing the viability of the development projects and their alignment with the Government priorities, and less attention was given to project technical aspects such as quantities

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of materials and cost of inputs. This was contrary to the requirement of Guideline for Negotiation and Raising Loans, which emphasized that MoFP must review the proposals and designs to assess the sufficiency and completeness of designs, appropriateness of the technologies, size of the project, design and location, adequacy of compensation plan and completion time to facilitate smooth implementation of the projects.

On the other hand, ineffective review of project proposals and designs was attributed by shortage of 57% of the required technical personnel, mainly Engineers and Quantity Surveyors at MoFP who could effectively review and assess the technical aspects of the respective development projects. As a result, financing agreements such as loan disbursement schedule and implementation period of the projects were not properly aligned to the project cost, design and actual project implementations schedule. This led to additional cost associated with penalties and commitment fees charges. Further, inadequate planning for the projects led to frequent changes of design, time extension and additional cost during implementation of the approved development projects financed through loans.

On the other hand, delay in compensation also contributed to delays in project completion. This is because, MoFP did not ensure that the compensation of affected people was well planned to allow smooth implementation of the projects. As a result, 2 out of 6 sampled projects financed through loans encountered significant delays in commencing their implementation for the period ranging from 300 to 1,275 days.

### **Ineffective Management of Loans for the Development Projects**

The audit noted the following weaknesses which indicate ineffective management of loans for development projects:

#### ***78% of Projects had Utilized Less Loan Compared to the Project Implementation Period that has Passed from the Loan Effective Date***

Analysis of the percentage of disbursed funds against the percentage of period that has passed, revealed that 43 out of 55 projects (equivalent to 78%) had low loan utilization rate. The utilized loans amount was not proportional to duration of loan passed from loan effective date. The differences in percentage ranged between 8% and 63% for those projects implemented by the Ministry of Water, Energy, Works and Transport, Natural Resources and Tourism, Education and Vocational Training,

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President's - Office Regional Administration and Local Government and Ministry of Health. Even-though projects were still within the loans duration, having low loan utilization rate indicates a high likelihood for the loans to end up with costs associated with interest and commitment fees.

Moreover, comparison of the initial closing date of Loan agreement for the six sampled projects indicated delays in the completion of works that ranged from 12 to 80 Months. Such delays affected the loan utilization rate. Other factors that contributed to low utilization of loan included delays in the commencement of work from the loan effective start date, which ranged from 2 to 7 years.

Likewise, the audit noted that there were delays in the adoption of the increased Surcharge Fees, emanated from changes in the East Africa Community Vehicles Axle Load Control Act, 2016 which increased charges from USD 145,000 for every cargo in excess of 56 Tons to USD 440,000. Such changes led to additional charges amounting to USD 7.92 Million. Delays were also noted in the completion of compensation that took up to 1,275 days, leading to the extension of time of works contract up to 425 days.

Moreover, the audit noted delays in the issuance of Government Notice (GN) for a period ranging from 2 to 18 Months leading to delays in commencement of the projects.

### ***Delays in the Payment of Contractors***

The audit noted delays in the payment of Contractors; for the 3 out of 6 sampled development projects, 89 out of 156 that raised Interim Payment Certificates (equivalent to 57%) their payments were delayed for an average period ranging from 18 to 235 days before and after introduction of D-Fund system. It was noted that, the use of newly introduced D-Fund has shown a reduction of delays from a maximum of 235 to 127 days.

Delays in the payment was contributed by inadequate knowledge of both Implementers and Contractors on the use of newly introduced D-Fund system. Furthermore, inefficiencies in the approving process from the Implementers, was noted to contribute to the delays. The result shows that even after introduction of D-Fund system, on average the Implementers took 43 to 97 days to up-load the request to the systems, the period which is higher than the maximum time specified in the Contracts which normally ranges from 28 to 90 days. As a result, Contractors for 1 projects claimed an interest due to delays in payment amounting to TZS 5.39 Billion.

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## **The Ministry of Finance and Planning (MoFP) did not Adequately Coordinate the Implementation of Loan Financed Construction Development Projects**

The Audit noted that MoFP did not adequately coordinate the stakeholders responsible for the management of construction development projects financed through loans. It was also noted that the Ministry did not develop and put into effect the implementation plan necessary for coordinating implementers of the respective development projects. As a result, sharing of information between implementers, MoFP and Financers was at minimal level despite having Desk Officers and Project Coordinators at MoFP and Implementers, respectively.

Moreover, MoFP did not instruct Implementers to submit project progress reports for review and take appropriate and timely corrective actions where necessary. Similarly, for five years covered under this audit, the Ministry did not organize and conduct quarterly meetings with Implementers and Stakeholders, as emphasized by Section 5.2.3 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020. Consequently, the coordination among the Implementers has been at a minimal level and ineffective. As a result, MoFP was not well informed on the performance of the projects, i.e. project implementation status which might be the root cause for the untimely completion of projects.

## **Inadequate Monitoring and Evaluation of the Performance of Loan Financed Construction Development Projects**

The Audit noted that the Ministry of Finance and Planning did not have effective mechanism for monitoring and evaluating the performance of development projects implemented by various Implementing Agencies. Specifically, it was noted that MoFP did not have effective plan and framework for monitoring and evaluation of the development projects.

Additionally, the Ministry had less focus on donor-funded projects in its monitoring. For instance, out of 20 projects that the National Planning Department monitored in 2020/21, only four (4) projects were donor-funded projects.

Similarly, the Ministry did not ensure that the Project Coordinators of the Line and Sector Ministries submit Project Monthly Progress Reports,

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containing information of disbursed amount, utilization of loan by item and impact assessment with respect to targets, performance against targets, identified problems and corrective measures taken or to be taken. As a result, MoFP was lacking sufficient information for the respective projects including the associated challenges for decision making.

## **Overall Audit Conclusion**

The Audit concludes that the Ministry of Finance and Planning has to some extent ineffectively manage the development projects financed through loans so as to minimize delays, cost overruns and cost burden associated with loan charges. This happened despite the efforts made by the Ministry towards improving the management of loans for the development projects from 2016/17 - 2020/21. Among the efforts made included: development of Public Investment Management - Operational Manual 2015 and Value Added Tax (Exemption Monitoring Procedures) aimed at improving system for implementing Tax Exemptions Regulations, 2018. Furthermore, recently in 2020, the Ministry developed Guidelines for the Negotiation and Raising Loans and Grants, of 2020 and D-Fund system for enhancing the payment systems.

The Audit found out that more interventions are still needed to further improve the management of construction development projects that are largely financed by loans. This is because, the Ministry has not managed to ensure projects are completed within the planned time and cost as indicated in the financing agreements. It was noted that 32 out of 34 development projects financed through loans had their completion delayed for a period ranging from 10 to 47 Months (equivalent to 0.8 to 3.9 years). Such a delay in completion of projects indicates risk of cost associated with the charges from commitment fees.

Further, there was low fund utilization compared to the implementation period that has lapsed for most of the development projects. This indicates a high risk of the Government to incur additional cost associated with the commitment fees for undisbursed amount of loans. It also indicates weaknesses in the management of terms of loan agreement, and thus a call for more interventions to avoid creating cost burden to the Government that can be avoided.



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Generally, the Audit found out that delayed completion of projects (i.e., failure to meet deadline of loan closure) is associated with ineffective management of construction development projects, inadequate project planning, and ineffective monitoring and coordination between the Ministry and project implementing Agencies.

### **Audit Recommendations**

The audit has raised the following recommendations to be implemented by MoFP in order to improve performance in the management of construction development projects financed through loans.

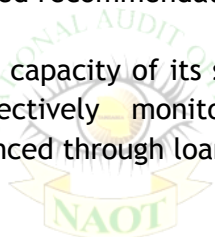
#### **The Ministry of Finance and Planning is Advised to:**

1. Establish a mechanism to ensure that project proposals are effectively reviewed to provide assurance of proper alignment of project cost and time to the loans financing agreement terms. The mechanism should facilitate effective cooperation with Implementing Agencies for appropriate review of the adequacy of technical aspects of the respective projects including design, compensation plan, cost and time prior to approval and signing of the loan agreement;
2. Critically analyse compensation plans to ensure that Implementing Agencies develop comprehensive compensation plans that allow a smooth implementation of the projects. This should involve assessing the alignment of the compensation with completion time and assurance for the timely availability of compensation funds;
3. Develop strategies that will ensure timely commencement and implementation of projects to enable timely completion of the projects and within the initial loan closing date to avoid costs associated with loan commitment fee charges;
4. Establish a functioning mechanism to facilitate timely issuance of tax exemption for projects qualified to be exempted from tax so as to avoid delays in the completion of those projects;
5. Ensure that Project Implementers are aware of the D-Fund systems and the request for approval of payment in the D-Fund system in a timely manner, so as to avoid delays in project implementation and

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additional costs associated with interest arising from delayed payments and extension of time;

6. Institute an effective mechanism to coordinate Implementers and Key Actors that are engaged in the implementation of the projects financed through loans. This should allow regular provision of feedback on the progress and performance of the projects on the aspects of time, cost and quality;
7. Develop and implement a monitoring and evaluation framework capable of periodically assessing the performance of all development projects financed through loans. The framework should include but not limited to reporting structure covering key aspects of loans and project outputs for the MoFP to be well informed and facilitate provision of feedback to implementers and making follow-up on the implementation of the issued recommendations; and
8. To assess and enhance the capacity of its staff under Monitoring and Evaluation Unit to effectively monitor the performance of development projects financed through loans.



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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Audit

Development is a process that creates growth, progress, positive change or transformations in the physical, economic, environmental, social and demographic components of a country. Normally, organizations prepare and implement development projects to strengthen the capabilities of local institutions and promote community self-reliance through sustainable strategies<sup>1</sup>. In addition, development intends to raise the level and quality of life of people and expansion of local and regional income and employment opportunities, without damaging the environment<sup>2</sup>. To attain the required level of development, the construction of development projects is inevitable. The development projects include but not limited to the construction of water supply schemes, roads, harbours, airports, factories, electricity supply infrastructures, irrigation schemes, buildings for hospitals, markets and school infrastructures, among other things.

Proper management of development projects financed through loans is vital to ensure that projects are timely completed so as to reduce charges incurred on undisbursed loan amount. Apart from that, this will also ensure that loans repayment begin immediately when the projects starts to provide services. It is important for the Ministry of Finance and Planning to make sure that all issues that affect timely completion of development projects are well addressed.

The Ministry of Finance and Planning is the overall overseer of all projects financed through loans implemented by various government entities in country. The Ministry is responsible for approving all the project proposals, signing loan agreements, monitoring and evaluation of projects and approving all payments to implementers of the projects financed through loans. Various public entities implement the projects, including; Ministries, Departments and Agencies (MDAs); and Local Government Authorities (LGAs).

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<sup>1</sup> <https://www.pm4dev.com/pm4dev-blog/entry/characteristics-of-development-projects.html>

<sup>2</sup> <https://sid-israel.org/en/what-is-development/>

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## 1.2 Motivation for the Audit

Development projects are crucial in providing public goods, and supporting improvements of social and economic services in the country. These improvements are crucial in extending the base for the sources of government revenues as they lead to improvements of the business environment and attraction of investment both local and foreign. Therefore, enough care is needed in managing the development projects financed through loans to guarantee timely completion (within the planned cost and quality) to quicken the achievement of the country's development goals.

In addition, this audit was motivated by amount of loan of about TZS 11.96 Trillion that was planned to be spent in the implementation of development projects as indicated in the National Five Year Development Plan from 2016/17-2020/21. Such amount needed to be well utilised to realise the intended development goals. Therefore, this audit intended to highlight areas to improve in the management of development projects financed through loans to make them beneficial to the country. It is expected that the implementation of recommendations provided by this audit report will enhance the achievement of project objectives while at the same time avoiding extra cost that may arise from penalties, interests and additional commitment fees.

Moreover, the Audit was motivated by reported challenges in the African Development Bank Strategy Paper 2016-2020 for Tanzania on the management of development projects that the Bank finances. The reported challenges include delays in fulfilling loan conditions, a prolonged process for contract approval, inadequate performance of contractors and supervising consultants, and delays in the implementation of project components financed by the Government.

In view of the above experiences, the Controller and Auditor General decided to carry-out a performance audit on the management of construction development projects financed through loans. The intention was to examine the performance of the audited entities in relation to the management of development projects financed through loans and recommend areas for improvements.

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## 1.3 Design of the Audit

### 1.3.1 Audit Objective

The main objective of the audit was to assess whether the Ministry of Finance and Planning has ensured effective management of development projects financed through loans so as to minimize delay, cost overrun and avoidable cost burden associated with loan charges.

#### Specific Objectives

In order to address the main audit objective, four specific audit objectives were used. These objectives aimed to find out whether the Ministry of Finance and Planning:

- i) ensures that the construction development projects are effectively planned;
- ii) effectively manages loans for the construction development projects;
- iii) effectively coordinates the implementation of the construction development projects financed through loans; and
- iv) monitors and evaluates the performance of the construction development projects.

Detailed main audit questions and sub-questions are presented in ***Appendix Two*** of this report.

### 1.3.2 Scope of the Audit

The main audited entity was the Ministry of Finance and Planning (MoFP). This was because MoFP has been mandated to approve proposals for all development projects, seek loans and grants from both internal and external sources, issue tax exemptions, and approve payments for all development projects financed through loans on behalf of the Government. Apart from that, the Ministry has the role of monitoring all development projects financed by loans.

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The audit mainly focused on the approval of loans for development projects, coordination and monitoring and follow-up of performance of development projects.

Specifically, the audit assessed the available measures in managing the approval of project proposals with respect to design, feasibility study, environmental impact assessment, social and economic impact assessments and resettlement activities to persons affected by the projects. The audit also assessed the loans management with a focus to functioning mechanisms for loans payment, flow of funds, tracking of loan utilization to facilitate compliance to financing agreement terms and conditions. In addition, the audit assessed activities of MoFP in controlling terms and conditions of issuance of tax exemptions, timeliness in the utilization of loans, control of utilization of loans and time management of projects.

The audit also assessed effectiveness of the coordination of the key stakeholders involved in the implementation of development projects by MoFP, focusing on the availability of functioning coordination mechanisms that address the existing challenges of development projects. It also assessed reporting mechanisms of Implementing Agencies to the Ministry of Finance and Planning.

Furthermore, the audit assessed monitoring activities focusing on effectiveness of monitoring and evaluation. Specifically, the audit examined availability of key performance indicators, and monitoring tools and frameworks. Also, the audit assessed the adequacy of implementation of the monitoring and evaluation plans for addressing existing performance challenges in the implemented development projects financed through loans. Moreover, the audit assessed the adequacy of reporting for the monitoring and follow-up activities and implementation of recommendations issued to Implementing Agencies.

The audit covered all development projects in the country, but data were collected from six selected construction development projects from transportation, energy and water sectors as detailed in Section 1.4.3. The criteria for selection of projects and sectors for verifications are presented in Section 1.3.5 of this report.

The audit covered a period of five financial years from 2016/17 to 2020/21. The aim was to assess the performance trend of the Ministry in managing

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development projects financed through loans. The period was selected because it was the period when the Government was implementing its Five Year Development Plan, and which most of the implemented development projects were financed through loans.

### **1.3.3 Assessment Criteria**

In order to assess the performance of MoFP in the management of development projects financed through loans, assessment criteria were drawn from legislations, guidelines, loan agreements, good practices and Strategic Plans of MoFP.

The following are the assessment criteria for each specific audit objective:

#### **i) Planning for the Development Projects**

According to Section 3.1.2 of the Public Investment Management - Operation Manual, 2015, all Government bodies and private sectors that initiate any development project shall be required to prepare a “Project Concept” in order to allow preliminary screening of the project.

In addition, Section 2.2 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants 2020, states that the concept note for the identified project shall be screened, owned and endorsed by the sector Ministry before being submitted to the institution responsible for National Planning which is under the Ministry of Finance and Planning. The Guideline also showed that the National Planning Division is responsible for screening the submitted project concept notes and make sure that all required items are covered. Moreover, Section 2.3.2 of the same Guideline requires MoFP to scrutinize all components and technical aspects of the feasibility study report, or project proposal including using financial and economic models to confirm viability and value for money of the project.

#### **ii) Management of Loans for Development Projects**

According to Guidance 5.3 of the Public Investment Management - Operational Manual, 2015, the Ministry of Finance and Planning or the project financiers are required to ensure that funds are disbursed to the project from fund providers on time and in the budgeted amounts.

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Moreover, Regulation 4(2) of the Value Added Tax (Exemption Monitoring Procedures) Regulations, 2018) requires the Implementing Agencies or Ministries to submit applications for VAT exemption to the Ministry of Finance and Planning in a period of not less than Thirty days before the commencement of the project.

Similarly, Regulations 4(2) to 4((4) and 5(4) require the Commissioner General of TRA to verify the applications and communicate his decision to the applicant within a period of Thirty (30) days from the date of receipt of the application for tax exemption.

### **iii) Coordination of Key Stakeholders**

According to the Implementation Strategy for the National Five - Year Development Plan 2016/17 - 2020/21, the Ministry of Finance and Planning was required to establish a mechanism for cooperation with other relevant institutions for projects appraisal and enhance its coordination with all key stakeholders at all stages of project implementation.

Similarly, the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of the Ministry of Finance and Planning, 2020 requires the MoFP to act as an intermediary between the sector Ministries and Financiers by ensuring timely disbursement of counterpart funds to facilitate smooth implementation of development projects.

Further, the Loan Agreement between the Government of the United Republic of Tanzania (Ministry of Finance and Planning) and Export - Import Bank of India requires the Borrowers, for this case, MoFP, to submit a status on the execution of each Eligible Contract at an interval of three months from the date of approval of each contract till completion of the Eligible Contract.

### **iv) Monitoring and Evaluation of Performance of Development Projects**

The Public Investment Management - Operational Manual, of 2015 requires MoFP to prepare a log frame/ Monitoring Logical Framework for all approved projects to enhance monitoring and accountability. Likewise the same



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Manual<sup>3</sup> requires Implementing Agencies/Ministries to submit monitoring reports to MoFP.

Furthermore, the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020 requires MoFP to conduct frequent monitoring and share regular feedback to stakeholders on the progress made on the implementation of the project towards achieving its goals and objectives.

#### **1.3.4 Sampling, Methods for Data Collection, and Data Analysis**

Various methods for sampling, data collection and analysis were used by the Audit Team as follows:

##### **(i) Sampling Method Used**

The Audit assessed all 55 construction development projects financed through loans that were implemented between the financial year 2014/15 and 2020/21 to determine the overall performance of MoFP. To facilitate detailed analysis of root causes and verification and triangulation of facts with the Implementing Agencies, purposive sampling was used to select 6 out of the 55 projects based on consideration of the following criteria:

##### **(a) Financing Modality**

Under the financing modality, the audit considered the financing modality that was mostly used and the cost risks associated with the financing modality. Based on this criteria, the Audit Team selected projects that were financed through loans leaving aside those financed by grants. This was because, development projects financed through loans have a high level of financial risks associated with interest and increased charges on commitment fees if they are not managed well compared to those financed through grants. The Audit Team established that out of the 55 construction development projects that were implemented between the financial year

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<sup>3</sup> Public Investment Management - Operational Manual, 2015 (Guidance 4.6)]

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2016/17 and 2020/21, 54 were financed by loans, and only one project was financed through both loans and grants.

Moreover, since loan financing modalities involve concessional, semi-concessional and non-concessional loans, there was a need to choose between the three. The audit focused on concessional loans. This was because non-concessional and semi-concessional loans are loans which aim at supporting the government budget of development projects and may be or not be directly spent on a specific development project. On the other hand, concessional loans, are directly linked and paid to the specific development projects, and thus it was easier to measure their level of utilization in specific project.

### **(b) Financial Materiality**

Under this aspect, the audit considered those projects with high, average and low financial values. In doing so, Projects financed through concessional loans were grouped into three categories of financial materiality i.e., value of loan. First category was projects with high loan value (USD 300 to 500 Million), the second category was projects with medium loan value (USD 100 to 299 Million) and the third category was projects with low loan value (less than 100 Million).

Then, the projects were purposively selected by subjecting them under the following three criteria that to a large extent affect project outputs:

- *Concessional Loan with Commitment Fee*: In this case, the Audit Team assessed the performance of MoFP in managing loans condition, in particular the commitment fees. The Audit Team paid attention to the management of commitment fees because if not effectively managed, such fees pose high risk of increasing the project cost emanating from delays in payments, low utilization of funds and delay in completion of project.
- *Revised Loan Closing Date*: The audit selected projects which had revised loan closing date so as to assess reasons for revising the date, their impacts in terms of cost of the projects and commitment fees, and corrective actions taken by the Ministries to mitigate the risk of increased loan cost.

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- *Project Duration - Period Completed:* Under this aspect, the audit considered those projects with at least three-year time from the approval date of the loan (loan agreement signing date). This was done to assess the performance of MoFP in managing the time for loan agreement. Also, to enable the Audit Team to identify the most critical challenges during the implementation of development projects that led to the revisions of time and impacts associated with the revisions made.

Thus, development projects that met at least two among the three factors had the chance of being selected.

A total of 29 construction development projects met the above criteria, whereby eight projects had high loans value, 13 projects had average loan value and eight projects had low loan value.

### *Selection of Projects and Sectors for Verifications*

The Audit Team used purposive sampling techniques to select projects to be covered. Various sectors that implemented the 29 development projects that met the above criteria were considered.

Specifically, the audit considered sectors that had a high proportion of loans spent from 2015/16 to 2020/21, and that where having more than five projects were implemented. Since, loans for development projects were spent in three major sectors i.e., Water (26%); Energy (20%) and Work and Transport (33%), the Audit Team selected projects that were cutting across these three sectors for comparison purposes. Also, each of these 3 sectors had more than five projects. These criteria were used to enable the Audit Team to get valuable information from the practical experience of the implementers who have implemented more than five projects. In doing so, the Audit Team expected to provide sound recommendations based on practical experiences.

Thus, 6 out of 29 projects that met the above conditions were selected. **Table 1.1** presents the summary of the selected projects and their respective sectors.

**Table 1.1: Summary of Selected Projects and Involved Sectors**

Value of Loans (High, Average, Low)	Total Number of Development Projects (Number)	Respective Sectors	Distribution of Number of Projects Per Sector (Number)	Number of Projects Selected from the Sector (Number)	Total Projects Selected (Number)
High	6	MoWT	4	1	2
		Energy	1	-	
		Water	1	1	
Medium	10	MoWT	3	1	3
		Energy	3	1	
		Water	4	1	
Low	8	MoWT	1	-	1
		Energy	5	1	
		Water	2	-	

*Source: Auditors' Analysis from Projects Information, 2021*

Table 1.2 presents the list of selected projects.

**Table 1.2: List of Selected Projects that were Audited**

Name of Projects	Amount of Loan (USD Million)	Source/Financier	Date of Loan Approval	Name of the Implementer	Commitment charge (%)	Loan Value (High, Medium, Minimum)
Transport Sector Support Programme	347.09	AfDB	4 Dec 2015	MoWT-TANROADS	1.ADB (0.25) 2.ADF (0.5)	High
Southern Africa Trade and Transport Facilitation Project - SATTFP	210.00	IDA and GoT	21 May 2013	MoWT-TANROADS	0.50	Medium
Tanzania-Kenya Power Interconnection Project	204.43	AfDB, GoT and JICA	29 Apr 2015	TANESCO	0.25	Medium
Augmentation of Water Supply schemes of Dar es Salaam and Chalinze Project	178.13	Exim Bank of India	2 Oct 2012	MoW-DAWASA	0.50	Medium
Iringa-Shinyanga Backbone Transmission Line)	64.00	ADF	11 Mar 2011	MoE-TANESCO	0.50	Low
Water Supply Schemes for 23 Towns	500.00	Exim Bank of India	10 May 2018	Ministry of Water	0.50	High

*Source: Auditors' Analysis from Project Information, 2021*

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## (ii) Methods Used for Data Collection

Both qualitative and quantitative data were collected to provide strong and convincing evidence regarding the performance of the Ministry of Finance and Planning in the management of loans for the construction development projects in the country. The Audit Team used document reviews, interviews and physical verification as methods for data collection as detailed below:

### Document Reviews

The Audit Team reviewed documents from the Ministry of Finance and Planning, Ministry of Energy through TANESCO, Ministry of Works and Transport through TANROADS and the Ministry of Water through its selected Water Authorities to get comprehensive, relevant and reliable information on the performance of the Ministry of Finance and Planning regarding the management of loans for the construction development projects in the country.

Some of the reviewed documents were those falling within the period under the audit, i.e. from 2016/17 to 2020/21 while others were from the selected development projects initiated beyond this period. These documents comprised the reports on planning, performance and progress of projects implementation, and monitoring and evaluation. *Appendix Three* of this report presents a list of documents reviewed and reasons for reviewing them.

### Interviews

Interviews with Officials were conducted in the Ministry of Finance and Planning, and also to the three selected Implementing Ministries which are Ministry of Works and Transport, Ministry of Energy and Ministry of Water including their Implementing Agencies which are TANROADS, TANESCO and Water Authorities, respectively. This was done in order to gain insights and clarification on the information regarding practices and challenges on the management of loans for the construction development projects in the country. Interviews were also used to validate information obtained from the reviewed documents. A List of interviewed officials is listed in *Appendix Four* of this report.

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## Physical Verifications

In order to come up with adequate conclusion regarding the performance of the Ministry of Finance and planning on the implementation of construction development projects, physical verifications were done specifically to the 6 selected development projects. The physical verifications involved visual inspection of the quality of the constructed works and extent of completion of the projects in comparison with reported project status.

Physical verification exercises were guided by the detailed drawings, cross sections and structural drawings in order to allow the Audit Team to verify the work done and conclude whether or not the executed and completed work was in line with the reported project status.

### (iii) Data Analysis Method

The collected information was analysed using both qualitative and quantitative methods to obtain facts and sufficient information regarding the overall performance of MoFP with respect to the management of loan for the construction of development projects.

*Quantitative data* were collected through structured interviews and documents review. Responses were quantified by counting the frequencies at which different positive or negative statements about the issues, were given by the respondents. In addition, the frequencies at which similar statements were given by different respondents were counted. The data were organized, summarized and compiled using different statistical methods for data computations. Simple pie-charts graphs were also used to describe and compare the proportion under each main theme identified. The analysed data were then presented in tables and graphs.

*Qualitative data* were described, compared and related so that they could be explained in the form of findings regarding the audit questions. The analysis involved looking for categories such as events, descriptions, consistencies or differences so as to draw inferences from the collected data on explaining the management of construction development projects financed by loans.

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#### **1.4 Data Validation Process**

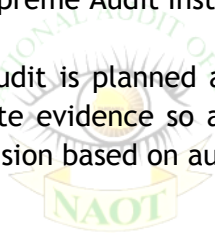
The Ministry of Finance and Planning was given the opportunity to go through the draft report and comment on the figures and presented information. The Ministry confirmed on the accuracy of the figures used and presented information in the audit report.

In addition, experts in the field of loan and grant management cross-checked and presented information and data for validation of information obtained and presented in the report.

#### **1.5 Standard Used for Audit**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) on performance audit issued by the International Organization of Supreme Audit Institutions (INTOSAI).

These standards require that audit is planned and performed in order to obtain sufficient and appropriate evidence so as to provide a reasonable basis for the findings and conclusion based on audit objectives.

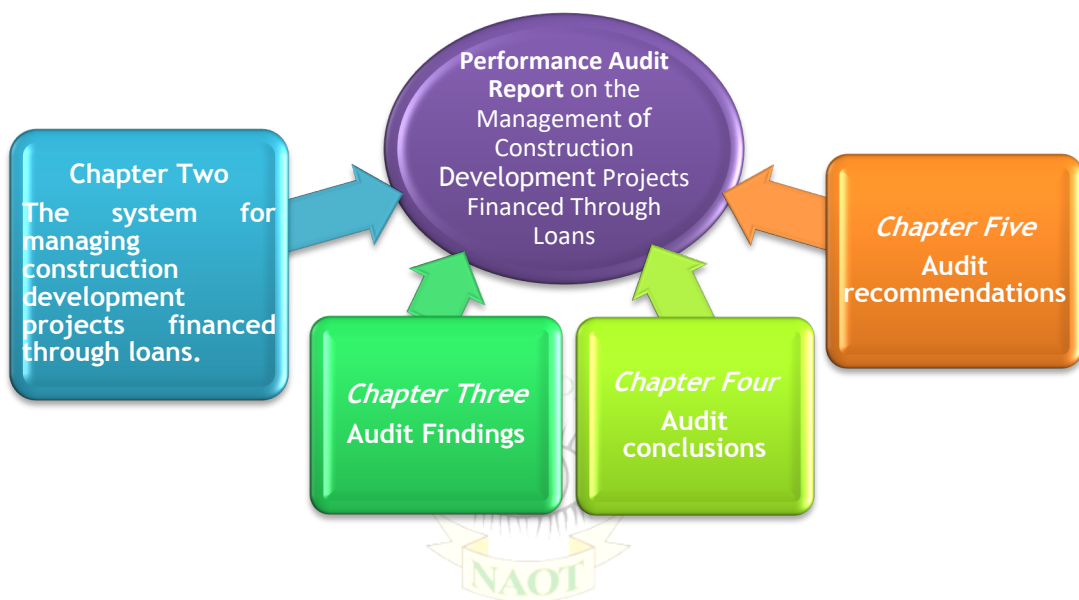


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## 1.6 Structure of the Audit Report

The subsequent chapters of this report are as presented in **Figure 1.1**

**Figure 1.1: Structure of the Report**





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## **CHAPTER TWO**

### **SYSTEM FOR MANAGING CONSTRUCTION DEVELOPMENT PROJECTS FINANCED THROUGH LOANS**

#### **2.1 Introduction**

This chapter describes the system for managing construction development projects financed through loans in Tanzania. It highlights the legal framework, guidelines, roles and responsibilities of the key actors on the management of the construction development projects financed through loans. Resources arrangement, procedures and processes for the management of these projects are also presented.

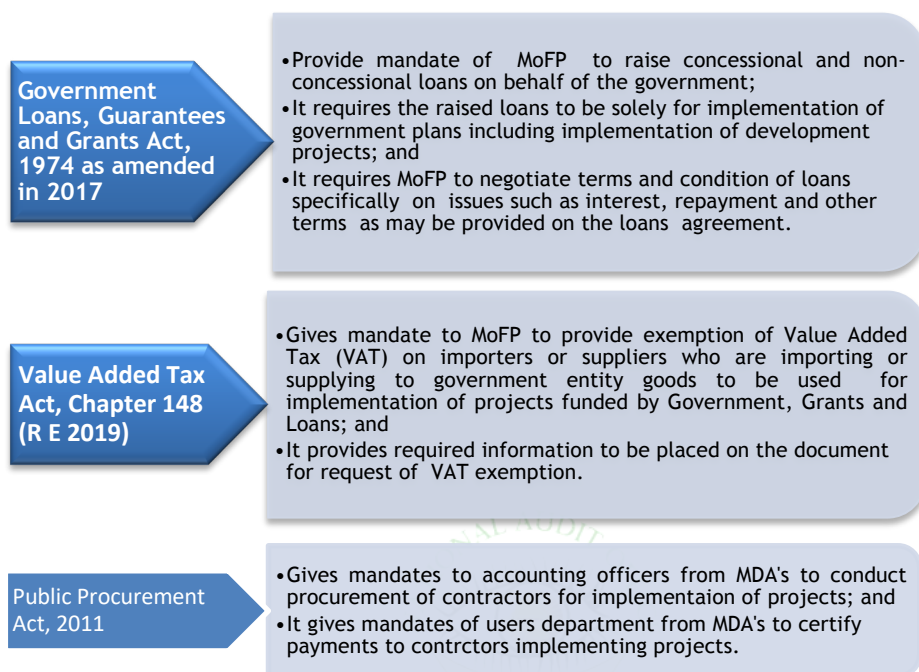
#### **2.2 Legal and Regulatory Framework Governing the Management of Projects Financed Through Loans**

Management of construction development projects financed through loans is guided by the following legislatives, guidelines and strategies.

##### **2.2.1 Governing Legislations**

There are three main legislations that govern the management of development projects financed through loans. These legislations are Government Loan Guarantee Act, 1974, Public Procurement Act, 2011 and its amendments of 2017 and Value Added Tax Act, Cap 148.

**Figure 2.1: Details of Legislation Governing Management of Development Projects Financed Through Loans**



*Source: Auditors' Analysis on Respective Legislations, 2021*

## 2.2.2 Governing Regulations and Guidelines

### (a) Regulations

The key regulations governing the management of Development Projects Financed by Loans are established from the Acts mentioned in the preceding paragraphs. These key regulations include the Government Loans, Guarantee and Grants Regulation, 2003, Public Procurement Regulations, 2013 and the Value Added Tax (Exemption Monitoring Procedures) Regulation, 2018.

The key provisions of these regulations in relation to Government projects financed by loans are as summarized in **Table 2.1:**

**Table 2.1: Regulations Governing Management of Construction Development Projects Financed by Loans**

Regulations	Requirement	Responsible Entities
Government Loans, Guarantee and Grants Regulation, 2003	<ul style="list-style-type: none"> <li>• Mobilization of internal and external financing resources, the scrutinisation of project proposals and monitoring implementation of projects at National level;</li> <li>• Raised loans to be concessional loans with grant element not less than 50% ;</li> <li>• Project to be financed must be of strategic investment and priority areas; and</li> <li>• The borrowed amount should not exceed the annual approved ceiling for that particular financial year</li> </ul>	MoFP
	<ul style="list-style-type: none"> <li>• Project Coordinator of the line and Sector Ministries to submit Monthly Reports to MoFP, containing information of disbursed amount, utilization of loan by item and impact assessment with respect to targets, performance against targets, problem identified and corrective measures taken or to be taken</li> </ul>	MDAs
Value Added Tax (Exemption Monitoring Procedures) Regulation, 2018	The regulation provides the procedure to follow and the required attachment when applying for VAT (Value Added Tax) exemption for projects funded through concessional loans	MDAs
	The application for VAT exemption for projects to be done within 30 days before commencement of the projects.	MDAs
	Commissioner General of Tanzania Revenue Authority (TRA) respond to the submitted exemption application for tax exemption within 30 days.	TRA
Public Procurement Regulations, 2013	Procuring Entities are required to ensure payments are made timely to tenderers so as to enable them meet their contractual obligations.	MDAs

*Source: Auditors' Analysis on the Respective Legislation, 2021*

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## **(b) Guidelines and Manuals**

Several guidelines and manuals govern and/or relate to the management of Development Project Financed by Loans. The principal ones are the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, (2020) and Public Investment Management - Operational Manual, 2015.

### ***Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, (2020)***

The Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, (2020) provide directives on how projects financed by loans and grants are required to be planned. It emphasizes that the loans financed projects have to be linked with the National Development Plans, vision and priorities. It also provides the roles of MoFP and implementing Agencies in relation to the management of development projects financed through loans.

### ***Public Investment Management - Operational Manual, 2015***

The Public Investment Management - Operational Manual, 2015 presents the institutional arrangements and describes the methods and procedures involved in selecting, financing, implementing and evaluating public investment projects in Tanzania. It stipulates the roles and responsibilities of various actors in the public investment process. It further provides guidance on the procedures and tools used in the programming and evaluating public investments i.e. the economic, financial and social analyses of public investment projects, project cycle, project selection criteria, financing, Monitoring and Evaluation (M&E) and management of database for public investment projects.

## **2.2.4 Strategies and Plans**

### ***MoFP Strategic Plans for Period 2017/18 -2021/22***

One of MoFP the strategic plan goals for the period 2017/18-2021/22 was to improve resources mobilization, allocation and utilization mainly through strengthening debt management practices and maintaining debt at a

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sustainable level. This was to be done by monitoring the disbursement of grants and loans on annual basis by 2022 and preparing quarterly monitoring reports on the performance of MoFP and Implementing Agencies.

***The Tanzania Long -Term Perspective Plan (LTPP), 2011/12-2025/26***

In the LTPP, the Government aimed at implementing various development projects in Transport, Energy and Water Sectors by 2025. It aimed to ensure that by 2025, there is efficient, safe modern, integrated transport infrastructure, capable of providing transportation services that adequately link production and marketing centres within the country with the intention to make Tanzania a regional transportation hub and trade gateway. It further aimed at ensuring availability of adequate power supply on sustainable basis, reliable power of good quality to all customers and enable 90% of the national population have access to safe water. Its strategic financing plan for these development projects were through foreign grants and concessional loans from foreign governments and international institutions such as AfDB.

***Implementation Strategy for the National Five - Year Development Plan 2016/17 - 2020/21***

This plan, among other things, emphasized that MoFP has to strengthen relations between bilateral and multilateral financial institutions with the expectation of raising the amount of loans to be borrowed. Furthermore, this plan aimed at increasing the capacity of MoFP as a focal point and coordination unit for the analysis of foreign financing projects by providing a sufficient budget for projects, increasing the number of specialized M&E experts, and establishing cooperation mechanism with other relevant institutions for projects appraisals.

### **2.3 Role and Responsibilities of Key Actors**

The main actors involved in the management of construction development projects financed through loans include the Ministry of Finance and Planning, Financiers and Implementing Agencies /Contracting Authority. The roles of these stakeholders are briefly explained below:

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## **(i) The Ministry of Finance and Planning (MoFP )**

The implementation of development projects financed through loans at the Ministry of Finance and Planning is carried out under the National Planning, External Finance and Policy Analysis Departments. Roles of respective Departments are as follows: -

### **(a) National Planning Department (NPD)**

According to the Public Investment Management Operational Guidelines, 2015 the major role of NPD, previously performed by the former President's Office - Planning Commission (PO - PC) is to review, assess, appraise and approve projects that require public resources before the Cabinet decision. It was also required to develop and maintain project database, assess the impact of public investments for the purpose of identifying strengths and weaknesses and act as an overall coordinating institution and facilitator for all actors.

In the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, (2020), the National Planning Department has two major roles namely; review of project appraisals submitted by implementing Agencies and monitoring the performance of the projects.

During the review of project appraisals, the NPD is required to assess the project on the based on<sup>4</sup>:-

- linkage with the national development plans, vision and priorities;
- scope, size and its value addition;
- coordination aspect that could assist the project to take-off;
- identified potential risk and mitigation mechanisms;
- social- economic impact of the project, overview of Environmental and Social Impact Assessments (ESIA); and
- Overview of compensation and resettlement action plan of people affected by the project.

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<sup>4</sup> Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants (2020)

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In carrying-out monitoring of projects financed by loans, NPD is required to provide regular feedback to stakeholders (Implementers) during the implementation of the project goals and objectives<sup>5</sup>. Apart from that, during monitoring visits, the Monitoring Team should contain representatives from External Finance and Internal Auditor General Departments where there is technical expertise as far as project implementation is concerned.

#### **(b) External Finance Department**

The Department is mainly responsible for raising loans by performing the following roles:

- Liaise with the Other Departments/Divisions within the Ministry to obtain information for the planning of future external financial resources;
- Co-ordinate plans for both loans and grants financing;
- Co-ordinate, manage and control external requirements;
- Identify sources of external resources;
- Maintain and produce reports on statistical records of aid flows data; and
- Participate in the production of the annual Development Co-operation Report.

#### **(c) Policy Analysis Department**

It is mainly responsible for issuing tax exemption to contractors involved in the implementation of development projects. The Department review the submitted requests for exemption before the Minister issues the Government Notice on Value Added Tax (VAT) Exemption for the construction materials or equipment to be used in the project funded by loan or grants.

#### **(ii) Implementing Agencies /Contracting Authority**

Key functions of the Implementing Agencies are to initiate, plan and implement projects financed through loans and grants. During the implementation of projects, they provide day to day management of the

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<sup>5</sup>Ministry of Finance and Planning, Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants,2020

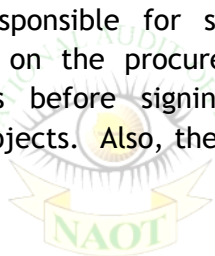
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project activities by reporting projects' progress to the line Ministries and MoFP. They are also required to keep records and update the project financing information in the Project Management Information System. During the implementation of the projects, Implementing Agencies are also required to conduct regular monitoring of the project and report to the MoFP and other authorities as instructed in the Operational Contracts.

Moreover, the Project Coordinator of the Line and Sector Ministries is required to submit Monthly Progress Reports to MoFP, containing information of disbursed amount, utilization of loan by item and impact assessment with respect to targets, performance against targets, problems identified and corrective measures taken or to be taken.

### **(iii) Financers/Development Partners**

Development Partners are responsible for supporting, financing and providing technical assistance on the procurement process by issuing objections and no objections before signing the contract for the implementation of proposed projects. Also, they align their commitments to the national priorities<sup>6</sup>.



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<sup>6</sup>Ministry of Finance and Planning, Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants 2020






**Figure 2.2: Relationships between Key Actors**



*Source: Auditors' Analysis of Interviews and Public Investment Management - Operational Manual (2015), 2021*

**Legend: Relationship between Key Actors**

-  Two way relationships between actors but they cannot make conclusion
-  One way relationship between actors
-  Two way relationships between actors

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## **2.4 Process for Monitoring Construction Development Projects Financed Through Loans**

Management of projects financed through loans follows the processes explained below: under:

### **2.4.1 Project Planning**

The planning phase involves activities such as initiation of the project, preparation of Feasibility Study and Detailed Design Report, Project Loan Financing Arrangements and Negotiation and Signing of Financing Agreement. These phases are explained below.

#### ***Initiation of the Project***

Development projects are initiated and conceptualized by Implementing Agencies which are Ministries, Department and Agencies (MDAs). In case the MoFP brings up a project idea the Ministry is required to assign the work to the Implementing Agency which is responsible for its implementation. According to Guidelines 2.1 of the Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020 the MDAs are required to select projects and prepare concept note.

After the concept note has been prepared it is submitted to MoFP through the National Planning Department for screening/reviews. After the review of the concept note, MoFP is required to communicate the screening results to MDAs.

#### ***Preparation of Projects Proposal***

After the MoFP has accepted the concept note, the Implementing Agency is required to prepare a project proposal which must contain feasibility study and detailed project design. The feasibility study is required to portray a true picture of the project viability. After the completion of the Feasibility Study, detailed design of the Projects is prepared which is required to be reliable and realistic, reflecting the cost estimates of the project and all components of the project in order to limit unnecessary variations during project implementation. The Feasibility study and detailed design are then submitted to MoFP for review and proceeding with the financing process.

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Public Investment Management - Operational Manual 2015, require the MoFP to review the feasibility studies of projects covering technical or engineering aspects which are input parameters of the project for example, quantities and prices of inputs, sales turnover or service delivery, appropriateness of the technology, size of the project, design and location. It further requires MoFP and responsible sector ministries to ensure that the designs are complete and with sufficient details and include multi-year costing to allow MTEF/budget programming.

### ***Project Loan Financing Arrangement***

After MDAs have completed the feasibility study and detailed design, they are submitted to MoFP for financing arrangement. The MoFP, through NPD review the Feasibility study and detailed design of the projects received from MDAs. If the submitted feasibility study and design meet all requirements, they are submitted to the External Finance Department who submits a formal request to the potential financiers of the earmarked project.

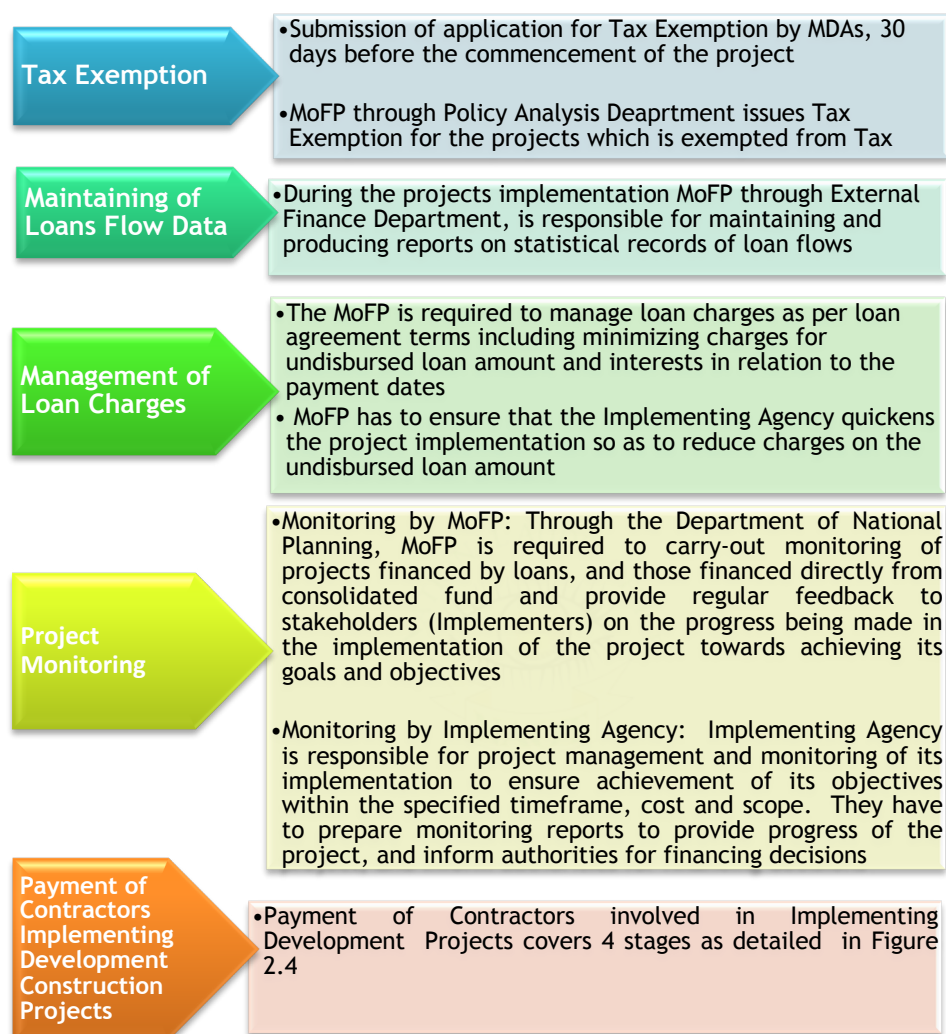
### ***Negotiation and Signing of Financing Agreement***

After getting the financier, negotiation team comprising officials from MoFP, Attorney General, Bank of Tanzania, Concerned MDAs, Sector Ministries, etc. shall negotiate to secure financing of the project at most favourable conditions, minimise risk to the Government, and resolve any foreseeable risk during the implementation of the project. The Government Negotiation Team is supposed to develop insights about the interests of the financier on the key aspects to be negotiated. This helps the Negation Team to understand the financier's concerns and aspirations, the dynamics in which they operate, and their operational environment, which can be utilized to secure better terms. Thereafter, MoFP sign loans agreement with the financier.

## **2.4.2 Management of Loans during the Project Implementation**

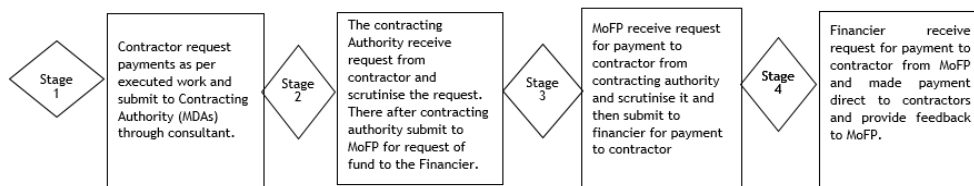
During the project implementation MoFP is responsible for issuing tax exemption, maintaining loan flow data, monitoring projects implementation, and approving payment to Contractors as elaborated below in **Figure 2.3**:

**Figure 2.3: Process for the Management of Loans during the Project Implementation**



*Sources: Auditors' Analysis from Interviews and Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020*

**Figure 2.4: Stages involved in Payment of Contractors Implementing Development Construction Projects**



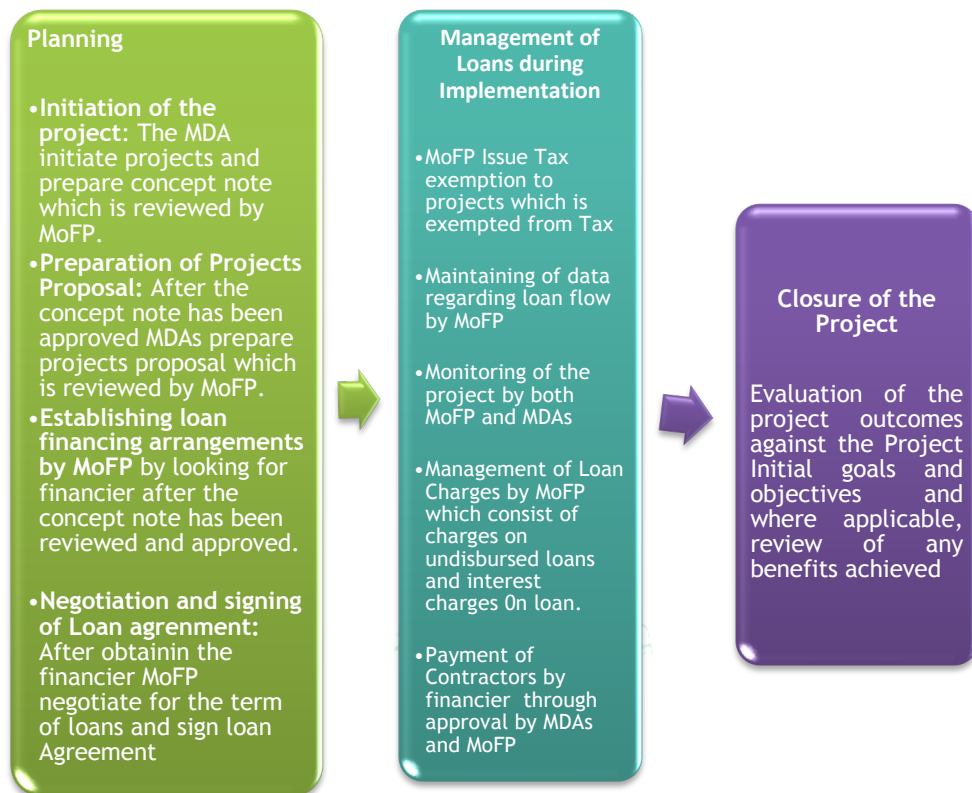
*Sources: Public Investment Management Operational Manual, 2015*

### 2.4.3 Closure of the Project Contracts/Financing Agreements

According to the Public Investment Management - Operational Manual (2015), during the closure of the contract for project implementation, MoFP is required to evaluate the outcome of the project against the planned activities, and review any benefits achieved by the end of the project implementation. It is also expected to ensure that any lessons learned are shared with those who might benefit from them.

The summary of the process for managing construction development projects financed through loans is presented in **Figure 2.5**.

**Figure 2.5: Summary of Process for Managing Construction Development Projects Financed through Loans**



*Sources: Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020*

## **2.5 Resources for Managing Construction Development Projects Financed through Loans**

Effective management of activities of the construction development projects financed through loans involves both human and financial resources as described below:

### **2.5.1 Financial Resources**

The implementation of construction development projects has to be monitored and funded by the Government of Tanzania. The amount of funds budgeted for monitoring of development projects at the External Finance Department are as presented in **Table 2.2**.

**Table 2.2: Allocated Budget for Monitoring of Construction Projects  
Financed through Loan in 2016/17 - 2020/21**

Department	Financial Year	2016/17	2017/18	2018/19	2019/20	2020/21
National Planning Department	Budgeted (TZS) in Millions	The Department was not yet Established			746.96	684.88
	Actual disbursed (TZS) in Millions				671.06	674.85
	Percentage Released (%)				89.83	98.53
External Finance Department	Budgeted (TZS) in Million	-	-	316.50	177.60	146.50
	Actual disbursed (TZS) in Million	-	-	297.51	168.60	146.50
	Percentage Released (%)	-	-	94	94.9	100

*Source: Auditors' Analysis of the Ministry of Finance and Planning Medium Term Expenditure Framework, 2021*

Table 2.2 shows that, External Finance Department for three years received above 94% of the planned budget for monitoring, and for the financial year 2016/17 and 2017/18, there were no the data on planned budget and its disbursement. National Planning Department for two years of its operations received above 89% of the planned budget for monitoring of projects.

### 2.5.2 Human Resources

The current status of the available human resources against the required number for the National Planning and External Finance Departments is as summarized in Table 2.3.

**Table 2.3: Status of Human Resources Available against Required at MoFP in Two Departments**

Department	Professional	Total Available number of Staff (number)	Total Required Number of Staff (number)	Percentage of Available Staff Against the Required
National Planning Department	Commissioner	1	1	100
	Assistant Commissioners	1	2	50
	Economists	24	37	65
	Engineers	2	6	33
	Statistician	0	2	0
	Quantity Surveyors	0	1	0
External Finance Department	Commissioner	1	1	100
	Assistant Commissioners	4	4	100
	Financial Management Officers	8	12	67
	Principal Accountant	1	1	100
	Economists	29	89	33
	Executive Assistants	1	1	100

*Source: Auditors' Analysis of Information from MoFP's Staffing Level Data, 2021*

Table 2.3, shows a shortage of staff at the external finance and national planning department. The shortage for the National Planning department includes Economists by 35% and Engineers by 67%. The audit also noted the total absence of Quantity Surveyors and statistician. For the case of the External Finance Department there is a shortage of 33% Financial Management Officers and a shortage of 67% Economists.



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## CHAPTER THREE

### AUDIT FINDINGS

#### 3.1 Introduction

This chapter presents the audit findings on the performance of the Ministry of Finance and Planning regarding the management of construction development projects financed through loans. The audit findings address four sub-audit objectives presented in Section 1.3.1, including assessment of the effectiveness of development projects planning; effectiveness of management of loans financed development projects; the coordination of the implementation of development projects; and monitoring and evaluation of the performance of construction development projects financed through loans.

#### 3.2 Extent to which MoFP has Effectively Managed Loan Financed Construction Projects

*To what extent development projects financed through loans are effectively managed?*

According to the Public Investment Management Operational Manual, 2015, MoFP is required to properly manage the development projects financed through loans and ensure that they are completed within the planned, time and cost as indicated in the financing agreements.

The Audit Team noted that MoFP made various efforts to ensure that loan financed projects meet the intended quality and are completed on time and within the planned cost as indicated in the financing agreements. Among the efforts include the introduction of a D-fund system for the approval of requests for payments from the implementing Ministries to MoFP and lastly to a financier, improvements in tax exemption processing as indicated in the Finance Act, 2021 and establishment of Guidelines for Project Planning and Negotiation for Raising of Loans, Issuing Guarantees and Receiving Grants of 2020.

The extent to which MoFP has properly managed the development projects was measured against the indicators of meeting the expected completion time of projects and cost per the loan financing agreements. Nonetheless, the analysis made by the Audit Team revealed the following:

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### 3.2.1 Extent of Delays in the Completion of Loan Financed Projects

*To what extent did development projects financed through loans experienced delays?*

Review of the analysis done by MoFP for the on-going development projects implemented by the Government using Concessional Loans indicates delays in the completion of projects compared to the agreed loan closing dates. The extent of delays was analysed for the Loan Agreements from 34 out of 55 development projects that were signed since 2010 and whose closure dates were revised:

The results of that analysis are as presented below:

#### ***Delays in the completion of 32 out of 34 Development Projects Financed through Loan***

Analysis of the completion time of projects against loan Agreement on the closure date revealed that 32 out of the 34 projects (equivalent to 94%) were completed late, ranging from a delay of 0.8 years to 3.9 years.

The remaining 2 projects implemented by the Ministry of Energy and the Ministry of Health did not experience delays in relation to loans closing date. The detailed analysis of delays of each project is presented in Appendix Five of this report.

Table 3.1 present the summary of the analysis of delays of construction project managed by different Ministries.

**Table 3.1: Extent of Delay in Completion of Implementation of Project (in Years)**

Sector/Implementer	Total Number of Projects	Number of Projects Delayed	Average Delays (Years)
Ministry of Energy	9	8	3.9
Ministry of Water	10	10	3.5
Ministry of Home Affairs through NIDA	1	1	3.8
Ministry of Work and Transport	9	9	3.2
Ministry of Agriculture	1	1	2
Ministry of Education	1	1	2
PO-RALG	2	2	0.8
MHCDEC	1	0	0
<b>Total</b>	<b>34</b>	<b>32</b>	

*Source: Auditors' Analysis from the MoFP's Report on-going Projects implemented by the Government using Concessional Loans August, (2021)*

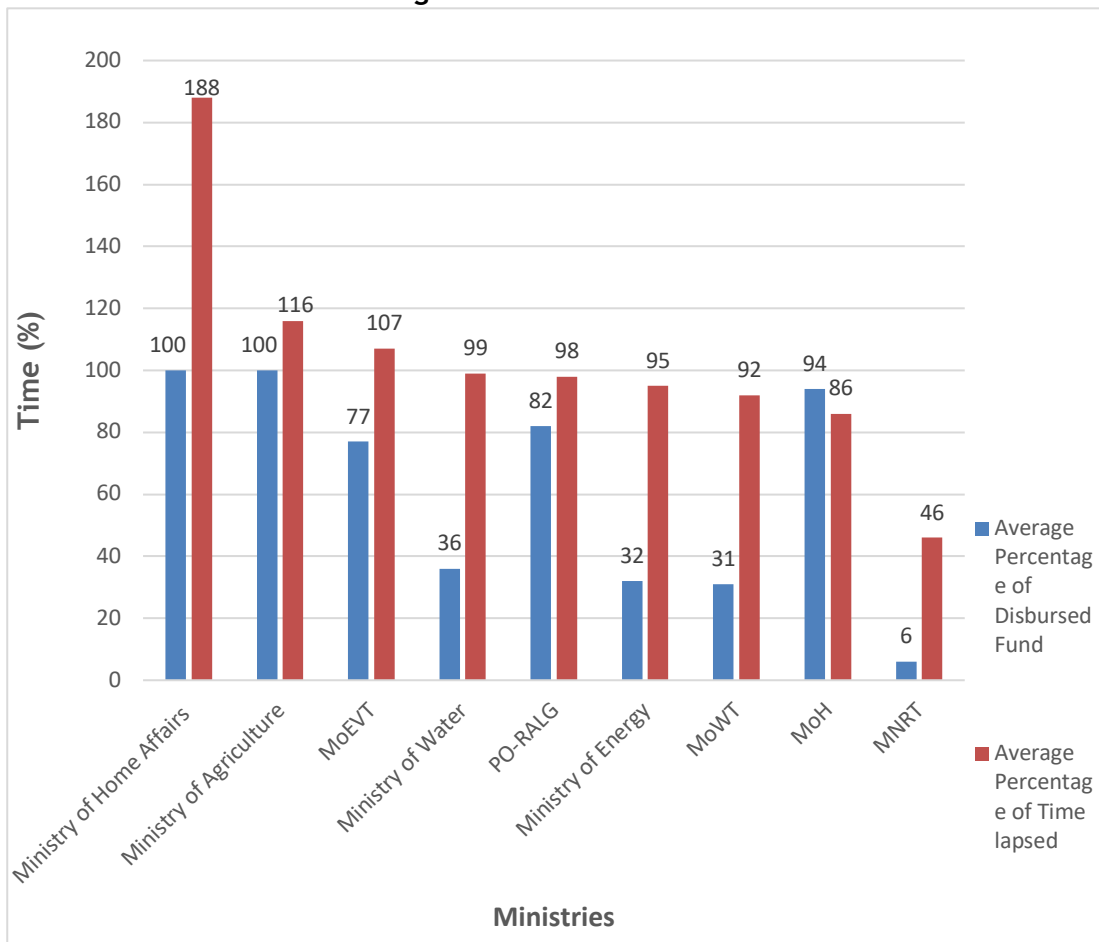
Table 3.1 shows that, the average delay in the completion of projects ranged from 0.8 to 3.9 years. The 28 projects implemented by the Ministry of Water, Energy and that of Works and Transport were found to have the longest delay ranging from 3.2 to 3.9 years. The four projects implemented by PO-RALG, Ministry of Agriculture and the Ministry of Education experienced the shortest delay of 0.8 and 2 years, respectively. This means that to a large extent most of the projects were operated at the time of extension. The detailed analysis of delays of each project is presented in *Appendix Five* of this report.

***78% of Projects had utilized less Loan compared to the Project Implementation Period from the Loan effective date***

Analysis of the percentage of disbursed fund and the percentage of project implementation period spent from the loan signing date, revealed that 43 out of 55 development projects (equivalent to 78%), percentage of project implementation time spent from loan signing date were greater than the percentage of the disbursed fund.

Figure 3.1 shows the percentage of elapsed loans duration period against the percentage of utilised funds for the projects implemented by nine different Ministries.

**Figure 3.1: Percentage of Elapsed Loans Duration Period against the Percentage of Fund Utilization**



*Source: Auditors' Analysis of Progress of on-going Projects Financed through Loans, 2021*

Figure 3.1 shows that, the percentage of fund disbursement was not proportional to the percentage of elapsed loan duration period except for the projects implemented by the Ministry of Health; whereby the percentage of the disbursed fund was greater than the percentage of elapsed/spent time. The huge difference was noted for the project implemented by the Ministry of Water, Energy, Work and Transport with the percentage difference above 60% followed by the Ministry of Natural Resources and Tourism, Education and Vocational Training, PO-RALG and MoH with the percentage differences of 40%, 37%, 16% and 8% respectively, of elapsed time against the disbursed loans. The details of the analysis are presented in *Appendix Six* of this report.

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This indicates that even though projects implementation were within the loans duration, the likelihood for the project to experience delays in their completion was high. It also shows that, these projects were likely to lead to cost overrun associated with interest and commitment fees.

### 3.2.2 The Quality of Implemented Loan Financed Development Projects

*What is the quality of the completed development projects as per the agreement?*

Section 243(1) of the Public Procurement Regulations of 2013, requires a Procuring Entity to monitor the performance of the service provider or Contractor against the statement of requirements or schedule of works stated in the contract, by means of daily, weekly or monthly reports from the Procuring Entity's supervisor responsible for the services or works.

The Special Audit Report conducted by MoFP<sup>7</sup> which also covered a few projects among the 55 projects assessed in this audit, reported a presence of implemented projects financed through loan with unsatisfactory quality. The same Report cited that the constructed Busoka and Sirali Market projects financed by African Development Bank were noted to have cracks (i.e., bending beams and doors). Photo 3.1 presents some of the conditions observed in those two buildings.



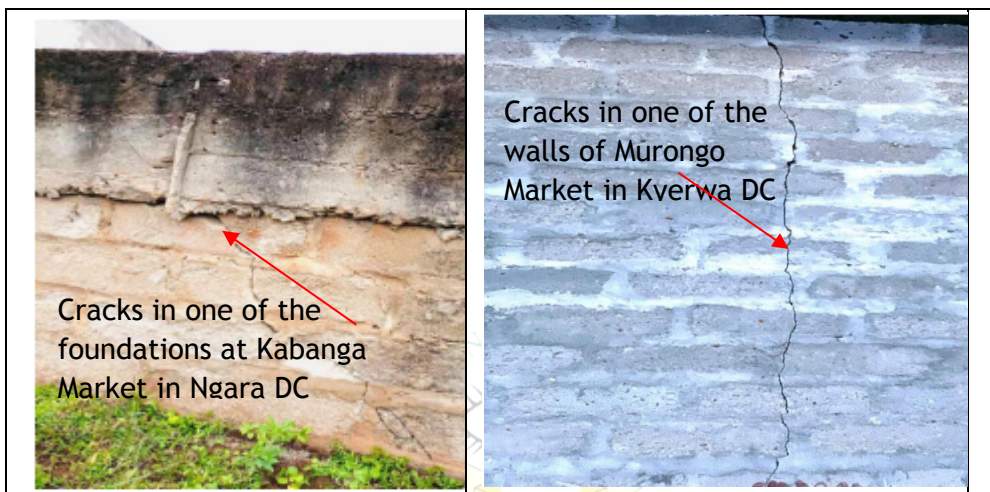
**Photo 3.1:** Cracks in the Joints between the walls and the pillars in the floor, Curved beam, poor grip of plaster, concrete cracks for columns and beams

*(Source: Extract from MoFP's Special Audit Report, 2020)*

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<sup>7</sup> Taarifa ya Ukaguzi Maalumu wa Miradi ya Maendeleo katika Mikoa ya Shinyanga na Mara, Oktoba 2020

Further review of the Monitoring of Construction of Strategic International Market through District Agricultural Sector Investment Project (DASIP) conducted by MoFP in Kagera Region in June, 2021 reported that 3 out of 4 projects financed through loan that were visited and inspected in Kagera Region had various quality problems. The main quality problems that were observed include cracks in the wall, wearing of blocks and distortion of concrete on some columns and bending of beams. **Photo 3.2** shows Examples of some observed quality problems in the visited projects:



**Photo 3.2:** Cracks on the Constructed walls in Kabanga Market in Ngara DC and Murongo Market in Kyerwa DC, taken by the MoFP Review Team in June, 2021

**Photo 3.2** above, shows cracks in the constructed and completed walls of the markets. This indicates that walls had some structural problems and may not last longer. According to the MoFP's Report, the review team from the Ministry was not availed with test reports to verify if the constructed structures met the required quality and technical specifications for those projects. The quality challenges observed were found to be attributed to inadequate quality control mechanism by the implementers of the projects.

### 3.2.3 Extent of Loans Financed Projects with Cost Overrun

*To what extent does the implementation of development projects faced cost overrun?*

The Audit Team analysed a cost overrun of three among the 55 development projects that were either full or substantially completed. The analysis

revealed that these three projects faced cost overruns amounting to USD 78.6 Million. These projects and their cost overrun have been illustrated in Table 3.2.

**Table 3.2: Percentage of Cost Overrun of the 3 Construction Projects**

Name of Project	Project Cost (USD Million)	Amount of Cost Increase (USD Million)	Percentage Increased Cost (%)	Reason for Cost Overrun
New Salander Bridge Construction Project	91	32.6	36	Under estimation of project costs. (All bidders including the awarded Contractor were above the initial cost estimate)
(DSM Urban Transport Improvement Project -DUTP	425	31 <sup>8</sup>	7	Design change
TZ- Dar Maritime Gateway Project- DSMGP	345	15	4	Inadequate geotechnical survey which underestimated the lower depth of hard surface than actual site condition and caused additional of 15 meter deep

*Source: Auditors' Analysis of Progress of on-going Projects Financed through Loans, 2021*

Table 3.2 shows that, four development projects with a total initial cost of USD 1361 Million had a cost overrun amounting to USD 659 Million (equivalent to 48% of the total initial cost). The cost increase was attributed to inadequate feasibility study to determine the availability of rock in the project site, inadequate design, changes in the scope of work different from that in the loan agreement and inadequate cost estimate.

Generally, ineffective management to a great extent contributed to delayed completion of construction work which led to the failure to meet deadlines of loan closure and consequently increased cost for the

<sup>8</sup> Using exchange rate of 1 USD to 2237.36 TZS as of 8 March 2017 BoT exchange rate the TZS 70 billion increase in cost is equivalent to USD 31 million.



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implementation of the construction development projects financed through loans.

The ineffective management of construction development projects were mainly indicated by weaknesses in the planning for projects financed by loans, management of loans financing agreement terms and disbursement, monitoring of development projects financed through loans and coordination between MoFP and implementers of the development projects.

### **3.3 Weaknesses in Planning of the Construction Development Projects**

The analysis of project information, revealed that MoFP did not ensure that development projects were effectively planned. This observation of the Audit Team is based on the following facts:

#### **3.3.1 MoFP did not Adequately Review the Submitted Projects Proposal and Designs**

##### ***Did MoFP ensure Adequate Review of Submitted Project Designs and Proposals?***

The Audit noted that MoFP did not adequately review submitted project proposals and designs as required by Sections 3.1.2, 4.1 and 4.4 of the Public Investment Management Operational Manual, 2015 and Regulation 14 (c) of the Government Loans, Guarantee and Grants Regulations, 2003. These sections require MoFP to review all Projects Concepts and designs submitted by both Government bodies and the private sector.

Contrary to those requirements, the Audit Team noted the following:

#### **(i) MoFP reviewed few Project Proposals that were Submitted by the Implementing Agencies**

While MoFP was expected to scrutinize all proposals for the development projects financed through loans (President's-Office Planning Commission previously performed this task), the Audit Team noted that MoFP did not review all proposals for the 55 projects implemented for the period from 2016/17 to 2020/21. This was evidenced by the failure by the MoFP's Officials to avail to auditors the review reports for all six sampled projects under this Audit to justify their statement that they have been reviewing the project proposals submitted by the implementing agencies.



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Interviews held with Officials from the MoFP, indicated that the Ministry has started to review project designs after the establishment of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of November, 2020. However, since this was also a requirement of the Public Investment Management - Operational Manual, 2015, the Audit Team is in the view that, the inadequate prioritization and strategy for the review of the submitted project proposal contributed to this weakness.

Additionally, MoFP indicated that recently, the Ministry developed a web based system, namely National Project Management Information System (NPMIS), through which all technical and administrative procedures are performed. Moreover, Officials from the Ministry indicated that the system has managed to reduce a backload and enhance effective review of submitted proposals. However, the Audit Team noted that this system has not been effectively used by Officials from MoFP and all Implementers because it has just been recently introduced in July 2021. The Ministry is still training Officials from different Implementers.

Moreover, the Audit noted that, MoFP didn't scrutinize all components and technical aspects of the project proposals including financial and economic models to confirm viability and value for money of the projects. This was contrary to the Public Investment Operational Manual, 2015 and Section 2.3.2 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants and Public Investment Operational Manual.

Officials from MoFP indicated that their failure to review the submitted project proposals was attributed to staff shortage by 67% at the National Planning Department within MoFP, which is responsible for reviewing project proposals. As presented in Table 2.2, the Department did not have any Quantity Surveyor and they had 2 out of 6 required Engineers. It was further noted that this also led to low efforts made by the MoFP in supporting the Implementation Strategy for the National Five - Year Development Plan 2016/17 - 2020/21, which requires MoFP to establish a mechanism for cooperation with other relevant institutions in project appraisals preparation.

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## (ii) Ineffective Review of the Submitted Project Designs by MoFP

According to Section 4.1 and 4.4 of the Public Investment Management - Operational Manual 2015 and Regulation 14 (c) of the Government Loans, Guarantee and Grants Regulation 2003, MoFP was required to review the Technical or Engineering aspects of the project designs. The review was expected to assess the sufficiency and completeness of designs in relation to quantities and prices of inputs, sales turnover or service delivery, appropriateness of the technologies, size, design and location of the projects.

MoFP indicated that, despite the shortage of staff with specialized professionals, the Ministry has been using staff from the Office of Internal Auditor General (IAG) with the required professions such as Economists and Quantity Surveyors to review the project proposals. However, the review of Projects Designs Minutes and Reports, revealed that MoFP did not adequately cover aspects such as quantities and cost of inputs during the review of project designs. Instead, MoFP concentrated more on the viability of projects and checking whether the projects were within the Government priority. **Table 3.3** shows the extent of review coverage of design elements by MoFP for the five projects whose review reports were available at MoFP.

**Table 3.3: Assessment of Quantities and Prices inputs of Projects**

Name of the Projects	Quantity and Price Input Analysis
Extension of Water Supply and Sewerage Services in Dodoma Town and Chamwino Town	Per capital cost for water supply project (ratio of cost per population) was assessed but no comment was provided if it was within, below or above
Mtwara Gas Fired Power Plant (300mw) and 400kv Transmission Line	Cost per unit was analysed in comparison to the implemented project
Electrification of Peri-urban Areas on Mainland Tanzania	The analysis on Pre-feasibility did not assess the quantity and price input of the project
Dar es Salaam Bus Rapid Transit (BRT) Infrastructure - Phase 5	The analysis of cost input was not assessed
Water Supply Project for Katoro, Buseresere, Bwanga and Minkoto Townships in Geita Region	No analysis that has been done in connection to Quantity and Price inputs; rather Implementer used the recent cost of project implemented in previous recent contracts implemented in Mwanza, Geita, Magu and Lamadi towns

*Source: Auditors' Analysis of MoFP's Review Reports for Pre-feasibility Studies, Feasibility Studies and Detailed Designs, 2021*

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**Table 3.3** shows that, MoFP did not assess the quantity and prices of inputs for 3 out of 5 projects which were submitted to it for review. Lack of analysis for the quantity of materials and prices of inputs poses a risk of over estimation or underestimation of the project cost.

In addition this may cause overdesigning of the projects, absence of the quantities and prices input for design and build contract (Engineering, Procurement and Construction (EPC)), frequent changes of design during the implementation of the projects and uncompleted design of different project items. Consequently, this might lead to overdesign and eventually additional costs and extension of time of the projects implementation time.

### **3.3.2 Ineffective Review of Compensation Plans prior to Signing the Loans Agreements**

*Does MoFP effectively review the compensation plans prior to approval and signing of loans agreements?*

According to the Public Investment Management - Operational Manual, 2015, MoFP was required to review the resettlement plan for people affected by the projects<sup>9</sup>. On the contrary, the Audit Team noted that MoFP did not effectively review the compensation plans to allow smooth implementation of the projects. This was evidenced by the following facts:

#### ***Absence of Resettlement Plans for the Signed Loan Agreements for 2 out of 6 Sampled Projects***

Review of Projects Appraisal Documents and Feasibility Studies of the six sampled projects, it was noted that loan agreements for one project was signed while it had no comprehensive action plan for compensation. **Table 3.4** presents the planned action for the 6 sampled projects regarding compensation.

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<sup>9</sup> Annex C: Project Data Bank Reporting Formats, Format C8.1: Project Assessment Sheet for Feasibility Study

**Table 3.4: Planned Action of Compensation as per Projects Appraisal**

Name of the Sampled Project	Availability of Compensation Plan	Planned Action
Southern Africa Trade and Transport Facilitation Project - SATTFP	Available	The civil works did not commence until the Resettlement Action Plan was fully implemented in a manner satisfactory to the Bank
Transport Sector Support Programme	Available	Resettlement activities were budgeted, for funding by the Government
Iringa - Shinyanga Backbone Transmission Line)	Not Applicable	No plan was required as the land to be used was owned by the Government
Tanzania-Kenya Power Interconnection Project	Available	Resettlement activities were budgeted, for funding by the Government
Water Supply Schemes for 23 Towns	Not Applicable	No plan was required as the land to be used was owned by the Government
Augmentation of Water Supply Schemes of Dar es Salaam and Chalinze Project	Not Available	Mobilization and construction phase commenced when payment to persons affected by the project were completed

*Source: Auditors' Analysis of the Reviewed Reports of Project Appraisal and Feasibility Study Reports, 2021*

***MoFP Did Not Assess the Appropriateness or Adequacy of the Compensation Plans***

MoFP was expected to review the submitted compensation plans to ensure that the plans would not affect the project implementation time. In doing so, MoFP was expected to check the adequacy of the compensation plans that indicate funds, resettlement plan and time of its implementation. This was key to ensuring that loan effective start date is set in consideration of the implementation time for the compensation. However, the Audit Team noted that 4 out of 6 sampled projects planned for compensations to persons affected by the projects, but compensation was not made timely and eventually caused delay in completion of projects, as presented in Table 3.5.

**Table 3.5: Projects with Delays in the Implementation of Compensation Plans**

Name of the project	Affected Part	Lot/Component	Start of the Project	Time when Compensation was not Completed	Total Delay (Days)
Southern Africa Trade and Transport Facilitation Project - SATTFP	One-Stop Border Post	1	12/06/2019	07/04/2020	300
Transport Sector Support Programme	No any reported challenges	1	03/04/2018	Not Affected	-
		2	20/04/2018	Not Affected	
		3	19/03/ 2018	Not Affected	
		Mbinga Mbamba Bay	03/04/2018	Not Affected	
Iringa - Shinyanga Backbone Transmission Line Phase II	No any reported challenges	T6-2	28/03/2018	Not Affected	-
Tanzania-Kenya Power Interconnection Project	Lots T1, T2 and T3	T1	06/4/2017	02/10/2020	1275
		T2	23/6/2017	15/02/2019	602
		T3	31/3/2017	27/02/2019	698

*Source: Progress Reports, Extension of Time Reports and Correspondence Letters*

**Table 3.5**, indicate delays in the compensation to persons affected by the projects. The delays were in two projects which are Southern Africa Trade and Transport Facilitation Project (SATTFP) and Tanzania-Kenya Power Interconnection Project. For the Transport Sector Support Programme, the Resettlement activities were budgeted for and funded by the Government. The maximum delay was noted in SATTFP whose delay was up to 1,275 days equivalent to 3 years. This caused extension of time for project implementation by the contractors.

The analysis of the duration of time extended due to delays in the compensation of the affected people are presented in **Table 3.6**.

**Table 3.6: Time Extended as a Result of Delays in Compensation of the Land Owners**

Name of the project	Planned Action	Affected Part	Extended time (Days)
Southern Africa Trade and Transport Facilitation Project - SATTFP	The civil works did not commence until the Resettlement Action Plan (RAP) was fully implemented in a manner satisfactory to the Bank	One-Stop Border Post	No time was extended but an alert for the extension was given
Tanzania-Kenya Power Interconnection Project	Resettlement activities were budgeted for funding by the Government	Lot T1	335
		Lot T2	334
		Lot T3	425

*Source: Auditors' Analysis of Progress Reports and Analysis for Extension of Time, 2021*

Table 3.6 indicates that, as a result of delays in the compensation the extension of the implementation of the project was issued. The extension of time was up to 425 days.

The Audit Team noted that delays in the compensation were mainly due to delays in the implementation of the compensation plans. This was clearly seen in the six sampled development projects as indicated in Table 3.7 below:-

**Table 3.7: Compensation Time versus the Loan Effective Dates for the sampled Projects**

Project Name	Planned Compensation Period/Date	Loan Effective Date
Transport Sector Support Programme (TSSP)	Jan, 2015-Feb 2016	26/05/2016
Southern Africa Trade and Transport Facilitation Project (SATTFP)	Up to December, 2012	228/10/2013
Kenya-Tanzania Power Interconnection Project	Jan, 2014-Feb, 2015	115/01/2016
Augmentation of Water Supply Schemes of Dar es Salaam and Chalinze Project	There was no Compensation/Resettlement Plan	21/11/2012

*Source: Auditors' Analysis of information from the Loan Contracts, ESIA and Resettlement Action Plan, 2021*

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From Table 3.7 above, the plan for the compensation was to be completed within 3 months to 11 months before the effective date of loan for TSSP, SATTFP and Kenya-Tanzania Power Interconnection Projects. For the other three projects which are Iringa-Shinyanga Backbone Transmission Line (Phase 2), Water Supply Schemes for 23 Towns and Augmentation of Water Supply Schemes of Dar es Salaam and Chalinze Project there were no plan for compensation and no challenges that have been reported regarding compensation.

### 3.3.3 Existence of Mechanism to Ensure Planned Project Cost and Time are Aligned with their Respective Project Designs

*Does MoFP have a mechanism to ensure that planned projects cost and time aligned with their respective designs?*

Section 4.1, Guidance 4.1 of the Public Investment Management - Operational Manual 2015, requires MoFP to review the project design and technical or engineering aspects such as quantities and prices of inputs, appropriateness of the technology, size of the project, design and location and time to ensure that projects cost and time are aligned with their respective designs.

However, during the interviews held with MoFP's Officials it was indicated that before the establishment of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants (2020) what the Ministry was checking was only if the projects were within the Government Strategic Plan, hence detailed analysis of the projects was not done.

Further review of made by the Audit Team on the recent projects done after the establishment of the Guidelines found out that, MoFP did not assess whether the time stated for project implementation was realistic when reviewing the submitted projects pre-feasibility and feasibility studies, instead the Ministry concentrated on the cost aspect of the projects.

Despite that the Ministry was not having cost analysis review reports for the six sampled projects, it was noted that MoFP assessed quantities and cost for the five sampled projects that were recently implemented (based on the quantity and price inputs) as presented in Table 3.8 below:-

**Table 3.8: Assessment of Quantities and Prices Inputs of the Projects**

Name of the Projects	Quantity and Price Input Analysis
Extension of Water Supply and Sewerage Services in Dodoma Town and Champion town.	Per capita cost for water supply project (ratio of cost per population) was assessed but no comment was provided if it was within, below or above the required standard.
Mtwara Gas-Fired Power Plant (300mw) and 400kv Transmission Line	Cost per unit was analysed in comparison to the implemented project
Electrification of Peri-urban areas on Mainland Tanzania	The analysis on Pre-feasibility did not assess the quantity and price input of the project
Dar es Salaam Bus Rapid Transit (BRT) Infrastructure - Phase 5	The analysis of cost input was assessed
Water Supply Project for Katoro, Buseresere, Bwanga and Minkoto Townships in Geita Region	No analysis was done in relation to the Quantity and Price by the implementer.

*Source: Auditors' Analysis of MoFP's Review and Analysis of Pre-feasibility Studies, Feasibility Studies and Detailed Designs, 2021*

Table 3.8 indicate that, MoFP did not analyse quantities and price inputs of 3 out of 5 projects. Failure to analyse the quantity and prices inputs poses a risk of over or under estimation of the project costs. For example, review of TSSP progress report indicated a saving of USD 79.14 million which was then requested to be used in upgrading of Luhafe - Uvinza (along Mpanda Uvinza road) about 132km. Also review of the final completion report of SATTFP indicated change of design period from 15 to 20 years which resulted to additional cost of TZS 71.52 billion.

Interviewed Officials from MoFP stated that, time and cost were not adequately assessed because of having few experts with ability to analyse drawings and calculations of the project designs. It was further revealed that the National Planning Department has got only 2 Engineers and does not have Quantity Surveyors who are key experts for the effective cost assessment of the projects as shown in Table 2.2.



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### **3.3.4 MoFP did not ensure that Projects Feasibility Studies were Adequately Conducted by the Implementing Agencies**

*Did MoFP ensure that Project Feasibility Studies were adequately conducted?*

The Audit Team noted that, MoFP did not ensure project feasibility studies were adequately conducted, as required by Section 4.1 Guidance No. 4.1 of the Public Investment Management - Operational Manual, 2015.

During the audit, MoFP did not submit any review report of the feasibility studies for all six sampled projects, which indicated that the Ministry did not review the project proposals and designs to ensure their viability prior their approvals. Interviews held with MoFP Officials also confirmed that they have started to review the feasibility studies after establishment of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020.

As a result, projects that were currently submitted indicated weaknesses in the review process. The noted weaknesses were mainly in the analysis of quantity and price of inputs of the projects as has been explained in Section 3.3.3 of this report.

### **3.3.5 Project Payment Schedule and Implementation Period are not Aligned Properly**

*Did MoFP ensure that payment schedules were properly aligned with projects implementation periods?*

Section 3.3 Format 3 of the Public Investment Management - Operational Manual 2015, requires the proposal for the construction projects to contain cost estimate breakdown (by Year). That being the case, during the review of the project proposals, MoFP was expected to assess and ensure the payment schedule and implementation period were well aligned.

However, a review of project appraisal reports for the six sampled development projects revealed a lack of loan disbursement or utilization schedules for the approved project proposals. This is further explained below:

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### ***Lack of Loan Disbursement/Utilization Schedules for the Approved Project Proposals***

The Audit Team noted that the payment schedule for the 4 out of 6 sampled development projects were lacking. Table 3.9 provides the analysis of the availability of loan disbursement schedules for the respective projects.

**Table 3.9: Analysis of the Loan Disbursement Schedule**

<b>Name of Projects</b>	<b>Remark</b>
Southern Africa Trade and Transport Facilitation Project - SATTFP	There is a breakdown indicating the expected amount of loan to be disbursed every year of project implementation
Transport Sector Support Programme	No cost breakdown but there is a work milestone of project implementation
Iringa - Shinyanga Backbone Transmission Line (Phase II)	No appraisal documents as the project was to be financed by balance raised from a loan used to implement the Transmission line of Iringa to Shinyanga project
Tanzania-Kenya Power Interconnection Project	There is a breakdown indicating the expected amount of loan to be disbursed every year of project implementation
Water Supply Schemes for 23 Towns	No appraisal document and the feasibility study does not have any cost breakdown by year
Augmentation of Water Supply Schemes of Dar es Salaam and Chalinze Project	No any appraisal documents were available

*Source: Appraisal Report of Sampled Projects, 2021*

Table 3.9 indicates that, for the six sampled projects, only two projects had a disbursement schedule as required. This is equivalent to 33% of the sampled projects with cost breakdown by years.

This situation was caused by the inadequate review of the projects appraisal by MoFP as received from the implementers of the projects. This poses a risk of inadequate budgeting for projects implementation especially for the projects financed by both loans and government funds which may lead to delays of payment to contractors.

### **3.4 Ineffective Management of Loans for Development Projects**

The Audit noted the following gaps that justify ineffectiveness in the management of loans for development projects.

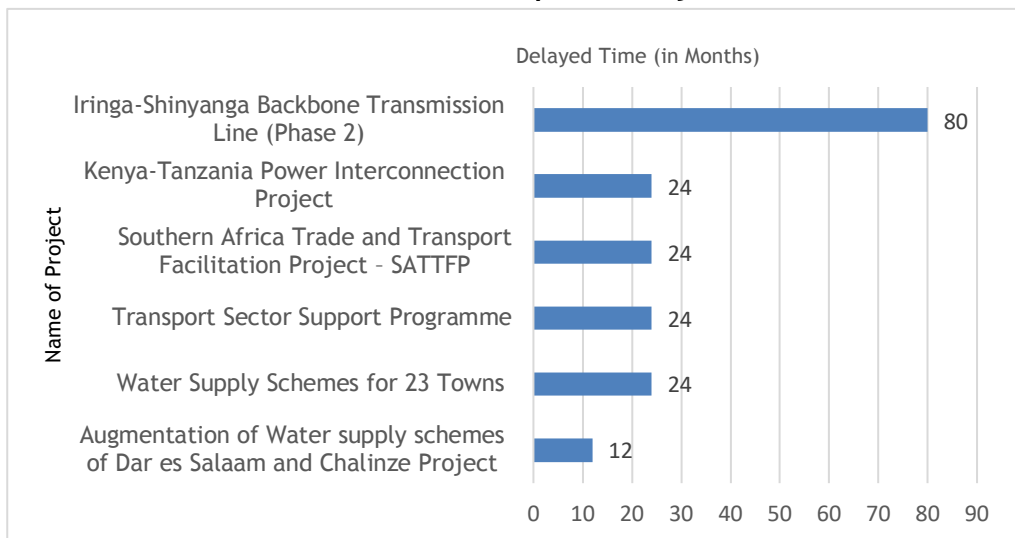
### 3.4.1 Development Projects were not Timely Implemented in Accordance with the Conditions of Loans Agreement

*Did MoFP ensure that development projects were timely implemented to align with terms and conditions of loan financing agreements?*

Loans Agreement normally sets the final date for loan disbursement which implies that the project has to be completed before the lapse of the final date of loan disbursement. Review of the analysis done by MoFP for the ongoing projects implemented by the Government using Concessional Loans, indicated delays in the completion of projects as compared to the agreed loan closing dates. A total of 32 out of the 34 ongoing projects experienced delays ranging from an average of 10 to 47 Months (equivalent to 0.8 to 3.9 years) as explained in section 3.2.1. These projects operated under loans financing extensions period.

Further, review of loan Agreements of 6 sampled development projects, it was noted that most of the projects financed through loans were completed beyond the loan closing dates. Figure 3.2 shows the extent of delays in the completion of six sampled projects.

**Figure 3.2: Extent of Delays in Completion of the Six Sampled Construction Development Projects**



*Source: Auditors' Analysis, 2021*

**Figure 3.2** shows that, all six sampled development projects were completed beyond the loan closing dates, which necessitated MoFP to revise loan closing dates. This indicates that the project completions were delayed for the period ranging between 12 to 80 months (about 1 to 7 years). Having projects that were not completed within the loan closing dates, indicates MoFP did not ensure that projects were timely completed in-line with the loan agreements.

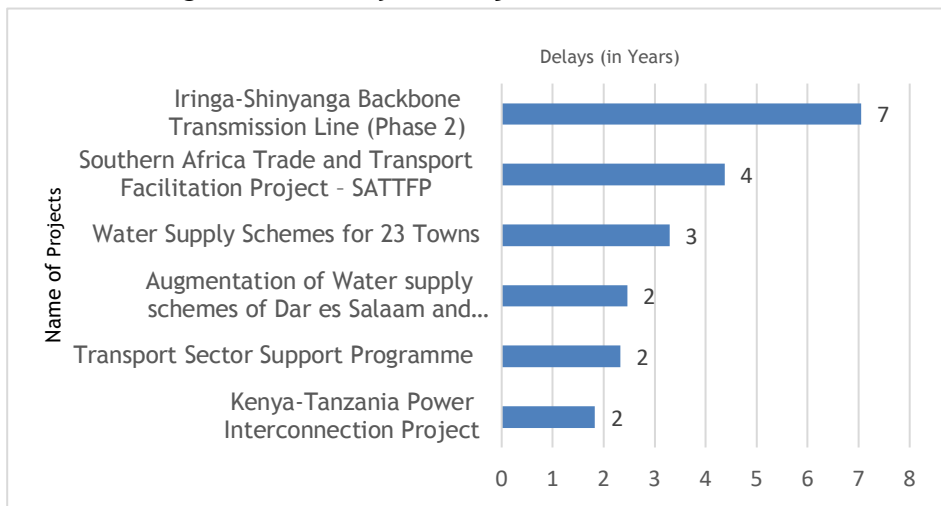
For the water supply projects for 23 towns, the project implementation was not yet started up to October, 2021 and the agreed initial loan closing date was 10<sup>th</sup> May 2021 and revised loans closing date was 10<sup>th</sup> May 2023, which indicated a delay for five months of work commencement after expiration of initial loan closing date. **Appendix Seven** provide a detailed analysis of this situation.

From the reviewed monthly progress reports of the 6 sampled development projects for the year 2021, it was noted that revision of loan closing dates was caused by the following factors:

**(i) Delays in the Commencing of the Project Implementation**

Through the review of Progress Reports of 6 sampled development projects, it was noted that all 6 projects took long time to commerce when compared to loans effective dates. **Figure 3.3** presents the extent of delays in commencing the implementation of 6 sampled development projects.

**Figure 3.3: Delays in Projects Commencement**



*Source: Auditors' Analysis of Progress Reports and Works Contracts, 2021*

**Figure 3.3**, shows delays in the commencement of projects implementation from the effective date of loans ranged from 2 to 7 years. The longest delay was noted on Iringa - Shinyanga Backbone Transmission Line Phase 2 project and the Southern Africa Trade and Transport Facilitation Project - SATTFP whose delays were 7 and 4 years, respectively.

It was also noted that the Iringa - Shinyanga Backbone Transmission Line project (Phase 2) comprising two lots (Lot T6-1 and Lot T6-2) had a long delay in its commencement reaching of up to 7 years. This is because the government utilised the savings from Iringa - Shinyanga Backbone Transmission Phase 1 which was completed in 2016. The work for Lot T6-2 commenced on 28/03/2018. The work for Lot T6-1 was not effective due to unsuccessful negotiation between GoT through MoFP and European Investment Bank for utilising the saving from Iringa - Shinyanga Backbone Transmission Phase 1 despite the contract being signed on 29 December 2017.

This affected testing and commissioning for the Kenya - Tanzania Power Interconnection Project and implementation of the Tanzania, and Zambia Interconnector Project (TAZA). Delays in commencement of the project to upgrade the Iringa substation to 400Kv poses a big challenge since this substation is the tapping point for TAZA project.

Moreover, the interviews held with Officials from the Ministry of Water, indicated that until October 2021, the implementation of water supply schemes for 23 towns project was not yet commenced. The factors that contributed to delays in commencement of the six sampled projects are articulated below in **Table 3.10**.

**Table 3.10: Factors Contributed to Delays in Commencement of Implementation for the 6 Sampled Development Projects**

Factor	Number of Project Affected	Concerned Projects
Delays in the of Procurement of Contractors	4	(1) Transport Sector Support Programme (2) Kenya-Tanzania Power Interconnection Project (3) Augmentation of Water supply schemes of Dar es Salaam and Chalinze Project (4) Water Supply Schemes for 23 Towns

Factor	Number of Project Affected	Concerned Projects
Delays in completion of the design of the projects	1	Southern Africa Trade and Transport Facilitation Project - SATTFP
Unsuccessful negotiation with the Financier (EIB)	1	Iringa-Shinyanga Backbone Transmission Line (Phase 2)
Delays in completion of DPR due to changing of scope from 23 town to 28 towns which was rejected by financier and then back to 23 towns.	1	Water Supply Schemes for 23 Towns

*Source: Auditors' Analysis of information Extracted from the Monthly Progress Report and Interview, 2021*

The findings in Table 3.10 indicates that, delays in the commencement of projects was caused by delays in the procurement of Contractors and changes in the scope of works. Specifically, the findings show that 3 out of 6 sampled development projects were affected by the delay in procurement, while 1 project was affected by changes in the scope of work which was not accepted by the Financier.

Delays in commencing the implementation of projects led to the extension of loan closing dates, late utilization of committed fund by financier and increased commitment charges.

The Audit Team also compared the date when commitment fee started to accrue against the date when work contract commenced. Table 3.11 shows average delays of the commencement of work contracts after the commitment charges stated to be accrued.

**Table 3.11: Extent of Delays in the Commencement of Works Contracts From the Accrue Date of the Commitment Fees**

Project Name	Loan Amount in Million (USD)	Financier	Amount of Commitment Fee per Annum (%)	Date it started to Accrue	Works Contract Commencement Date	Average Delays from the Commitment Fees Accrue Date (Years)
Transport Sector Support Programme	75.95	ADF	0.5	02/04/2016	03/04/2018	2.00
					20/04/2018	2.05
					19/03/2018	1.96
					03/04/2018	2.00
Southern Africa Trade and Transport Facilitation Project - SATTFP	210	IDA	0.5	19/08/2013	29/05/2015	1.78
					10/04/2015	1.64
					12/06/2019	5.82
					2/09/2019	6.04
					21/08/2019	6.01
Kenya-Tanzania Power Interconnection Project	(106.2)	ADF	0.5	27/08/2015	06/04/2017	1.61
					23/06/2017	1.82
					31/03/2017	1.59
					29/03/2018	2.59
	105.73	JICA	0.25		20/02/2019	3.49
Augmentation of Water supply schemes of Dar es Salaam and Chalinze Project	178.13	EXIM BANK OF INDIA	0.5	27/09/2013	18/05/2015	1.64
Iringa-Shinyanga Backbone Transmission Line (Phase 2)	120	AfDB, JICA and EIB	0.5	09/07/2011	28/03/2018	6.72
Water Supply Schemes for 23 Towns	500	EXIM BANK OF INDIA	0.5	05/05/2019	The projects work has not commenced	

*Source: Auditors' Analysis of Loan Agreements and Works Contracts, 2021*

Table 3.11 indicate that, delays in the commencement of work contracts compared to the date when commitment charges started to accrue. The extent of delays ranged from 1.61 to 6.72 years. For Iringa-Shinyanga Backbone Transmission Line (Phase 2) which marked the maximum delays, the major reason was the failure to get approval from the donor for the utilization of saving from Iringa-Shinyanga Backbone Transmission Line Phase 1.

Delays in the commencement of works, mainly caused delays in the disbursement of committed loans, eventually led to the increase in commitment charges from the undisbursed amount of loan every year.

For example in two projects, it was noted that before the commencement of works contracts there were some charges that were incurred by Government due to undisbursed amount as shown under Table 3.12

**Table 3.12: Commitment Charges Charged on Before Commencement of Work Contract**

Name of Project	Financier	Lot	Commencement of the Projects	Total Commitment Fee Before Commencement of Work Contract (USD)	Amount Paid in Each Years Before Commencement of Work Contract (USD)	
					2016	2017
KTPIP	ADF	T1	06/4/2017	722,680.64	722,680.64	-
		T2	23/6/2017			
		T3	31/3/2017			
TSSP	ADF	1	03/04/2018	457,897.78	92,908.53	364,989.25
		2	20/04/2018			
		3	19/03/2018			
		Mbinga Mbamba Bay	03/04/2018			
TOTAL AMOUNT in (USD)				1,180,578.42	817,605.17	364,989.25

*Source: Extract from MoFP Commitment Charges data, 2022*

Table 3.12 indicates that, a total of USD 1,180,578.42 was charged before the commencement of works contract.

#### (ii) Increase of Surcharge Fees due to Change of East Africa Community Vehicles Axle Load Control Act, 2016

Evidence for the increase in these fees was drawn from the Letter with Ref. DMDI/PC/ZTK/37/MoE from TANESCO to the Ministry of Energy dated 12<sup>th</sup>



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August, 2020 regarding Iringa-Shinyanga Backbone Transmission Investment Project (BTIP) Phase II and Kenya Tanzania Power Interconnection Project contracts. Based on this letter, during the procurement and signing of contracts for these projects in 2017 and 2018 respectively, the overload surcharge fee of USD 145,000 for every cargo in excess of 56 tons as per East Africa Community Vehicles Axle Load Control Act, 2016 was used. Such changes led to additional charges amounting to USD 7.92 Million. However, during the implementation of the projects the legislation was revised. From 1<sup>st</sup> March 2019, the overload surcharge fees became USD 440,000 for every cargo in excess of 56 tons. As a result of this change, the procured materials over stayed at the Dar Es Salaam Port waiting for resolution on cost associated with additional charges which were not captured during the project planning.

**(iii) Overstay of Construction Materials at the Ports of Entry**

Review of the Letter with Ref. CAD.310/416/08, dated 29 June 2021 from Ministry of Energy to MoFP, indicates that the wooden poles for implementing Kenya-Tanzania Power Interconnection Projects overstayed at the Port of entry for more than five years due to restriction of importation of material from outside Tanzania. Later the wooden poles were allowed into the country. The delay caused additional storage charges at the port amounting USD to 981,190.13, which had to be paid by TANESCO.

**(iv) Delays in the Completion of Compensation of Persons Affected by the Projects**

Review of the Progress Reports, Extension of Time Reports and Projects Correspondences indicated that 2 out of 6 sampled development projects were constrained by delays in the compensation of persons affected by the projects. The affected projects were the Southern Africa Trade and Transport Facilitation Project (SATTFP) and Tanzania-Kenya Power Interconnection Project. The extent of delays in the compensation was analysed based on starting date of the works contract. The maximum delays noted by the audit was 1,275 days. These delays caused an extension of time for project completion for 425 days as explained in details in Section 3.3.2 of this report.

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#### (v) Changes in the Designs

Review of progress Report of the Southern Africa Trade and Transport Facilitation Project (SATTFP) indicates that during the implementation of the project there was a change in the design by increasing the number of pavement layers to accommodate a design period of 20 years instead of 15 years initially planned. This caused extension of time for 14 months, leading to delays in the project completion.

#### 3.4.2 Absence of Effective Mechanism to Facilitate Timely Issuance of VAT Exemption

*Did MoFP have a mechanism to ensure tax exemptions for development projects financed by loans were timely issued?*

According to Section 6(2) b of the Value Added Tax Act, Revised Edition, 2019, the MoFP is mandated to publish in the Gazette, Value Added Tax (VAT) exemptions on the importation by a Government entity or supply to a Government entity of goods or services to be used solely for the implementation of a project funded through Government, concessional loan and non-concessional loan or grant. In addition, Regulation 4 (2) of the Value Added Tax (Exception Monitoring Procedures) Regulations, 2018, requires Implementers to submit application for VAT exemption to MoFP, 30 days before the commencement of projects.

In this case, MoFP was expected to have in place a mechanism that would ensure timely issuance of Tax exemptions. However, the Audit Team noted that MoFP lacked an effective mechanism to fulfil this requirement. This is because Progress Reports and Project correspondences between Contractors, Consultants and the Implementers (Procuring Entity), indicated delays in the publication of GN/in the issuance of tax exemptions for the 3 out of 6 sampled development projects.

The extent of delays in the issuance of GN for Tax Exemptions is presented in Table 3.13.

**Table 3.13: Extent of Delays in Publication/Issuance of GN for the Sampled Projects**

Project Name	Lot	GN Number	Project Commencement Date	GN Publication date	Delays (Months)
Kenya-Tanzania Power Interconnection Project	T1	567	06/04/2017	5/10/2018	18
	T2	565	23/06/2017	5/10/2018	15
	T3	568	31/03/2017	5/10/2018	18
	T4	568	29/03/2018	5/10/2018	6
	T5	817	20/02/2019	1/11/2019	8
Augmentation of Water supply schemes of Dar es Salaam and Chalinze Project		173	25/02/2021	5/05/2021	2
Iringa-Shinyanga Backbone Transmission Line (Phase 2)	T6-2	90	28/03/2018	25/01/2019	10

*Source: Auditors' Analysis of Published GN*

Table 3.13, indicate delays in the publication of GN that ranged from 2 to 18 months. The maximum delay was noted in Kenya-Tanzania Power Interconnection Project (T3 and Lot T1). Presence of such delays indicates that the MoFP's mechanism was not effective enough to facilitate the timely issuance of Tax Exemptions.

The delays of issuance of the Government Notice (GN) was caused by the following factors:

#### ***Long Process Involved in the Issuance of GN***

Interviewed Officials from the selected Implementing Agencies, indicated that the application process and approvals took a considerable long time. Moreover, the interviews revealed that MoFP had not established a standard time to be spent at each stage of issuing GN. The Officials indicated that the application for the GN had to be reviewed by three approving Authorities mainly, Parent Ministries of the Implementing Agencies, MoFP, and Attorney General. From the Attorney General it has to go back to the MoFP where it is then sent to the Government Printer for publication. However, in Section 74 of the Finance Act, 2021 the mandate has been shifted to the Commissioner General of TRA.

Due to the unavailability of information on the actual time spent to each of the Approving Authority, the Audit Team could not assess the extent of

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delays at each stage. However, analysis of information and interviews from the Officials, revealed that maximum time was spent at the MoFP.

### ***Change of VAT Act No.3 of 2017***

The Audit Team noted that the Amendments of Chapter 148 of the VAT Act No.3 of 2017 concerning issuance of the Government Notice (GN) in order to process a VAT relief on the project materials imported from abroad that became effective from 1<sup>st</sup> January, 2019, affected the Implementing Agencies' capacity to implement the projects. For instance, TANESCO through the Ministry of Energy was instructed by TRA to apply for GN to MoFP for project materials, tools and equipment which were purchased locally. For the Imported materials TRA also issued directives to TANESCO in 2019 regarding the newly written miscellaneous laws governing the application of GN to MoFP.

According to the Letter with Ref No. DMD I/PC-KTPIP/DEM/PORT/MEM/25 dated 30<sup>th</sup> September, 2019 from TANESCO to the Ministry of Energy and Letter with Ref. DMDI/PC/ZKT/GN/37 dated 8<sup>th</sup> February 2019, the new Regulation/changes came into effect when most of the project materials and equipment were already in the final stages of shipping processes, causing their arrival at Dar es Salaam port prior to the publication of the GN. As a result, 233 containers with various project materials for KTPIP Project were blocked at Dar es Salaam port leading to claims from Contractors amounting to USD 3.55 Million as demurrage and storage charges.

Furthermore, delays in issuing GN for locally available materials for the period approximated to 11 months raised the claims by the KTPIP project Contractors that costed TANESCO approximately USD 2.0 Million as an idle time costs from fully mobilization. In addition, the increase of surcharge charges due to long negotiations between TANROADS and TANESCO concerning the additional charges, did not affect the project completion date only but also increased the project cost (indirect) since the additional costs were paid by TANESCO not from loans.

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### 3.4.3 Ineffective Mechanism to ensure timely and Adequate Disbursement of Project Funds to Implementers

*Did MoFP have effective mechanisms for ensuring timely and adequate disbursement of funds for development projects to implementers?*

The Public Investment Management - Operational Manual, 2015 (Guidance 5.3) requires MoFP or the project financiers to disburse project funds to the Implementers on time and as per the budgeted amounts. Furthermore, Section 5.2.3 (II-III) of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020 mandates MoFP to receive and disburse grants or borrowed funds to the Implementing Agencies and ensure timely disbursement of counterpart funds to facilitate smooth implementation of projects.

Generally, MoFP was expected to have an effective mechanism to ensure adequate project funds are timely disbursed to the Implementing Agencies.

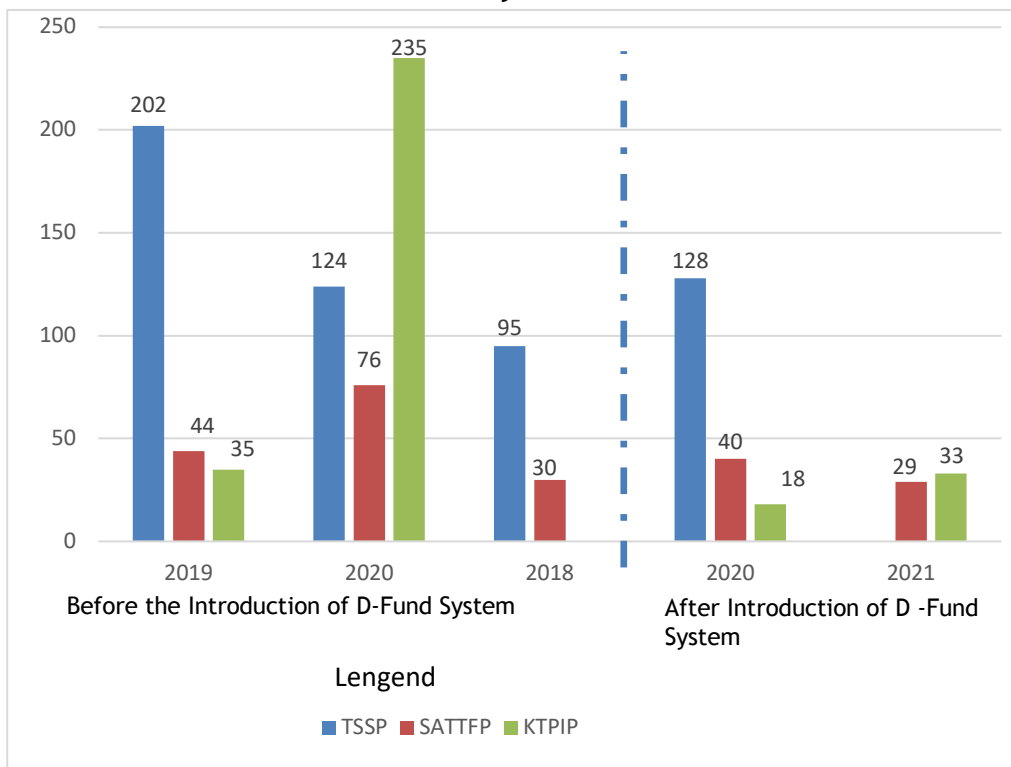
It was further noted that the operational work contracts clearly stipulate the timing for the payment of raised Interim Payment Certificates (IPCs) as well as the interest in case of failure to make timely payments. All these conditions calls for MoFP to set an effective mechanism to ensure that the agreed payments are done in accordance with the set time so as to avoid paying high interests charges.

On the contrary, the Audit Team noted that from 2015/16 to 2019/20, there were numerous delays in the disbursement of funds which indicate that the MoFP has not yet improved its mechanism for funds disbursements. For example, the contract document between TANESCO and Contractor implementing KTIPI projects required the Employer to ensure payments were made within 90 days after receiving the invoice otherwise, the Employer should pay to the contractor interest at the rate of 0.5% per annum until the payment has been fully made.

Similarly, the payment for the works contract between TANROADS and Contractors implementing SATTFP and TSSP and IPCs were supposed to be done within 56 days after being approved by the Engineer. Officials from MoFP indicated that during this period the process involved the submission of the document manually for the approval of disbursement of funds. The Audit Team noted that MoFP established D-Fund system which was effective since 2020 to eliminate manual work so as to fasten the payment process.

Based on the sampled six projects, the analysis of the extent of delays prior to and after the introduction of the D-Fund system was made to establish the performance trend and effectiveness of the newly established online system. The result, is as presented in **Figure 3.4** below:

**Figure 3.4: Payment Delays prior and after the Introduction of the D-Fund Systems**



*Source: Auditors' Analysis of Monthly Progress Reports and Sampled IPC's of Respective Projects, 2021*

**Figure 3.4**, shows a reduction in delays after the introduction of D-Fund system. Before the introduction of the D-Fund system the maximum average period of delay for the three projects was 235 days and the minimum average delay period was 30 days.

Moreover, **Figure 3.4** shows a notable reduction of delays in payment after the introduction of D-fund system. The maximum delay in payment was reduced from 235 to 127 after introduction of D-Fund system. This indicates that the maximum delay in payment has decreased 108 days after introduction of D-Fund system.

Moreover, analysis of the payment records for the 3 out of 6 sampled development projects indicated significant delays in paying contractors who were implementing the projects. The affected projects included SATTFP, TSSP and KTIPI. The analysis of the delays are presented in Table 3.14 below:

**Table 3.14: Extent of Delays in the Payment for the Sampled Projects**

Project Name	Project Components	Number of Raised IPC/Invoices	Number of IPCs experienced delays	Average Delay (Days)
SATTFP	Lot 1&2, Construction of Phase 1 & 2 of One stop Border Post (OSBP) at Songwe/Kasumulu and Construction of One-stop Inspection Station (OSIS) phase 1 Vigwaza <sup>10</sup>	68	19	41
TSSP	Upgrading of Tabora-Koga-Mpanda, Upgrading Of Mbanga-Mbamba Bay Road (66km) To Bitumen Standard and Kasinde Mpanda Section	57	52	127
KTIPI	Lot T4	31	18	93
<b>Total</b>		<b>156</b>	<b>89</b>	

*Sources:* Auditors' Analysis on Monthly Progress Reports and Payment Records, 2021

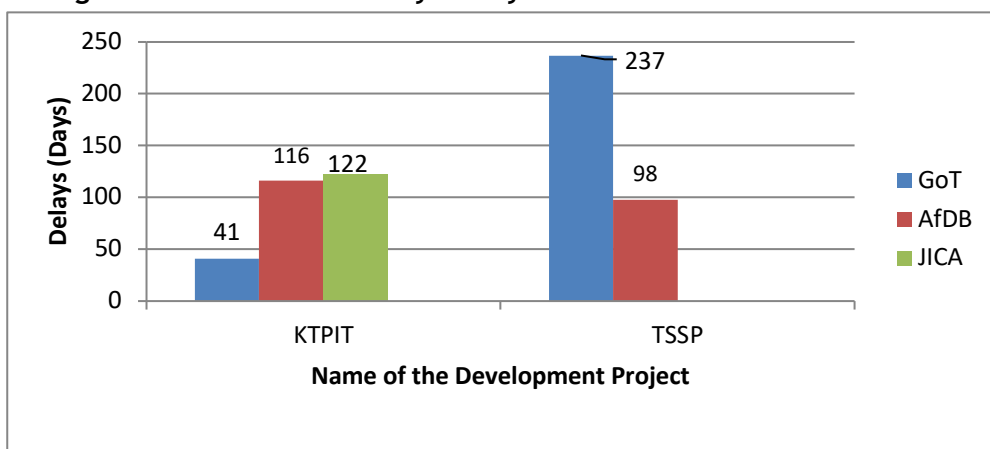
Table 3.14, indicates delayed payments for 89 out of 156 raised interim payment certificates (equivalent to 57%) with the average delays periods ranging from 41 to 127 days. The details for each project and respective certificates is presented in *Appendix Eight* of this report.

#### *The Extent of Delays based on the Sources of Fund/Financer*

Further analysis of delays was made based on the sources of fund/financier for the two projects and the results are as presented in Figure 3.5:

<sup>10</sup> Amount of IPC (GoT Contribution)

**Figure 3.5: Extent of Delay in Payment based on Sources of Fund**



*Source: Auditors' Analysis of Information from Contractor's Payment and Progress Reports, 2021*

Figure 3.4 indicates that, the two analysed development projects financed by GoT, African Development Bank (AfDB) and Japan International Cooperation Agency (JICA) experienced delays in processing payments to the contractors with the delay period ranging from 41 to 237 days. The highest delay was noted in the disbursement of funds from the GoT.

Interviewed Officials from the Implementing Agencies indicated that the causes of payment delays for the foreign component were caused by inadequate knowledge on using the D-Fund system and long process for approval of payments at MoFP.

### ***Financial Effect due to Delays in Payments***

Analysis of the information from the reviewed Progress and Completion Reports indicated financial impacts emanated from the penalties imposed due to delays in processing of payments for TSSP. The total cost for the penalties was amounting TZS 5,390 for lot 1, 2, 3 and Mbinga-Mbamba bay projects<sup>11</sup>.

<sup>11</sup> Progress report at 80% progress of November 2020 for Mbinga-Mbamba bay projects; Monthly Progress report number 44 for lot 3, Monthly Progress report number 42 for lot 1, IPC No. 30 for lot 2.



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## Causes of Delays after the Introduction of D-Fund System

The following were the identified causes of delays even after the introduction of the D-Fund system:

**(i) Delays in Approving raised Interim Payment Certificates (IPCs) by the Implementers**

Auditors' analysis of the information extracted from the D-Fund systems, revealed that on average the Implementer took the maximum time that ranged from 86 to 113 days to approve the submitted IPCs. The number of days MoFP and Implementing Agency took in approving the submitted IPCs is as summarized in Table 3.15 and Appendix Twelve.

**Table 3.15: Time Taken to Approval IPC by MoFP and Implementing Agency for the 3 Projects<sup>12</sup>**

Name of Project	Total assed IPC/Invoices	Total Average Days used for Approval	Average Days used for approve at Implementing Agency	Average Days used for approve at MoFP	Payment days without interest as per Contract
KTIPI	12	107	85	22	90
TSSP	8	86	43	42	56
SATTFP	8	113	97	16	56

*Source: Auditors' Analysis of Information Extracted from D-Fund System and Applications for Payment, 2021*

Table 3.15 indicates that, for the three projects, the certificates stayed for a maximum of 113 days and a minimum of 86 days at implementers' offices before they were submitted to MoFP for approval. The number of days the certificates stayed at implementers' offices after being approved was greater than the required days of paying the Contractors without interests. For the case of MoFP, the Table indicates that certificates stayed for a maximum of 42 days and a minimum of 16 days before they were approved. This range of time taken by MoFP in approving the payment request for all three projects was below 56 days a specified time of paying Contractor without interest.

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<sup>12</sup>Three Water projects were not found in the D-Fund System which are Water Projects for 23 Towns, Iringa-Shinyanga Backbone Transmission Line (Phase 2) and Argumentation of water projects Dar es salaam and Chalinze

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## (ii) Errors in the IPCs Submitted to MoFP

Review of the submitted IPCs to MoFP for approval using the D-Fund System indicated that among the 28 IPCs submitted to MoFP for approval, nine certificates were returned to implementers due to various errors, such as the indicated of the amount were greater than that shown in the contracts and submission of the certificates without recent progress reports.

### 3.4.4 MoFP's Capacity to Ensure Effective Utilization of Disbursed Funds by Implementing Agencies

*Did MoFP ensure that disbursed funds were effectively utilized for the intended purposes by the Implementing Agencies?*

MoFP was expected to ensure that Implementing Agencies effectively utilized the project fund for the intended purposes. The Audit Team noted that MoFP had established Guidelines<sup>13</sup> for using the Direct to Project-Fund (D-Fund) system. This is a Management Information System that requires Accounting Officers responsible for the implementation of development projects to report their expenditures to the Ministry of Finance and Planning. According to these Guidelines, Accounting Officers are required to submit quarterly expenditure reports to the Paymaster General within 30 days after the end of the respective quarter.

In addition to that, the Audit Team noted that MoFP issued a Circular No. 6 of 2020 that requires Implementers of the development projects financed by external financiers to adapt D-Fund systems. This enables direct payment to the Bank Account of the Contractors and Consultants instead of the Bank Account of Implementers. Thus, the Implementers were only responsible for approving the issued payment certificates and submit them to their respective Ministries which then approve and submit them to MoFP for approval. After the approval of the invoices the implementer writes a letter to the Financer attached with all approval documents that allows payment of the raised certificates/invoices.

Moreover, interviewed Officials from MoFP also indicated that in case the Implementing Agency requires to re-allocate the funds, it has to write to the Bank through MoFP indicating reasons for the re-allocation. If through

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<sup>13</sup>Guidelines for Using Direct to Project-Fund (D-Fund) Management Information System, August 2020

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negotiation with both MoFP and Implementing Agencies the bank agrees, then the Fund may be re-allocated. This was noted for the BTPIP project where the remaining project fund amounting to USD 120 Million of Iringa-Shinyanga Phase 1 project was used to implement Phase 2 of the same project<sup>14</sup>.

Similarly, Management Letters issued by CAG for the Financial Year June 2019 and June 2020, did not report misallocation of project funds by the Implementing Agencies and Ministries during the period covered in this audit (2016/17 to 2020/2021).

### **3.5 Effectiveness in Coordination between MoFP and Implementing Agencies of the Development Projects**

#### **3.5.1 MoFP lacked Effective Mechanism for Coordinating Implementing Agencies**

*Did MoFP establish and implement an effective mechanism for coordinating key stakeholders responsible for development projects?*

Based on the Implementation Strategy for the National Five - Year Development Plan 2016/17 - 2020/21, the Ministry of Finance and Planning was required to establish a mechanism for cooperation with other relevant institutions. This was crucial for projects appraisal and enhancement of coordination with all key stakeholders at all stages of project implementation.

Moreover, the Ministry is required to prepare a proposed implementation plan for the Project implementation containing detailed administrative, procurement, financial management, monitoring and evaluation procedures and implementation arrangements for the Project<sup>15</sup>. The detailed implementation plan provided implementation arrangements and indicated responsibilities to ensure proper coordination among stakeholders.

However, the Audit Team noted that, the Ministry did not establish and implement effective coordination mechanisms as required by the

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<sup>14</sup>CAG Management letter on the Special Purpose Financial Statement of Backbone Transmission Investment Project (BTPIP) for the year ended 30<sup>th</sup> June 2019.

<sup>15</sup> Loan agreement Southern Africa Trade and Transport Facilitation Project) between United Republic Of Tanzania And International Development Association

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Government. It was also noted that MoFP did not conduct any quarterly meetings with implementers of sampled projects in the financial year 2020/21. Specifically, the Audit Team revealed the following gaps in relation to the coordination mechanisms:-

***(i) Absence of Implementation Plan necessary for Coordinating Stakeholders***

Through the review of the sampled project files<sup>16</sup> the Audit Team noted that MoFP did not prepare such a proposed implementation plan showing details of implementation arrangement, roles of actors and monitoring and evaluation arrangements.

In addition, the plan was not available at the visited Implementing Agencies. Obviously, this is an indication that MoFP did not develop the plan.

***(ii) Ineffective Reporting Mechanism from Implementers of the Projects to MoFP***

Regulation 23 of the Government Loans, Guarantees and Grants Regulations, 2003 requires the project coordinator of the line and sector Ministries to submit monthly progress reports to the Ministry of Finance and Planning containing information about the disbursed loan, loan utilization and impact assessment with respect to targets, performance against target, and problem identification and corrective measures taken or to be taken.

Interviewed MoFP's Officials, revealed that MoFP did not receive any monthly progress report submitted by the Implementing Agencies of the respective projects.

It was also noted that at the MoFP whatever information that was requested, the Coordinator/Desk Officer was requesting the information from the Financer instead of implementing agencies. This is a clear indication that effective reporting mechanisms between the implementers and MoFP were lacking during the implementation of the sampled development projects.

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<sup>16</sup>Selected project financed under Southern Africa Trade and Transport Facilitation Project-SATF

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### 3.5.2 Level of Coordination between MoFP and key Stakeholders

*Is the level of coordination between MoFP and key stakeholders adequate and facilitative to the achievement of projects objectives?*

According to the Public Investment Management-Operational Manual, MoFP is responsible for overall the coordination of all Implementing Agents of the projects financed by the loan<sup>17</sup>. However, the Audit Team noted that coordination between MoFP and the Implementing Agencies was inadequate as evidenced by the following facts:-

*(i) Inadequate Information Sharing on the Status of Project Performance between MoFP and Implementing Agencies*

The audit Team noted minimal coordination on the management of construction development projects financed through loans between MoFP and Implementing Agencies such as the Ministry of Water, Ministry of Energy, and the Ministry of Works and Transport. This was indicated by inadequate information sharing between MoFP and Implementing Agencies regarding the status and progress of implementation of the development projects financed through Loan.

During the audit the Audit Team noted that the MoFP did not have an effective information sharing system. This has affected information flow from the Ministry to other stakeholders. Due to that reason, up to the time of concluding this audit, the Ministry had not shared any reports with the stakeholders other than its management team. To address communication challenges, Officials from MoFP indicated that currently the Ministry had drafted the National M & E Framework for the development projects, which is yet to be finalized and approved.

Apart from that, the Audit Team noted that MoFP lacked the progress reports prepared by the Implementing Agencies for all six sampled projects. This was evidenced by the fact that the MoFP did not provide such reports to the Audit Team when requested to do so. Moreover, reviewed project documents submitted by MoFP and Implementing Agencies to the Audit Team showed no evidence that the mechanisms to facilitate sharing of

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17 Section 2.3 (a, vii), Public Investment Management-Operational Manual, 2015]

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implementation progress and status for all projects financed through loan were available. Absence of reporting mechanism, eventually hindered MoFP timely intervention to address the challenges that were facing projects during the implementation so as to ensure that they were completed timely.

***(ii) Failure to conduct Quarterly Meetings with Implementing Agencies***

The Audit Team noted that MoFP did not conduct Quarterly meetings with the Implementing Agencies. In addition, the Ministry did not have a progress report submitted by the Implementing Agencies for review as pointed out under Section 3.5.2 (iii) above. This is contrary to the requirement of Section 5.2.3 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of 2020, which requires MoFP to review the submitted project progress reports and conduct quarterly meetings with the respective Implementing Agencies and take appropriate corrective actions accordingly.

Surprisingly, the interviewed Officials could not provide any clear reasons as to why the Ministry did not to fulfil this requirement. Generally, the Audit Team realised that coordination and information sharing among the Ministries was very minimal and ineffective. As a result, MoFP was not well informed on the performance of the projects, i.e., project implementation status, which might be the cause of the late completion of projects.

MoFP clarified that it recognizes coordination and communication challenges and has developed National Project Management Information System (NPMIS) which has a window for sharing reports between Implementing Agencies and MoFP. However, our review of the NPMIS and interviews held with Officials from the selected Implementers noted that sharing of reports is still not done through this newly established system.

**3.6 Effectiveness in Monitoring and Evaluation of the Performance of Loan Financed Projects**

The national policy and legal frameworks recognise the Ministry of Finance and Planning through its National Planning Department as a responsible entity for monitoring and evaluation of all development projects financed through loans. However, the Audit Team noted that the Ministry had not undertaken this role effectively. This claim is supported by various gaps that are explained below.

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### 3.6.1 Ineffective Planning for Monitoring the Implementation of the Construction Development Projects Financed Through Loans

**Did MoFP effectively plan for monitoring the performance of Implementing Agencies with regard to the implementation of development projects financed through loans?**

Public Investment Management Operational Manual requires MoFP to prepare log framework for all approved projects. In addition, Section 4.2 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants (2020), instructs the Ministry to periodically monitor the implementation of projects to determine value-for-money at the National level. Therefore, to effectively monitor the implementation of projects, the Ministry was expected to have monitoring plans showing frequency of monitoring to be conducted. Also, the plan was expected to capture all key aspects to be monitored, resources (both financial, personnel and tools) to be used and project performance indicators to be tracked.

However, the Audit Team noted that the Ministry did not have an effective plan for monitoring the implementation of the development projects. This was evidenced by:

**(i) The Ministry of Finance and Planning did not Regularly Plan for Monitoring of the Development Projects**

The Audit Team noted that, the Ministry did not plan to monitor the development projects for the last five financial years, i.e. from 2015/16 to 2019/20 consecutively. It only planned to conduct monitoring and evaluation for the financial year 2020/21. Officials from the Ministry indicated that the absence of monitoring plan was linked to the absence of established Section/Unit responsible for conducting Monitoring and Evaluation of development projects within the MoFP. The Audit Team noted that, what is available at the Ministry is the M & E section which was established in 2020. Establishment of this Section has improved the capacity of the Ministry to monitor and evaluate development projects. Before this section was established, the development projects were not adequately monitored by the Ministry, to identify challenges facing development projects particularly those financed through loans.

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## (ii) Inadequate Coverage of the Monitoring and Evaluation Plan for the Financial Year 2020/21

From the review of the submitted monitoring and evaluation plan<sup>18</sup> noted that the plan was not risk based as it did not cover sufficient number of projects financed through Loans, which seem to have more financial risks. Instead, the plan included most of projects financed through GoT as compared to projects financed through loans, which have more risk of causing a financial burden to the Government if not well managed.

Review of the Monitoring and evaluation Plan of the 2020/2021, it was noted that out of 200 development construction projects planned to be monitored and evaluated only 46 projects were financed through loan.

In addition to that, the Audit Team noted that only 2 out of 6 sampled development construction projects were covered in the plan. These projects are construction of Tabora - Koga implemented under TSSP and Augmentation of Water Supply schemes of Dar es Salaam and Chalinze Project. Consequently, the Ministry did not monitor most of the externally financed development projects. This situation poses some challenges in identifying the factors that might lead to poor performance of the development projects.

### 3.6.2 Inadequate Monitoring and Evaluation of the Performance of Development Projects

*Did MoFP implement its plan for monitoring and evaluation of the performance of implementing Agencies to address the challenges facing development projects effectively?*

According to the Loan Agreement between the Government of the United Republic of Tanzania<sup>19</sup> through its Ministry of Finance and Planning and Export-Import Bank of India; the Borrower is required to submit a status on the execution of each Eligible Contract at an interval of three months, effective from the date of approval of each contract until the completion of the Eligible Contract. Moreover, Chapter 5 of the Guidelines for Project

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<sup>18</sup> M&E Action Plan 2020/2021

<sup>19</sup> Section J.2 Loan agreement Loan Agreement (Southern Africa Trade and Transport Facilitation Project) between the Government of United Republic of Tanzania (Ministry of Finance and Planning) and Export –Import Bank of India (2018)



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Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020 requires the Ministry to conduct periodically monitoring of the project and share regular feedback to stakeholders on the progress made during the implementation of the project plans.

Reviews of Monitoring Reports<sup>20</sup> indicated inadequate monitoring of the construction development projects financed through loans for all consecutive three years of the operation. This was indicated by the following facts:

***Low Coverage of Projects Financed through Loans:*** Review of the monitoring reports<sup>21</sup> conducted 2020/2021 it was noted that 103 out 200 planned construction development project for monitoring and evaluation which is equivalent to 51.5% were monitored.

Further the Audit Team noted that only 21 out of 103 development projects that were monitored by the Ministry in the financial year 2020/21 were loan financed projects, of which 2 was among the six sampled projects. This indicates that MoFP managed to monitor 21 out of 46 planned loan financed projects which is equivalent to 46% only.

The discussions with Officials from the National Planning Department of MoFP revealed that it was their responsibility to monitor and evaluate the implementation of projects in collaboration with Officials from the External Finance (Multilateral and Bi-lateral) Department. However, according to these officials the Ministry faced a shortage of staff required for monitoring of the projects as also indicated in in section 2.5.2 of this audit report, which shows a shortage of 66% of the required engineers, 35% of the required Economists and 100% of the required quantity surveyors to perform function relating to the management of development projects financed through loans.

Additionally, through the interview held with Officials from the External Finance Department it was noted that, projects financed through loans were not planned for monitoring since they were covered through special mission initiated and conducted quarterly by the Development Partners. On the other hand, the Audit Team noted that the Ministry had no monitoring

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<sup>20</sup> Monitoring report of August, September and October (2020).

<sup>21</sup> Monitoring report of August, September and October (2020),

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mechanism to ensure that recommendations issued by donors are implemented by the Project Implementers.

### ***Inadequate conduct of Monitoring and Evaluation Activities***

Review of Monitoring and Evaluation Reports<sup>22</sup> from the National Planning Department indicated that MoFP conducted monitoring and evaluation in only 3 out of the 4 Required Number of quarters for the financial year 2020/21. Apart from that the audit found out that all six sampled construction development projects financed through loan only 2 projects were covered in the monitoring and evaluation activities conducted in this period.

### ***Non-adherence to the Monitoring and Evaluation Plan***

Review of Monitoring and Evaluation Reports<sup>23</sup>, revealed that monitoring was not conducted as per the established plan. Instead, monitoring was conducted on ad hoc basis based on the requests or directives from MoFP Management. The requests for verification of on-going construction projects are given when MoFP wants to make payment so as to be sure of the implementation status of the projects.

### **3.6.3 Lack of Quality Tracking Component in Monitoring and Evaluation Tools for the Development Projects**

***Are tools for monitoring construction development projects capable of tracking the quality of the projects?***

According to the Public Investment Management - Operational Manual, a log frame/ Monitoring Logical Framework must be prepared for all approved projects to enhance monitoring and accountability.

The Audit Team noted that, MoFP has been using a checklist for monitoring development projects which require the Officials to capture project information such as time, physical status, cost, challenges or risks and expected outputs. The checklist also has a provision to capture information regarding the utilization of project fund.

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<sup>22</sup> Monitoring report of August, September and October (2020).

<sup>23</sup> Monitoring report of August, September and October (2020).

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Moreover, the Audit Team noted that the Ministry of Finance and Planning had prepared a National Monitoring and Evaluation Framework although it is still in the review stage. It was also noted that one of the Appendices in the draft National Monitoring and Evaluation Framework was the monitoring checklist similar to the tool that has been used. It was noted that MoFP has been using a developed checklist and Terms of References were prepared as per the specific requirement of the respective development projects.

The Audit Team also noted that MoFP, had developed a web-based National Project Management Information System (NPMIS), which will serve as an analytical and repository tool for all projects information. In addition to that, MoFP reported to have trained various Officials from MoFP and Implementing Agencies on how to use of the system. Officials indicated that the system would be an effective tool for monitoring and sharing of information.

However, the Audit Team noted that the project quality component had not been included in the checklist used as a monitoring tool. Omission of the quality components will deny the Ministry the ability to track and assess the quality of various implemented projects.

#### **3.6.4 MoFP did not Provide Feedback on Monitoring and Evaluation Results to Implementers**

*Did the MoFP provide timely feedback to Implementing Agencies on results from monitoring and Evaluation?*

The Ministry of Finance and Planning, is required to conduct frequent monitoring and evaluation and regularly share feedback to stakeholders on the progress being made on the implementation of the projects towards achieving their goals and objectives. This is according to Chapter 5, of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020.

Review of the submitted monitoring and evaluation reports that were prepared by MoFP from the projects implemented in the country, the reports showed that, 21 out of 103 projects that were covered during M&E, were financed through loans. The audit team requested the reports sent to the Implementing Agencies, related to the sampled projects that are financed through loans to justify the information that these projects were

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monitored and evaluated. Unfortunately, no evidence was availed to the Audit Team.

From the interviews held with Officials from the Ministry of Finance and planning it was noted that, the Monitoring and Evaluation Section was a newly established Section within the Ministry. This led to the coverage of only few projects financed through loans. The absence of monitoring and evaluation of projects financed through loans, may compromise the completion time for the projects due to some delays which could have been identified and corrected during the monitoring and evaluation exercise. This is especially possible if no appropriate corrective actions are taken during the implementation process of the development projects.

### **3.6.5 Inadequate Follow-up on Recommendations from Monitoring and Evaluation Reports for the Development Projects**

*Did the MoFP conduct follow-up on the implementation of the recommendations issued to Implementing Agencies for improving their performance on the implementation of development projects?*

According to the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020 the Ministry of Finance and Planning is required to review the progress reports for the implementation of development projects submitted by the Implementing Agency, conduct quarterly meetings with the respective Agencies and take appropriate corrective actions accordingly.

The Audit noted that, the National Planning Department did not have evidence to justify that monitoring and evaluation results were sent to Implementing Agencies. In addition, no follow-up reports were submitted to the Team to show that the follow-ups were done on the implementation of recommendations from monitoring and evaluation reports, by the Implementing Agencies.

Generally, the Audit revealed ineffective planning for Monitoring and Evaluation as elaborated in Section 3.6.1 of this report, which has to a large extent contributed to the absence of monitoring and evaluation of development projects financed through loans. Ineffective monitoring and evaluation of the implementation of construction development projects financed through loans has to a large extent contributed to the existence of

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the same project implementation challenges that could have been addressed in case there was regular and effective M&E for all such projects.



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## **CHAPTER FOUR**

### **AUDIT CONCLUSION**

#### **4.1 Introduction**

This chapter provides conclusion of the audit based on the audit objectives and findings presented in this report. The conclusions are categorized into two main parts namely, general and specific audit conclusions as detailed below.

#### **4.2 General Conclusion**

The Audit Team concludes that the Ministry of Finance and Planning has to some extent not well managed development projects financed through loans for the purpose of minimizing delays, cost overrun and cost burden associated with loan charges. The Audit Team recognizes the efforts made by the Ministry of Finance and Planning towards improving the management of loans for the development projects. These efforts include: the development of Guidelines for the Negotiation and Raising Loans and Grants, of 2020, enhancement of the payment systems through the use of D-Fund system and transferring the role of Tax Exemptions from the MoFP to the Commissioner General of TRA.

However, more interventions are still needed to further improve the management of construction development projects that are largely financed through loans. This is because, the Ministry has not managed to ensure projects are completed within the planned time and cost as indicated in the financing agreements. It was noted that 32 out of 34 ongoing development projects financed through loans had their completion delayed for a period ranging from 10 months to 3.9 years. Such delays in the completion of projects violated the financing agreements and led to the increase of project costs through increase of commitment fees.

Furthermore, the audit found out that fund utilization was low as compared to the implementation period that had lapsed for most of the projects. Clearly, the government faces high-risk of incurring additional cost from commitment fees charged from undisbursed amount of loans. This situation indicates weaknesses in the management of loan agreements, and thus call for more interventions to avoid unnecessary cost burden to the Government.

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Generally, the audit revealed that delayed completion of construction development projects, and specifically failure to meet the deadline of loan closure is associated with ineffective management of construction development projects, particularly, inadequate project planning, and ineffective monitoring and coordination between the Ministry and project implementing Agencies.

### **4.3 Specific Conclusions**

#### **4.3.1 MoFP did not Ensure that Development Projects were Effectively Planned**

The Ministry of Finance and Planning did not review the submitted project proposals, designs and feasibility studies to ensure that the estimated cost and time for the implementation of the projects were aligned with loans agreed time. Not only that but also the Ministry was not able to prove that it reviewed all project proposals and designs to ascertain the sufficiency and completeness of the designs, the technologies to be used, size of the projects, location, adequacy of compensation plans and time, to achieve smooth implementation for the projects. As a result, loan disbursement schedules and implementation periods of the projects were not properly aligned to mitigate risks of penalties and payment of commitment fees. This led to frequent changes of project designs, time extension and consequently additional costs during the implementation of the approved projects financed through loans.

All these gaps were realised because the Ministry did not provide review reports for the development projects implemented from 2016/17 to 2020/21.

On the other hand, significant delays in the commencement of projects were common to most of the projects financed through loans, mainly due to delays in compensating the affected people to be reallocated from project area. The compensation plans were not reviewed thoroughly by the Ministry to ensure that they were comprehensively prepared to allow smooth implementation of the project.

Another factor that contributed to inadequate management of construction development projects by the MoFP is the lack of adequate technical

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personnel to effectively review the project proposals and designs. Despite lacking an adequate number of technical personnel, the Ministry, did not put efforts to seek support or assistance from other Institutions having such professionals.

#### **4.3.2 Ineffective Management of Loans for the Development Projects**

The Ministry of Finance and Planning did not effectively manage loans for the development projects. The Ministry lacked an effective mechanism to ensure timely disbursement of loans and issuance of VAT exemptions for the projects applied and qualified for tax exemptions. Delays in publishing GN and payment of the raised Interim Payment Certificates were common among the construction development projects. The delays in paying contractors ranged from 18 to 235 days before and after introduction of D-Fund system. The maximum delay in payment was reduced from 235 to 127 after introduction of D-Fund system.

Delay cases were noted in the payments made by funds from the Government of Tanzania and African Development Bank, which registered the longest delays compared to other financiers. As a result, TZS 5,389 Million was claimed as interest charges for the delayed payments. Consequently this led to increased project costs for the one project covered in this Audit. Also, delays in the disbursement of funds contributed to delays in the completion of the projects and eventually increased commitment fees charges to the Government.

Through the use of D-Fund, the Ministry has managed to improve supervision of projects funds. The use of this system helps the Ministry to ensure effective utilization of the projects funds. Despite its usefulness, the D-Fund software has not been effectively used due to lack of adequate knowledge among the personnel.

#### **4.3.3 Ineffective Coordination between MoFP and Implementing Agencies**

The Ministry of Finance and Planning lacks the effective coordination mechanism necessary for the implementation of development projects. This is indicated by the Ministry's did not to develop and operationalize coordination plans necessary for coordinating activities conducted by the implementers of the development projects financed through loans. As a



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result, sharing of information among the implementers, Ministry and Financers has been inadequate. This problem has existed despite the availability of Desk Officers and Project Coordinators at MoFP and Implementing Agencies, respectively.

Moreover, the Ministry has not been pushing Implementing Agencies to timely submit project progress reports for reviewing the project implementation status and taking appropriate corrective actions where necessary. Similarly, the Ministry did not organize Quarterly meetings with Implementers and Stakeholders, as emphasized in Section 5.2.3 of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants, 2020.

Consequently, the coordination of Implementers activities has been inadequate. As a result of this, the Ministry has not been well informed on the performance of various construction development projects. This situation partly contributes to poor project implementation and delays the completion of projects.

#### **4.3.4 Ineffective Monitoring and Evaluation of Construction Development Projects**

The Ministry of Finance and Planning lacks effective mechanism for monitoring and evaluating the performance of development project implemented by various Implementing Agencies. This problem exists because, the Ministry lacks effective monitoring and evaluation plans and framework for the development projects.

Furthermore, MoFP has not ensured that the Project Coordinators of the Line and Sector Ministries submit Project Monthly Progress Reports, containing information about the disbursed amount, utilization of loan by item and impact assessment with respect to targets, performance against targets, and problems identified and corrective measures taken or to be taken. As a result, MoFP lacks sufficient information for the respective development projects, including the associated challenges.

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## CHAPTER FIVE

### AUDIT RECOMMENDATIONS

#### 5.1 Introduction

The audit findings and conclusions pointed-out some weaknesses on the management of the construction development projects financed through loans in the country. The weaknesses were on the planning, loan management, coordination of stakeholders and monitoring and evaluation of the project performance.

Therefore, this chapter provides audit recommendations to the Ministry of Finance and Planning regarding the management of construction development projects financed through loans.

The National Audit Office believes that based on the principles of Economy, Efficiency and Effectiveness, these audit recommendations need to be fully implemented to ensure improvements in the management of development projects financed through loans.

#### 5.2 The Specific Audit Recommendations

##### 5.2.1 To Improve Planning of the Construction Development Projects Financed Through Loan

It is recommended that the Management of the Ministry of Finance and Planning to:

1. Establish a mechanism to ensure that project proposals are effectively reviewed to align projects costs and time to the loans financing agreement terms. The mechanism should facilitate effective cooperation with Implementing Agencies for proper review of the adequacy of the technical aspects of the respective projects including the design, compensation plan, cost and time prior to approval and signing of the loan agreement; and
2. Critically analyse compensation plans to ensure that Implementing Agencies develop comprehensive resettlement and compensation plans that will allow smooth implementation of the projects. This should involve assessing the alignment of the compensation with completion time and assurance for the timely availability of compensation funds.

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### **5.2.2 To Improve Management of Loans for Construction Development Projects**

It is recommended that the Management of the Ministry of Finance and Planning must:-

1. Develop strategies that will ensure timely commencement and implementation of projects to enable timely completion of the projects and catch up the initial loan closing dates to avoid additional costs from loan commitment fee charges;
2. Establish a functioning mechanism to facilitate timely issuance of tax exemptions for projects qualified to be exempted from tax to avoid delays in the completion of those projects; and
3. Ensure that Project Implementers are aware of the D-Fund system and how to use it to make requests for approval of payments on time to avoid delays in project implementation and additional costs from payment of interest charges arising from delayed payments and extension of time.

### **5.2.3 To Improve Coordination between MoFP and Implementing Agencies**

Management of the Ministry of Finance and Planning is advised to:

1. Institute an effective mechanism to coordinate Implementers and Key Actors engaged in the implementation of projects financed through loans. This should allow the regular provision of feedback on the progress and performance of projects on the aspect of time, cost and quality.

### **5.2.4 To Improve Performance Monitoring and Evaluation for the Loan Financed Projects**

Management of the Ministry of Finance and Planning is advised to:

1. Develop and implement a monitoring and evaluation framework capable of periodically assessing the performance of all development projects financed through loans. The framework should

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include but not limited to reporting structure covering key aspects of loans and project outputs for the MoFP to be well informed and facilitate provision of feedback to implementers and making follow-up on the implementation of the issued recommendations; and

2. To assess and enhance the capacity of its staff under the monitoring and evaluation unit to effectively monitor the performance of loan financed projects.



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## APPENDICES





## Appendix One: Responses from the Ministry of Finance and Planning

This part covers the responses from audited entity namely, the Ministry of Finance and Planning. The responses are divided into two i.e. general and specific comments in each of the issued audit recommendations.

### (A) General Comment

The Ministry will ensure that all recommendations issued by the Controller and Auditor General are addressed to improve and enhance proper management of all development projects especially projects financed through loans from planning stage to completion stage so that the projects are completed on time to reduce interest charges and realize value for money.

### B) Specific Comments on the Issued Audit Recommendations

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
1	Establish a mechanism to ensure that project proposals are effectively reviewed to align projects costs and time to the loans financing agreement terms. The mechanism should facilitate effective cooperation with Implementing Agencies for proper review of the	The Government prepared the PIM OM (2015) to improve public investment management. During situational analysis conducted to inform the preparation of the PIM-OM, it was observed that chronic challenges facing the public investment were the absence of proper record keeping particularly on submitted	i. Ensure implementation of PIM OM ii. To train all MDAs, RSs on PIM OM and NPMIS, iii. To formulate technical review committees which will be coordinated by NPD.	2022/23	National Planning Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
	adequacy of the technical aspects of the respective projects including the design, compensation plan, cost and time prior to approval and signing of the loan agreement	<p>and scrutinized projects.</p> <p>For that matter, chapter 8 of the Manual of PIM-OM directs the establishment of the National Project Data Bank. The databank will be used in keeping project records (submitted, scrutinized, etc.).</p> <p>The Ministry has also developed the National Project Management Information System (NPMIS). This system is a web-based which serves as an analytical and repository tool for all the project information/ data at all levels of the project cycle</p>			

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		<p>(initiation, financing, implementation, closure). Such information is readily available for potential funders from Government, Donors, Private Sector and/or Public-Private Partnership (PPP) arrangements. Thus, NPMIS stores all projects' records for efficient management of projects being implemented or expected to be implemented by MDAs, RSs and LGAs in line with the National Development Plans</p> <p>The Ministry through the NPMIS has divided the Sector Ministries to NPDs officers to reduce the</p>			

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		<p>existed backlog and enhance effective review.</p> <p>Despite inadequate staff and specific professionals for reviewing project proposals related to construction projects, the Ministry has been reviewing various proposals submitted by engaging various department within the ministry including IAG department. These officials include Economists, Quantity surveyors and Engineers necessary at each stage of the project</p>			

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		circle. Among areas observed are BoQs, examination of raised certificates and quantities and cost of inputs in the project design			
2	Critically analyse compensation plans to ensure that Implementing Agencies develop comprehensive resettlement and compensation plans that will allow smooth implementation of the projects. This should involve assessing the alignment of the compensation with completion time and	MoFP receives approved compensation reports from the implementing sectors for payments processes after verification by the Government Budget Department and Internal Auditor General.	i. Emphasis on timely preparation and submission of the approved compensation reports/lists, ii. Ensure availability of budget item for compensation. iii. Ensure availability of funds for timely payments of the compensations. iv. Ensure timely verification of the list of	Continuously on quarterly, semi-annually and annually basis.	National Planning Division, External Finance Division, Government Budget Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
	assurance for the timely availability of compensation funds.		approved compensation lists.		
3	Develop strategies that will ensure timely commencement and implementation of projects to enable timely completion of the projects and catch up the initial loan closing dates to avoid additional costs from loan commitment fee charges	Guidelines for Project Planning and Negotiation for Raising Loans, Issuing Guarantees and Receiving Grants is a new tool which defines clearly the processes and actions to be followed that will ensure timely commencement, implementation as well as completion of the donor funded projects as per loan agreements.	i. Ensure timely preparation and submission of PMG Certificate to AG; ii. Ensure timely preparation and submission of Legal Opinions from the AG to the Donors; iii. Emphasis timely formation of Project Implementation Units; iv. Emphasis timely opening of Project Special and Operating accounts; v. Emphasis timely procurement processes of	Continuously on quarterly, semi-annually and annually basis.	National Planning Division, External Finance Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
			<p>consultants and contractors commence immediately upon declaration of effectiveness of the financing agreement; and</p> <p>vi. The government prepared the Public Investment Management Operational Manual (PIM OM), the manual has stipulated all requirements needed from project initialization to closing. All stakeholders' roles and responsibilities</p>		

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
			ities are well outlined.		
4	Establish a functioning mechanism to facilitate timely issuance of tax exemptions for projects qualified to be exempted from tax to avoid delays in the completion of those projects	Section 6 of VAT Act, 2014 through Finance Act of 2021 has been amended whereby; applicants for VAT exemptions on Government and donor funded projects shall submit their requests for exemption directly to the Commissioner General of Tanzania Revenue Authority instead of the current requirement of granting exemption through a Government Notice issued by the Minister for Finance.	Ministry of Finance and Planning has already issued the Value Added Tax (Exemption Management Procedures) Regulations through a Government Notice No. 715 published on 08/10/2021.	The VAT exemptions are processed and managed directly by TRA through its offices throughout the country	Tanzania Revenue Authority (TRA)



S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
5	Ensure that Project Implementers are aware of the D-Fund system and how to use it to make requests for approval of payments on time to avoid delays in project implementation and additional costs from payment of interest charges arising from delayed payments and extension of time	Ministry of Finance and Planning has developed D-Funds Management Information System (MIS) which is web-based aiming at managing resources that are channelled directly to the Implementing Agencies without passing through the exchequer system. The System is used to register, approve the disbursements and report expenditures for projects supported by Development Partners. Also, the system aims at ensuring that the disbursement	Apart from reviewing, verifying, confirming and approving the registered projects, funds requests and expenditures requests, MOFP will ensure the following: i. there is a mechanism for regular feedback from every role and stakeholder group of system users. It is fundamental to measure if and how the system meets the needs of users; ii. stakeholders' participation in the system user	Feb 2022 to June, 2024	External Finance Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		s of projects funds are done timely to avoid delays in project implementation and additional costs associated with interest arising from delayed payments and extension of time.	testing following any system upgrade; iii. accommodation of any changes in relevant laws and regulations affecting the D-Funds business process that may necessitate changes in the system; iv. a constant availability of associated technical aspects that will facilitate a smooth functioning of the system; and v. that sufficient financial and human resources are available to support running		

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
			the system. vi. on job training to system users.		
6	Institute an effective mechanism to coordinate Implementers and Key Actors engaged in the implementation of projects financed through loans. This should allow the regular provision of feedback on the progress and performance of projects on the aspect of time, cost and quality.	Apart from the institutional framework laid down in every project on how to engage various stakeholders such as Steering Committees in which MoFP is a member, the Ministry will continue conducting portfolios review meetings of various donors, jointly supervision missions as well as quarterly stakeholders' meetings when necessary in order to share	i. Participates in the projects' Steering Committee meetings ; ii. Conducts semi-annual/annual portfolio review meetings . iii. Coordinates and participates in the joint supervision on missions; iv. Convenes quarterly stakeholders' meetings when appropriate; v. To train NPMIS Trainers of Trainees (ToTs) from all	Continuously on quarterly, semi-annually and annually basis.	National Planning Division, External Finance Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		<p>feedback on the progress and performance of the projects particularly on the aspects of time, costs and quality. MoFP has developed the NPMIS where all development project implementers and coordinators are trained and deployed with the system. The system captures all development projects financed through various sources of funds including loans. Apart from the NPMIS, the ministry also is finalizing</p>	<p>MDAs, RSs and LGAs;</p> <p>vi. To train all MDAs, RSs on NPMIS;</p> <p>vii. Dissemination of the National M&amp;E Framework in order to create awareness; and</p> <p>i. To conduct semi-annual and annual review meetings</p>		

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		the development of National Monitoring and Evaluation Framework for development projects and programmes which stipulates roles of all stakeholders and feedback mechanism.			
7	Develop and implement a monitoring and evaluation framework capable of periodically assessing the performance of all development projects financed through loans. The framework should include but not limited to reporting structure	The Ministry is finalizing the National M&E Framework for development projects and programs which puts in place mechanisms for capturing project performance. In addition, the MoFP has developed the National Project Management Information System for	ii. To train NPMIS Trainers of Trainees (ToTs) from all MDAs, RSs and LGAs, iii. To train all MDAs, RSs on NPMIS, Dissemination of the National M&E Framework for raising awareness iv. Participates in the projects'	Continuously on quarterly, semi-annually and annually basis.	National Planning Division

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
	covering key aspects of loans and project outputs for the MoFP to be well informed and facilitate provision of feedback to implementers and making follow-up on the implementation of the issued recommendations	<p>uploading new projects, tracking its implementation, and generating progress reports.</p> <p>The NPMIS will assist to undertake real-time monitoring through using GPS or satellite images. Also, the system has special monitoring and evaluation templates which will be filled by Implementing Agencies and other coordinators of projects and submit them to MoFP through their sector Ministries. The framework will be used</p>	<p>Steering meetings;</p> <p>v. Conducts semi-annual/annual portfolio review meetings;</p> <p>vi. Coordinates and participates in the joint supervision missions;</p> <p>vii. Convene quarterly stakeholders' meetings when appropriate;</p> <p>viii. Dissemination of the National M&amp;E Framework for raising awareness; and</p> <p>ix. MoFP will continue to prepare action plan for</p>		

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		to guide all project implementers and coordinators on tools, methods, reporting template, reports and timeline etc Ministry will continue conducting portfolios review meetings of various donors, jointly supervision mission as well as quarterly stakeholders' meetings when necessary in order to share feedback on the progress and performance of the projects particularly on the aspects of time, costs	undertaking M&E		

S/N	Recommendations to the Ministry	Comments from the Ministry	Planned Action(s)	Implementation Timeline (s)	Responsible Department
		and quality. Moreover, the Ministry will continue reviewing the projects' Progress Implementation Reports (Monthly, Quarterly, Semi-Annual and Annual) Reports so as to establish the trends of time spent, costs and quality to realize value for money.			
8	To assess and enhance the capacity of its staff under the monitoring and evaluation unit to effectively monitor the performance of loan financed projects.	MoFP will implement the Monitoring and Evaluation Strategy for National Five Year Development Plan (FYDP-III).	Conduct capacity needs assessment study to understand the tools and resources required to undertake projects M&E. Dissemination of the National M&E Framework.	2022/23	National Planning Division



## Appendix Two: Audit Questions and Sub Questions

This part provides the list of five main audit questions and their respective sub-questions:

<b>Audit Question No.</b>	<b>Audit question</b>
<b>Audit Question 1</b>	<b>To what extent development projects financed through loans are properly managed?</b>
<i>Sub-Question 1.1:</i>	<i>To what extent did development projects financed through loans experienced delays?</i>
<i>Sub-question 1.2:</i>	<i>What is the quality of the completed development projects as per agreement?</i>
<i>Sub-question 1.3:</i>	<i>To what extent do the implemented development projects experience cost overruns?</i>
<b>Audit Question 2</b>	<b>Are the development projects effectively planned?</b>
<i>Sub-question 2.1:</i>	<i>Does MoFP ensure adequate review of submitted project designs and proposals?</i>
<i>Sub-question 2.2:</i>	<i>Does MoFP effectively review the compensation plans prior to approval and signing loans agreements?</i>
<i>Sub-question 2.3:</i>	<i>Does MoFP have a mechanism to ensure that planned project cost and time are aligned with their respective designs?</i>
<i>Sub-question 2.4:</i>	<i>Does MoFP ensure project feasibility study is adequately conducted?</i>
<i>Sub-question 2.5:</i>	<i>Does MoFP ensure that payment schedules are properly aligned with the project implementation period?</i>
<b>Audit Question 3</b>	<b>Are loans for the development projects managed effectively?</b>
<i>Sub-question 3.1:</i>	<i>Does MoFP ensure that development projects are timely implemented to align with the terms and conditions of the loan financing agreement?</i>
<i>Sub-question 3.2:</i>	<i>Does MoFP have a mechanism to ensure tax exemption for development projects financed by loans are timely issued?</i>
<i>Sub-question 3.3:</i>	<i>Does MoFP have an effective mechanism to ensure timely and adequate disbursement of funds for development projects to implementers?</i>
<i>Sub-question 3.4:</i>	<i>Does MoFP ensure that disbursed funds are effectively utilized for intended purposes by the Implementing Agencies?</i>
<b>Audit Question 4</b>	<b>Does MoFP ensure effective coordination with implementing agencies of the development projects?</b>
<i>Sub-question 4.1:</i>	<i>Does MoFP establish and implement an effective mechanism for coordinating key stakeholders responsible for development projects?</i>
<i>Sub-question 4.2:</i>	<i>Is the level of coordination between MoFP and key stakeholders adequate and facilitative to the achievement of projects objectives?</i>

<b>Audit Question No.</b>	<b>Audit question</b>
<b>Audit Question 5</b>	<b>Does MoFP effectively monitor and evaluate the performance of construction development projects?</b>
<i>Sub-question 5.1:</i>	<i>Does MoFP effectively plan for monitoring the performance of Implementing Agencies regarding the implementation of development projects financed through loans?</i>
<i>Sub-question 5.2:</i>	<i>Does MoFP implement its plan for monitoring and evaluation of the performance of implementing Agencies to address the challenges development projects effectively?</i>
<i>Sub-question 5.3:</i>	<i>Are tools for monitoring development projects functioning well?</i>
<i>Sub-question 5.4:</i>	<i>Does the MoFP provide timely feedback to Implementing Agencies on results from monitoring?</i>
<i>Sub-question 5.5:</i>	<i>Does MoFP conduct follow-up on the implementation of the recommendations issued to Implementing Agencies for improving their performance on the implementation of development projects?</i>



### Appendix Three: Documents Reviewed

This part provides the details of the documents that were reviewed as part of data collection.

Category of the documents	Title of Documents Reviewed	Reasons for Reviewing
Planning Documents	<ul style="list-style-type: none"> <li>• Projects Proposal submitted for review and approval from 2017/18 to 2020/21</li> <li>• Review reports of submitted projects proposal from 2017/18 to 2020/21</li> <li>• List of projects approved from 2017/18 to 2020/21</li> </ul>	<p>To assess the performance of MoFP in:</p> <ul style="list-style-type: none"> <li>• reviewing the submitted project planning documents to ensure the proposals, feasibility studies, project design meet the requirement as per Public Investment Management - Operational Manual</li> <li>• ensuring compensation plans are adequately planned for</li> <li>• Reviewing all projects prior to granting approvals.</li> </ul>
Monitoring and Feedback Reports	<ul style="list-style-type: none"> <li>• MoFP Monitoring Plan for the Year 2016/17 to 2020/21</li> <li>• Monitoring reports of projects for the year 2016/17 to 2020/21</li> <li>• Feedback report to Contracting Agencies/Implementing Agencies</li> <li>• Monitoring Framework</li> </ul>	<p>To ascertain :</p> <ul style="list-style-type: none"> <li>• If MoFP effectively planned monitoring activities</li> <li>• If there was effective monitoring and evaluation of development projects conducted by MoFP</li> <li>• If MoFP effectively took corrective actions on the identified challenges associated with project implementation</li> <li>• If the performance of the development projects was good</li> <li>• If there was effective provision of feedback to Procuring Entities and other stakeholders for collective action</li> </ul>
Annual Reports from External Finance	<ul style="list-style-type: none"> <li>• Analysis of the ongoing Government Development Projects Financed by Concessional loans from Development Partners from 2016/17 to 20/21</li> </ul>	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• Status of loans disbursement as per loans agreement</li> <li>• Loan utilization rate</li> <li>• Performance of MoFP in managing interest and commitment fee charged</li> </ul>
Budget Document	<ul style="list-style-type: none"> <li>• Medium Term Expenditure Framework MTEF for</li> </ul>	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• Adequacy of planning and budgeting for the development projects</li> </ul>

Category of the documents	Title of Documents Reviewed	Reasons for Reviewing
	the year 2016/17 to 2020/21	<ul style="list-style-type: none"> <li>Effectiveness of funds disbursement for monitoring of projects as per approved budget</li> </ul>
Project Payment Documents	<ul style="list-style-type: none"> <li>Contract Documents with contractors</li> <li>Payment records</li> </ul>	<ul style="list-style-type: none"> <li>To assess the timelines of payments to contractors as per terms provided in the contract</li> </ul>
Project Files	<ul style="list-style-type: none"> <li>Tax exemption request</li> <li>Extension of time issues</li> <li>Variation Orders</li> <li>Payment record</li> <li>Progress reports</li> </ul>	<p>To assess:</p> <ul style="list-style-type: none"> <li>The efficiency of issuance of tax exemption to Contractors</li> <li>Extension of time granted to a contractor and their reasons</li> <li>Cost control of the project with respect to loan agreement</li> <li>Timelines of contractors payment</li> <li>Various challenges were reported during the project implementation and actions taken</li> </ul>
Financing Agreements	Loans agreement	<p>To assess the:</p> <ul style="list-style-type: none"> <li>Loans disbursement schedules</li> <li>Terms and conditions provided in the loans agreement</li> <li>Terms and conditions agreed were considered during the project implementation</li> </ul>

## Appendix Four: Interviewed Officials

This part provides the details of the interviewed officials from various entities covered in the audit.

Institution covered	Official Interviewed	Reasons for the Interview
MoFP	<ul style="list-style-type: none"> <li>• Commissioner for Policy</li> <li>• Two officials from the Department of Policy</li> </ul>	To assess the: <ul style="list-style-type: none"> <li>• Timeliness of issuance of tax exemption for the implementation of construction project financed through loans</li> <li>• Factors hindering timely issuance of tax exemption and actions taken by the Ministry to alleviate the situation</li> <li>• Communication with other stakeholders involved in the process of issuing tax exemptions</li> </ul>
	<ul style="list-style-type: none"> <li>• Commissioner for External Finance</li> <li>• Assistant Commissioner External Finance Bilateral and Multi-lateral</li> <li>• Two desk officers from Bilateral and Multi-lateral external finance</li> </ul>	<ul style="list-style-type: none"> <li>• To assess the:</li> <li>• Effectiveness of loans disbursement for implementation of construction projects</li> <li>• Utilization capacity of the issued loans for construction projects</li> <li>• Associated challenges regarding loans management and their reasons</li> <li>• Project implementation effectiveness with regard to time and cost</li> <li>• The impact of delays on the project implementation (cost overrun; quality)</li> <li>• Mechanism available for the coordination between the Ministry of Finance and Planning and other stakeholders regarding the implementation of construction projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Commissioner for National Planning department</li> <li>• Assistant Commissioner National Planning-</li> </ul>	To assess the: <ul style="list-style-type: none"> <li>• Effectiveness of the system for the approval of development projects regarding compensation , design review,</li> </ul>

Institution covered	Official Interviewed	Reasons for the Interview
	Monitoring and Evaluation <ul style="list-style-type: none"> <li>Assistant Commissioner National Planning Department - Planning and Development</li> </ul>	feasibility studies conducted and cost estimates of the construction projects <ul style="list-style-type: none"> <li>Payment schedules if they are properly aligned with the approved project implementation period</li> <li>Effectiveness of monitoring and evaluation of development projects</li> </ul>
Ministry of Water	Director of Water Supply and Sanitation	To assess the: <ul style="list-style-type: none"> <li>Effectiveness of payments system to contractors</li> <li>Extent of delays in the issuance of tax exemptions</li> <li>Capacity of the MoW in completion of projects on time as per loan duration</li> </ul>
Ministry of Energy	Coordinator of Projects	To assess the: <ul style="list-style-type: none"> <li>Effectiveness of payments to contractors</li> <li>Extent of delays in the issuance of Tax exemptions</li> <li>Capacity of the MoE in ensuring timely completion of projects</li> </ul>
Ministry of Works and Transport (MoWT)	Director of Trunk Roads, Urban and Rural Development	To assess the: <ul style="list-style-type: none"> <li>Effectiveness of payments system to contractors</li> <li>Extent of delays in the issuance of Tax exemptions</li> <li>Capacity of the MoWT in ensuring there is timely completion of projects</li> </ul>

## Appendix Five: Delays of projects Implementation in Comparison with Loan Agreement Date

This part provides the details of delays of project implementation in comparison to loan agreements.

S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
1	(Arusha - Holili/Taveta - Voi Road (Regional)	ADF	TANROADS	11-Jul-13	31-Dec-18	31-Aug-20	1.67
2	(Dar es Salaam Metropolitan Development Project - DMDP	Worldbank through (IDA)	PO-RALG	02-Mar-15	31-Dec-22	-	-
3	(Dodoma City Outer Ring Road (110.2 Km) Construction Project	AfDB	MoWT	19-Aug-19	31-Dec-24	-	-
4	(DSM Urban Transport Improvement Project -DUTP	World bank (IDA)	TANROADS	08-Mar-17	31-Dec-23	-	-
5	(Kenya-Tanzania Electricity Interconnection Project	JICA	TANESCO	15-Jan-16	13-May-24	-	-
6	(Multinational: Rumonge - Gitaza (Burundi)/Kabingo - Kasulu - Manyovu (Tanzania) Road Upgrading Project)	ADF & URT	TANROADS	05-Mar-19	31-Dec-24	-	-
7	(Rehabilitation of Water Supply Facilities in "Mara" Region Project	BADEA & SAUDI	Ministry of water	19-Jun-13	31-Dec-17	31-Dec-20	3.00
8	(Tanzania Improvement of the Regional Airports Project	EIB	TANROADS	15-Dec-11	28-Feb-22	-	-
9	(Urban Local Government Strengthening Program - ULGSP	World bank (IDA)	PO-RALG	23-Oct-12	30-Jun-19	30-Jun-20	1.00

S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
10	(Wastewater Treatment System Development in Dar es Salaam Project)	Exim Bank of Korea	Ministry of Water	25-Oct-16	04-Jun-23	04-Dec-25	2.50
11	(Water Sector Development Programme II	AFD	Ministry of Water through water Authority	10-Jul-15	31-Dec-19	31-Dec-22	3.00
12	Arusha Sustainable Water Supply and Sanitation	AfDB (ADF, ADB, AGTF & GoT)	Ministry of Water through AUWASA	23-Oct-15	31-Dec-23	-	-
13	Augmentation of Water supply schemes of Dar es Salaam and Chalinze Project.	Exim Bank of India	DAWAS	02-Oct-12	31-Dec-18	31-Dec-19	1.00
14	Construction of Data Centers for National ID Systems Project)	Exim Bank of Korea	Ministry of Home Affairs through NIDA	18-Jul-13	30-Mar-17	31-Dec-20	3.76
15	Dar es Salaam Bus Rapid Transit (BRT System Phase II	ADB & Africa Growing Together Fund (AGTF)	TANROAD S and DART	23-Oct-15	31-Dec-20	31-Dec-22	2.00
16	Densitification Project Round II -Rural Electrification	AFD	REA	29-Jun-20	15-Dec-25	-	-
17	East Africa Public Health Laboratory Networking - EAPHLN	World bank (IDA)	MHCDEC	25-Sep-15	30-Mar-21	-	-
18	Education Program for Results)	World bank (IDA)	MoEVT	10-Jul-14	31-Jan-20	31-Jan-22	2.00
19	Electrification of North-western Tanzania, Transmission line Geita-Nyakanazi	AFD	Ministry of Energy through TANESCO	09-Oct-15	09-Sep-20	15-Jun-24	3.77



S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
20	Geita District Rural Electrification Project	BADEA & OFID	TANESCO	16-Jan-11	31-Dec-14	31-Dec-20	6.01
21	Iringa-Shinyanga Backbone Transmission Investment Project	JICA	TANESCO	13-Dec-10	28-Mar-17	30-Sep-20	3.51
22	Iringa-Shinyanga Backbone Transmission Line)	ADF	TANESCO	11-Mar-11	31-Oct-16	30-Jun-21	4.67
23	Kazilambwa - Chagu Road Project	OFID	TANROADS	09-Jul-20	31-Jan-24	-	-
24	Lake Victoria Water Supply and Sanitation (LVWATSAN	EIB	MWAUWASA and Ministry of Water	05-Mar-14	01-Dec-19	31-Dec-25	6.09
25	Lake Victoria WATSAN - MWANZA water projects	EIB	Ministry of Water through MWAUWASA	05-Mar-14	30-Dec-19	31-Dec-22	3.01
26	Morogoro Water Supply and Sanitation Project	AFD	Ministry of Water through MORUWASA	27-May-20	31/09/2027	-	-
27	Msalato International Airport Construction Project	ADF, ADB & AGTF	TANROADS	13-Mar-20	31-Dec-24	-	-
28	Multinational: Bagamoyo-Horohoro/Lungalunga-Malindi Road Project)	ADF	TANROADS	13-Mar-20	31-Dec-24	-	-
29	New Salender Bridge Construction Project	Exim Bank of Korea	TANROADS	03-Sep-15	30-Nov-20	31-Aug-22	1.75
30	North West Grid: 400kV Nyakanazi-Kigoma	AfDB	TANESCO	15-Nov-18	31-Dec-24	-	-

S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
	Transmission Line)						
31	Nyahua - Chaya Road Project)	KUWAIT FUND	TANROADS	21-Mar-17	31-Dec-20	31-Dec-22	2.00
32	Orkesumet Water Supply Project - Simanjoro	BADEA & OFID	Ministry of water	20-Apr-13	31-Dec-16	30-Apr-21	4.33
33	Rehabilitation and Upgrading of the Existing Power Transmission and Distribution Grid	AFD	TANESCO	10-Jul-15	10-Jul-19	15-Jul-25	6.02
34	Resilient Natural Resource Management for Tourism and Growth - REGROW	World bank (IDA)	Ministry of Natural resources and Tourism	28-Sep-17	28-Sep-23	-	-
35	Rural Electrification Expansion Program - REEP	World bank (IDA)	REA	21-Jun-16	31-Jul-22	-	-
36	Rusumo Falls Hydro Power Project	ADF	TANESCO	11-Jan-14	31-Aug-19	31-Aug-21	2.00
37	Rusumo Hydro Power Project - RHPP	World bank (IDA)	TANESCO	06-Aug-13	31-Dec-20	31-Mar-23	2.25
38	Same - Mwanga - Korogwe Water Project	BADEA, OFID, SAUDI FUND & KUWAIT FUND	Ministry of water	04-Oct-09	30-Jun-13	31-Dec-20	7.51
39	Second Water Sector Support Project - 2nd WSSP	World bank (IDA)	Ministry of water	23-Jan-17	30-Jun-22	-	-
40	Small Scale Irrigation Development Project-SSIDP)	JICA	Ministry of Agriculture and Irrigation	30-May-13	16-Jul-19	16-Jul-21	2.00
41	Southern Africa Trade and Transport	World bank (IDA)	TANROADS	21-May-13	31-Dec-18	31-Dec-20	2.00

S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
	Facilitation Project - SATTFP						
42	Sustainable Rural Water Supply and Sanitation Program- SR-WSSP)	World bank (IDA)	PO-RALG & Ministry of Water (RUWASA)	26-Jun-20	24-Jul-24	-	-
43	Tanzania Backbone Interconnector Project -“BTIP Phase I”	EIB	TANESCO	14-Dec-10	14-Dec-16	-	-
44	Tanzania Railway Intermodal Project - TRIP	World bank (IDA)	TRC	24-Apr-14	31-Jul-19	30-Sep-22	3.17
45	Tanzania Strategic Cities Project - TSCP	World bank (IDA)	PO-RALG	27-May-10	26-May-20	26-Nov-20	0.50
46	Tanzania Zambia Electricity Transmission Interconnector	AFD	TANESCO	29-Jun-20	15-Dec-25	-	-
47	Tanzania-Kenya Power Interconnection Project	AfDB, JICA USD & URT	TANESCO	29-Apr-15	31-Dec-19	31-Dec-22	3.00
48	Tanzania-Zambia Transmission Interconnector Project	World bank (IDA),	TANESCO	18-Jun-18	28-Jun-24	-	-
49	The Extension of Lake Victoria Pipeline to Tabora, Igunga and Nzega	Exim Bank of India	Ministry of Water	19-Jun-15	19-Jun-21	12-Aug-23	2.15
50	Transport Sector Support Programme	ADB & ADF	TANROADS	04-Dec-15	31-Oct-21	31-Oct-23	2.00

S/N	Name of Projects	Financier	Implementer	Date of loans Approval	Closing date)	Revised closing Date	Delays (Years)
51	Tz- Dar Maritime Gateway Project- DSMGP	Worldbank through "IDA Scale-Up Facility"- (SUF)	TPA	30-Jul-17	30-Jun-24	-	-
52	Upgrading of Mwanza Airport - Project	BADEA & OFID	TANROADS	15-May-07	30-Sep-14	31-Dec-20	6.26
53	Uvinza - Ilunde-Malagarasi Road Project	Abu Dhabi Development Fund (ADF), ADF & OFID	MoWT through TANROADS	04-Aug-17	02-Apr-18	31-Dec-25	7.75
54	Water Supply in Mwanza and Sanitation in Bukoba and Musoma	AFD	Ministry of Water	05-Mar-14	31-Dec-19	31-Dec-22	3.00
55	Water Supply Schemes for 23 Towns	Exim Bank of India	Ministry of Water	10-May-18	10-May-21	10-May-23	2.00

Source: Analysis of MoFP on the on-going Projects implemented by the Government using Concessional Loans August, 2020

## Appendix Six: Comparison of Elapsed Time and Disbursed Funds for Development Projects

This part provides analysis of the percentage of lapsed time of loan duration and percentage of disbursed funds for the development projects.

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days)	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
1	East Africa Public Health Laboratory Networking - EAPHLN	World bank (IDA)	15.81	MHCDEC	25-Sep-2015	30-Mar-2021	2013	30-06-20	1740	14.89	94%	86%
2	Small Scale Irrigation Development Project- SSIDP)	JICA	32.36	Ministry of Agriculture	30-May-2013	16-Jul-2019	2238	30-06-20	2588	32.36	100%	116%
3	Rural Electrification Expansion Program - REEP	World bank (IDA)	200	Ministry of Energy	21-Jun-2016	31-Jul-2022	2231	30-06-20	1470	113.18	57%	66%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
4	Desertification Project Round II - Rural Electrification	AFD	118.42	Ministry of Energy	29-Jun-2020	15-Dec-2025	1995	30-06-20	1	The projects is at early stage no fund has been released	0%	0.05%
5	Rusumo Hydro Power Project - RHPP	World bank (IDA)	113.3	Ministry of Energy	6-Aug-2013	31-Dec-2020	2704	30-06-20	2520	63.57	56%	93%
6	Tanzania-Zambia Transmission Interconnect or Project	World bank (IDA),	455	Ministry of Energy	18-Jun-2018	28-Jun-2024	2202	30-06-20	743	11.03	2%	34%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
7	North West Grid: 400kV Nyakanazi-Kigoma Transmission Line)	AfDB	123.39	Ministry of Energy	15-Nov-2018	31-Dec-2024	2238	30-06-20	593	1.25	1%	26%
8	Iringa-Shinyanga Backbone Transmission Line)	ADF	64	Ministry of Energy	11-Mar-2011	31-Oct-2016	2061	30-06-20	3399	50	78%	165%
9	Rusumo Falls Hydro Power Project	ADF	31.6	Ministry of Energy	11-Jan-2014	31-Aug-2019	2058	30-06-20	2362	2.92	9%	115%
10	Tanzania-Kenya Power Interconnection Project	AfDB, JICA, USD & URT	204.43	Ministry of Energy	29-Apr-2015	31-Dec-2019	1707	30-06-20	1889	51.24	25%	111%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
11	Tanzania Backbone Interconnect or Project - "BTIP Phase I"	EIB	134.5	Ministry of Energy	14-Dec-2010	14-Dec-2016	2192	30-06-20	3486	58	43%	159%
12	Geita District Rural Electrification Project	BADEA & OFID	20	Ministry of Energy	16-Jan-2011	31-Dec-2014	1445	30-06-20	3453	13	65%	239%
13	Rehabilitation and Upgrading of the Existing Power Transmission and Distribution Grid	AFD	62.5	Ministry of Energy	10-Jul-2015	10-Jul-2019	1461	30-06-20	1817	0.69	1%	124%



S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
14	Tanzania Zambia Electricity Transmission Interconnector	AFD	100 EURO Milion	Ministry of Energy	29-Jun-2020	15-Dec-2025	1995	30-06-20	1	The projects is at early stage no fund has been released	0%	0.05%
15	(Kenya-Tanzania Electricity Interconnection Project		111.4	Ministry of Energy	15-Jan-2016	13-May-2024	3041	30-06-20	1628	58.2	52%	54%
16	Iringa-Shinyanga Backbone Transmission Investment Project	JICA	56.87	Ministry of Energy	13-Dec-2010	28-Mar-2017	2297	30-06-20	3487	50.9	90%	152%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
17	Electrification of North-western Tanzania, Transmission line Geita-Nyakanazi	AFD	16.5	Ministry of Energy	9-Oct-2015	9-Oct-2020	1827	30-06-20	1726	0.64	4%	94%
18	Construction of Data Centers for National ID Systems Project)	Exim Bank of Korea	54.3	Ministry of Home Affairs	18-Jul-2013	30-Mar-2017	1351	30-06-20	2539	54.2	100%	188%
19	Resilient Natural Resource Management for Tourism and Growth - REGROW	World bank (IDA)	150	Ministry of Natural resources and Tourism	28-Sep-2017	28-Sep-2023	2191	30-06-20	1006	8.74	6%	46%

120

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
20	Water Supply in Mwanza and Sanitation in Bukoba and Musoma	AFD	57.1	Ministry of Water	5-Mar-2014	5-Mar-2021	2557	30-06-20	2309	12	21%	90%
21	The Extension of Lake Victoria Pipeline to Tabora, Igunga and Nzega	Exim Bank of India	268.35	Ministry of Water	19-Jul-2015	23-Feb-2022	2411	30-06-20	1808	201	75%	75%
22	Water Supply Schemes for 23 Towns	Exim Bank of India	500	Ministry of Water	10-May-2018	10-May-2021	1096	30-06-20	782	1.46	0.29%	71%
23	(Wastewater Treatment System	Exim Bank of Korea	90.1	Ministry of Water	25-Oct-2016	4-Jan-2021	1532	30-06-20	1344	Implementation has not	0%	88%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
	Development in Dar es Salaam Project)									started because of changing of location of construction of sewer after the proposed being prone to flood.		

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
24	Morogoro Water Supply and Sanitation Project	AFD	82.9	Ministry of water	27-May-2020	31-Dec-2027	2774	30-06-20	34	Implementation has not started because GoT if on process for fulfilling requirement of Loan.	0%	1%
25	Augmentation of Water supply schemes of Dar es Salaam and	Exim Bank of India	178.13	Ministry of water	2-Oct-2012	31-Dec-2018	2281	30-06-20	2828	150.8	85%	124%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
	Chalinze Project.											
26	Second Water Sector Support Project - 2nd WSP	World bank (IDA)	225	Ministry of water	23-Jan-2017	30-Jun-2022	1984	30-06-20	1254	43.24	19%	63%
27	(Rehabilitation of Water Supply Facilities in "Mara" Region Project	BADEA & SAUDI	25	Ministry of water	19-Jun-2013	31-Dec-2017	1656	30-06-20	2568	The has not yet started	0%	155%
28	Orkesumet Water Supply Project - Simanjoro	BADEA & OFID	16	Ministry of water	20-Apr-2013	31-Dec-2016	1351	30-06-20	2628	9.98	62%	195%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days)	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
29	(Water Sector Development Programme II	AFD	47.2	Ministry of water	10-Jul-2015	31-Dec-2019	1635	30-06-20	1817	Euro 36 million out of Euro 40 million of Loan	90%	111%
30	Same - Mwanga - Korogwe Water Project	BADEA, OFID, SAUDI FUND & KUWAIT FUND	108	Ministry of water	4-Oct-2009	30-Jun-2013	1365	30-06-20	3922	63.83	59%	287%
31	Arusha Sustainable Water Supply and Sanitation	AfDB (ADF, ADB, AGTF & GoT)	211	Ministry of water	23-Oct-2015	31-Dec-2020	1896	30-06-20	1712	89.33	42%	90%
32	Lake Victoria WATSAN - MWANZA	EIB	52.94	Ministry of water	23-Dec-2013	30-Dec-2018	1833	30-06-20	2381	32.76	62%	130%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
33	water projects Lake Victoria Water Supply and Sanitation (LVWATSAN	EIB	35.5	Ministry of water	29-Jun-2020	1-Dec-2026	2346	30-06-20	1	Contract has been signed but implementation has not started because the area to construct treatment plant has not been secured.	0%	0.04%



S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
										They are waiting to speak with prisoners as the area is located in area owned by prisoners		
34	Sustainable Rural Water Supply and Sanitation Program- SR-WSSP)	World bank (IDA)	350	Ministry of water	26-Jun-2020	24-Jul-2024	1489	30-06-20	4	78.48	22%	0%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
35	Education Program for Results)	World bank (IDA)	202	MoEVT	10-Jul-2014	31-Jan-2020	2031	30-06-20	2182	155.68	77%	107%
36	(Dodoma City Outer Ring Road (110.2 Km) Construction Project	AfDB	42	MoWT	19-Aug-2019	31-Dec-2024	1961	30-06-20	316	0.4	1%	16%
37	Uvinza - Ilunde-Malagarasi Road Project	Abu Dhabi Development Fund (ADF), ADF & OFID	33	MoWT	4-Aug-2017	2-Apr-2018	241	30-06-20	1061	The projects is at procurement process	0%	440%
38	(DSM Urban Transport Improvement	World bank (IDA)	425	MoWT	8-Mar-2017	31-Dec-2023	2489	30-06-20	1210	76.19	18%	49%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
	Project - DUTP											
39	Southern Africa Trade and Transport Facilitation Project - SATTFP	World bank (IDA)	210	MoWT	21-May-2013	31-Dec-2018	2050	30-06-20	2597	190.42	91%	127%
40	Msalato International Airport Construction Project	ADF, ADB & AGTF	271.63	MoWT	13-Mar-2020	31-Dec-2024	1754	30-06-20	109	0	0%	6%
41	Multinational : Bagamoyo-Horohoro/Lu ngalunga-	ADF	171.2	MoWT	13-Mar-2020	31-Dec-2024	1754	30-06-20	109	No any disbursment made up	0%	6%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days)	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
	Malindi Road Project)									to june 2020		
42	(Multinational: Rumonge - Gitaza (Burundi)/Kabinjo - Kasulu - Manyovu (Tanzania) Road Upgrading Project)	ADF & URT	281.82	MoWT	5-Mar-2019	31-Dec-2024	2128	30-06-20	483	1.02	0.36%	23%
43	Transport Sector Support Programme	ADB & ADF	347.09	MoWT	4-Dec-2015	31-Oct-2021	2158	30-06-20	1670	123.04	35%	77%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
44	(Arusha - Holili/Taveta - Voi Road (Regional)	ADF	111.9	MoWT	11-Jul-2013	31-Dec-2018	1999	30-06-20	2546	92.5	83%	127%
45	(Tanzania Improvement of the Regional Airports Project	EIB	67.9	MoWT	15-Dec-2011	28-Feb-2022	3728	30-06-20	3120	0.78	1%	84%
46	Nyahua - Chaya Road Project)	KUWAIT FUND	51.1	MoWT	21-Mar-2017	31-Dec-2020	1381	30-06-20	1197	26.09	51%	87%
47	Upgrading of Mwanza Airport - Project	BADEA & OFID	12	MoWT	15-May-2007	30-Sep-2014	2695	30-06-20	4795	6.74	56%	178%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
48	Kazilambwa - Chagu Road Project	OFID	26	MoWT	9-Jul-2020	31-Jan-2024	1301	30-06-20	-9	The projects is at procurement process of consultant contract or	0%	-1%
49	New Salender Bridge Construction Project	Exim Bank of Korea	91.03	MoWT	3-Sep-2015	30-Nov-2020	1915	30-06-20	1762	57.73	63%	92%
50	Dar es Salaam Bus Rapid Transit	ADB & Africa Growing Together	145.8	MoWT	23-Oct-2015	31-Dec-2020	1896	30-06-20	1712	23.76	16%	90%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days )	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
	(BRT System Phase II	Fund (AGTF)										
51	Tz- Dar Maritime Gateway Project- DSMGP	Worldbank through "IDA Scale-Up Facility"- (SUF)	345	MoWT	30-Jul-2017	30-Jun-2024	2527	30-06-20	1066	113.9	33%	42%
52	Tanzania Railway Intermodal Project - TRIP	World bank (IDA)	300	MoWT	24-Apr-2014	31-Jul-2019	1924	30-06-20	2259	228.78	76%	117%
53	(Dar es Salaam Metropolitan Development Project - DMDP	Worldbank through (IDA)	300	PO-RALG	2-Mar-2015	31-Dec-2021	2496	30-06-20	1947	159.13	53%	78%

S/N	Name of Projects	Financier	Amount Loan (USD Million)	Implementer	Date of loans Approval	Closing date)	Loans Contract Duration (Days)	Date Analysis Made 30 June 2020	Elapsed time from date of Loans Approval (Days)	Fund Disbursed as of June 2020 Million	Percentage of Disbursed Fund	Percentage of Time Elapsed to Loan duration
54	Tanzania Strategic Cities Project - TSCP	World bank (IDA)	343	PO-RALG	27-May-2010	26-May-2020	3652	30-06-20	3687	340.37	99%	101%
55	(Urban Local Government Strengthening Program - ULGSP	World bank (IDA)	255	PO-RALG	23-Oct-2012	30-Jun-2019	2441	30-06-20	2807	236.63	93%	115%



## Appendix Seven: Delays of Project Completion in Relation to Loan Closing Date

This part provides the details of projects implementation delays in relation to loan closing date

Project Name	Loan Approval date	Initial loan Closing Date	Revised Closing Date	Period of Delays (in Months)
Transport Sector Support Programme	4/12/2015	31/10/2021	31/10/2023	24
Southern Africa Trade and Transport Facilitation Project - SATTFP	30/07/2013	31/12/2018	31/12/2020	24
Kenya-Tanzania Power Interconnection Project	29/04/2015	31/12/2019	31/12/2021	24
	15/01/2016	15/01/2024	-	-
Augmentation of Water supply schemes of Dar es Salaam and Chalinze Project	2/10/2012	31/12/2018	31/12/2019	12
Iringa-Shinyanga Backbone Transmission Line (Phase 2)	11/03/2011	31/12/2014	31/10/2020	71
	13/12/2010	14/12/2016	14/12/2023	84
	14/12/2010	14/12/2016	14/12/2023	84
Water Supply Schemes for 23 Towns	10/5/2018	10/5/2021	10/05/2023	24

## Appendix Eight: Delay of Payments in SATTFP

This part provides the details on delays of payment to the contractors implementing the SATTFP project

Project Name	Lot	IPC Number	Payment due date	Actual Payments Date	Period of Delays (in Days)
Rehabilitation of Mafinga-Igawa Road to Bituminous Standard (Mafinga-Nyigo-Igawa)	1	14	25/08/2018	19/09/2018	25
		15	24/09/2018	29/10/2018	35
		17	27/02/2019	06/03/2019	7
		18	06/02/2019	06/05/2019	89
		19	16/08/2019	23/09/2019	38
		20	25/10/2019	16/01/2020	83
	2	6	23/08/2016	09/09/2016	17
		16	15/09/2017	20/10/2017	35
		27	22/01/2019	18/02/2019	27
		28	29/05/2019	20/06/2019	22
Construction of Phase 1 & 2 of One-stop Border Post (OSBP) at Songwe/Kasumulu <sup>24</sup>		1	27/01/2020	27/04/2020	91
		2	23/06/2020	23/07/2020	30
		3	27/08/2020	11/09/2020	15
		7	24/09/2021	26/10/2021	32
Construction of One-stop Inspection Station (OSIS) phase 1 Vigwaza <sup>25</sup>		2	27/02/2020	27/04/2020	60
		3	05/05/2020	12/08/2020	99
		4	26/08/2020	11/09/2020	16
		6	01/01/2021	26/01/2021	25

<sup>24</sup> Amount of IPC (GoT Contribution)

<sup>25</sup> Amount of IPC (GoT Contribution)

## Appendix Nine: Payments delays for Transport Sector Support Programme Project (TSSP)

This part provides the details on payment delays to the contractors implementing TSSP project for Lot 1 and Mbinga Mbamba bay.

Project Name	Lot	IPC Number	Payment due date	Actual Payments Date	Period of Delays (in Days)
Upgrading of Tabora-Koga-Mpanda Road to Bitumen Standard, Lot 1: Komaga-Kasinde Section (108km) and Inyonga Town Section (4.18km)	1	5	03/05/2019	04/04/2020	337
		6	26/06/2019	04/04/2020	283
		7	27/07/2019	04/04/2020	252
		8	03/09/2019	04/04/2020	214
		9	05/10/2019	04/04/2020	182
		10	05/11/2019	04/04/2020	151
		11	26/11/2019	04/04/2020	130
		12	27/12/2019	04/04/2020	99
		13	26/01/2020	04/04/2020	69
		14	27/02/2020	04/04/2020	37
Upgrading of Mbinga-Mbamba Bay Road (66km) to Bitumen Standard		1	15/03/2018	22/03/2018	7
			15/03/2018	22/03/2018	7
		2	31/12/2018	15/01/2019	15
			31/12/2018	18/03/2019	77
		5	18/07/2019	16/04/2020	273
			18/07/2019	16/04/2020	273
		6	29/10/2019	13/05/2020	197
			29/10/2019	13/05/2020	197
		7	12/12/2019	16/04/2020	126
			12/12/2019	16/04/2020	126
		8	24/01/2020	21/04/2020	88
			24/01/2020	16/04/2020	83
		9	18/02/2020	05/08/2020	169
			18/02/2020	16/04/2020	58
		10	06/07/2020	05/08/2020	30
			06/07/2020	03/08/2020	28
		11	24/09/2020	09/10/2020	15
			24/09/2020	13/10/2020	19

Source: Monthly Progress Reports

## Appendix Ten: Payment Delays for Kasinde Mpanda Section -TSSP (Lot 3)

This part provides the details on payment delays to the contractor implemented TSSP project for Lot 3

IPC Number	Date Certified	Payment Due (Date)	GOT		AfDB	
			Payment Made (Date)	Delayed Payment (Days)	Payment Made (Date)	Period of Delay (in Days)
2	18/06/2018	13/08/2018	12/06/2019	303	30/07/2018	-
		13/08/2018	18/01/2019	158	27/07/2018	-
4	27/12/2018	21/02/2019	12/06/2019	111	15/02/2019	-
		21/02/2019	02/03/2021	740	12/02/2019	-
6	28/06/2019	23/08/2019	24/04/2020	245	14/08/2019	-
		23/08/2019	20/04/2020	241	13/08/2019	-
7	26/07/2019	20/09/2019	24/04/2020	217	09/10/2019	19
		20/09/2019	20/04/2020	213	09/10/2019	19
8	29/08/2019	24/10/2019	24/04/2020	183	24/12/2019	61
		24/10/2019	20/04/2020	179	24/12/2019	61
9	28/09/2019	23/11/2019	24/04/2020	153	24/12/2019	31
		23/11/2019	20/04/2020	149	24/12/2019	31
10	15/11/2019	10/01/2020	24/04/2020	105	02/10/2020	266
		10/01/2020	20/04/2020	101	02/11/2020	297
11	03/12/2019	28/01/2020	24/04/2020	87	02/10/2020	248
		28/01/2020	20/04/2020	83	02/11/2020	279
12	10/03/2020	05/05/2020	03/07/2021	424	18/05/2020	13
		05/05/2020	03/07/2021	424	18/05/2020	13
13	02/06/2020	28/07/2020	04/07/2021	341	09/11/2020	104
		28/07/2020	09/07/2021	346	24/08/2020	27
14	18/09/2020	13/11/2020	28/08/2021	288	17/12/2020	34
		13/11/2020	09/07/2021	238	18/12/2020	35
16	20/11/2020	15/01/2021	31/07/2021	197	06/05/2021	111
		15/01/2021	09/07/2021	175	07/05/2021	112

## Appendix Eleven: Payment Delays for Kenya Tanzania Power Interconnection Project (KTIPI)

This part provides the details on payment delays of the contractor of Kenya Tanzania Power Interconnection Project (KTIPI)

Invoice Submitted to Client (GOPA signed and stamped)	Invoice No.	Date of payment (JICA)	Payment Due date	Period of Delays (in Days)
<b>Payment by JICA</b>				
24/04/2019	KTIPI/T4/USD/SCH.3/002/2019	09/08/2019	23/07/2019	17
21/08/2019	KTIPI/T4/USD/SCH.4/005/2019	30/12/2019	19/11/2019	41
22/10/2019	KTIPI/T4/USD/SCH.3/006/2019	23/03/2020	20/01/2020	63
05/01/2020	KTIPI/T4/USD/SCH.1/007/2019	24/12/2020	04/04/2020	264
05/01/2020	KTIPI/T4/USD/SCH.2/008/2019	16/02/2021	04/04/2020	318
27/01/2020	KTIPI/T4/USD/SCH.1/009/2020	17/12/2020	26/04/2020	235
03/02/2020	KTIPI/T4/USD/SCH.1/010/2020	24/12/2020	03/05/2020	235
27/02/2020	KTIPI/T4/USD/SCH.3/011/2020	24/12/2020	27/05/2020	211
12/03/2020	KTIPI/T4/USD/SCH.1/012/2020	17/12/2020	10/06/2020	190
09/11/2020	KTIPI/T4/USD/SCH.1/013/2020	19/03/2021	07/02/2021	40
09/11/2020	KTIPI/T4/USD/SCH.1/014/2020	12/03/2021	07/02/2021	33
11/11/2020	KTIPI/T4/USD/SCH.1/015/2020	12/04/2021	09/02/2021	62
18/11/2020	KTIPI/T4/USD/SCH.1/016/2020	16/03/2021	16/02/2021	28
22/01/2021	KTIPI/T4/USD/SCH.1/017/2020	31/05/2021	22/04/2021	39
26/01/2021	KTIPI/T4/USD/SCH.4/018/2020	23/06/2021	26/04/2021	58
<b>Payment by AfDB</b>				
21/08/2019	KTIPI/T4/USD/SCH.4/005/2019	27/12/2019	19/11/2019	38
22/10/2019	KTIPI/T4/USD/SCH.3/006/2019	11/03/2020	20/01/2020	51
05/01/2020	KTIPI/T4/USD/SCH.1/007/2019	02/12/2020	04/04/2020	242
05/01/2020	KTIPI/T4/USD/SCH.2/008/2019	09/04/2021	04/04/2020	370
27/01/2020	KTIPI/T4/USD/SCH.1/009/2020	02/12/2020	26/04/2020	220
03/02/2020	KTIPI/T4/USD/SCH.1/010/2020	02/12/2020	03/05/2020	213
27/02/2020	KTIPI/T4/USD/SCH.3/011/2020	02/12/2020	27/05/2020	189
12/03/2020	KTIPI/T4/USD/SCH.1/012/2020	02/12/2020	10/06/2020	175
09/11/2020	KTIPI/T4/USD/SCH.1/013/2020	25/02/2021	07/02/2021	18
09/11/2020	KTIPI/T4/USD/SCH.1/014/2020	08/03/2021	07/02/2021	29
11/11/2020	KTIPI/T4/USD/SCH.1/015/2020	25/02/2021	09/02/2021	16
18/11/2020	KTIPI/T4/USD/SCH.1/016/2020	25/02/2021	16/02/2021	9
22/01/2021	KTIPI/T4/USD/SCH.1/017/2020	19/05/2021	22/04/2021	27
26/01/2021	KTIPI/T4/USD/SCH.4/018/2020	17/05/2021	26/04/2021	21
<b>Table Payment of GoTZ Portion</b>				
01/03/2019	KTIPI/T4/TZS/SCH.4/001/2019	11/07/2019	30/05/2019	42
25/07/2019	KTIPI/T4/TZS/SCH.4/003/2019	31/10/2019	23/10/2019	8
01/08/2019	KTIPI/T4/TZS/SCH.4/004/2019	31/10/2019	30/10/2019	1
13/09/2019	KTIPI/T4/TZS/SCH.4/005/2019	23/03/2020	12/12/2019	102
15/11/2019	KTIPI/T4/TZS/SCH.4/008/2019	23/03/2020	13/02/2020	39
10/12/2019	KTIPI/T4/TZS/SCH.4/009/2019	23/03/2020	09/03/2020	14
16/12/2019	KTIPI/T4/TZS/SCH.4/010/2019	23/03/2020	15/03/2020	8
28/01/2020	KTIPI/T4/TZS/SCH.4/011/2020	04/12/2020	27/04/2020	221

Invoice Submitted to Client (GOPA signed and stamped)	Invoice No.	Date of payment (JICA)	Payment Due date	Period of Delays (in Days)
11/02/2020	KTPIP/T4/TZS/SCH.4/012/2020	04/12/2020	11/05/2020	207
24/11/2020	KTPIP/T4/TZS/SCH.4/013/2020	27/02/2021	22/02/2021	5
24/11/2020	KTPIP/T4/TZS/SCH.4/014/2020	27/02/2021	22/02/2021	5
25/11/2020	KTPIP/T4/TZS/SCH.4/015/2020	26/02/2021	23/02/2021	3
25/11/2020	KTPIP/T4/TZS/SCH.4/016/2020	27/02/2021	23/02/2021	4
27/11/2020	KTPIP/T4/TZS/SCH.4/017/2020	26/02/2021	25/02/2021	1
27/11/2020	KTPIP/T4/TZS/SCH.4/018/2020	26/02/2021	25/02/2021	1
19/01/2021	KTPIP/T4/TZS/SCH.4/021/2021	15/06/2021	19/04/2021	57
10/02/2021	KTPIP/T4/TZS/SCH.4/022/2021	19/05/2021	11/05/2021	8
08/06/2021	KTPIP/T4/TZS/SCH.4/025/2021	24/09/2021	06/09/2021	18



## Appendix Twelve: Time taken to approve payments from Implementer to MoFP

This part provides detailed information on time taken to approve payments from the implementer to MoFP

Payment Reference Number	Total Average Number of Days Used for Approval	Total Number of Days at Implementing agency from the date of Engineer's Approval	Average Days stayed at the Mother Ministry	Total Number of Days Stayed at MoFP	Number of Days Required as per Contractual Agreement
<b>KTIPI- TANESCO</b>					
REF000582020000006	107	70	2	35	90
REF000582020000115	175	146	5	24	90
REF000582020000421	66	42	15	9	90
REF000582020000430	66	43	5	18	90
	54	31	5	18	90
REF000582020000004	130	93	2	35	90
REF000582020000011	157	120	2	35	90
	126	89	2	35	90
REF000582020000160	259	238	5	16	90
	57	36	5	16	90
REF000582021000440	28	16	2	10	90
REF000582021000348	53	27	12	14	90
<b>Average Number of Days</b>	<b>106.5</b>	<b>79.5</b>	<b>5.17</b>	<b>22.08</b>	<b>90</b>
<b>TSSP - TANROADS</b>					
REF0TR362020000090	69	10	4	55	56
REF0TR362020000035	174	72	1	101	56
REF0TR362020000038	132	73	1	58	56
REF0TR362020000222	60	29	6	25	56
REF0TR362020000314	55	25	4	26	56
REF0TR362021000379	54	21	5	28	56
REFTR36 2021000556	91	56	7	28	56
REFTR36 2021000570	50	29	5	16	56
<b>Average Number of Days</b>	<b>85.63</b>	<b>39.38</b>	<b>4.12</b>	<b>42.13</b>	<b>56</b>
<b>SATTFP- TANROADS</b>					
REFTR362020000735	48	14	10	24	56
REFTR362021000351	211	209	1	1	56
REFTR36 2020000179	60	21	14	25	56
REFTR36 2020000291	32	4	4	24	56

Payment Reference Number	Total Average Number of Days Used for Approval	Total Number of Days at Implementing agency from the date of Engineer's Approval	Average Days stayed at the Mother Ministry	Total Number of Days Stayed at MoFP	Number of Days Required as per Contractual Agreement
REFTR36 2020000412	66	36	11	19	56
REFTR36 2021000006	62	18	8	36	56
REFTR36 2021000351	211	209	1	1	56
REFTR36 2021000359	213	213	0	0	56
Average Number of Days	113	91	6	16	56

*Source: D-Fund System and Application for Payment*

