



# USAID | TANZANIA

FROM THE AMERICAN PEOPLE

## MILLENNIUM CHALLENGE CORPORATION THRESHOLD COUNTRY PROGRAM (TCP) FINAL REPORT FOR TANZANIA APRIL 2009

### 1. OVERVIEW

From May 2006 through December 2008, USAID and the Government of Tanzania implemented an \$11.15 million Threshold program on behalf of the Millennium Challenge Corporation (MCC). The program was designed to combat corruption by:

- Building non-governmental sector monitoring capacity (Component 1);
- Strengthening the rule of law for good governance (Component 2);
- Establishing a Financial Intelligence Unit (Component 3); and
- Curbing corruption in public procurement (Component 4).

Major activities ended in September 2008, with two activities of limited scope continuing until December, after which the program was formally closed.

With the exception of the Financial Intelligence Unit, Tanzania's Threshold Program has met or exceeded all its targets.

- More than 300 journalists were trained in investigative reporting under the program, and these journalists have had a significant impact on the media environment in the country. At the inception of the Threshold Program, Tanzanian newspapers were publishing only about 20 corruption-related stories per month. During the final quarter of the program, this figure reached 428 per month. During the 31 months of the Program, the Tanzanian media published 6,363 stories on corruption, nearly five times the target of 1,300. Observers have noted an improvement in the overall quality of media reportage on corruption over the life of the Program, and an increased willingness among the media to openly criticize government and call for immediate legal action against high-level officials involved in grand corruption scandals.
- Two hundred and twenty-seven villages now have public expenditure tracking notice boards, where citizens can see income and expenditure information for their areas.

- Eighty-three public expenditure tracking committees have been established in 77 districts across Tanzania (vs. a target of establishing PETS committees in 60 districts). The committees have brought greater accountability and transparency to local governments, exposing waste, inefficiency, and malfeasance in the health, education, and natural resources sectors. Corrective action has been documented in several cases. Public expenditure tracking has helped place roughly \$308 million<sup>1</sup> in public funds under public scrutiny.
- With support from the US Department of Justice and the New York City Department of Investigations (DOI), the Prevention and Combating of Corruption Bureau (PCCB) brought 354 corruption cases to court over the life of the program, and completed the investigations of five grand corruption cases.<sup>2</sup> Prosecutions of the individuals involved have commenced.<sup>3</sup>
- The Threshold Program provided the Financial Intelligence Unit with the training and equipment necessary to begin the analysis of suspicious financial transactions. The Unit has three staff members and recently opened its doors. The Program helped build a strong mentoring relationship between the Unit and the U.S. financial intelligence office, FinCEN, which will help sustain the Unit.
- A total of 40 procurement audits of major government ministries and agencies have been completed and were released to the public by the Public Procurement Regulatory Authority (vs. a target of 40). In 2007, a Threshold Program-funded procurement audit of the country's power authority, TANESCO, revealed the improper influence of higher authorities in a major energy contract. The report prompted the Parliament of Tanzania to form a probe committee, which resulted in the resignation of the Prime Minister and two members of Cabinet in February 2008.

## 2. DETAILED DISCUSSION

### *Compact-Threshold Simultaneity*

It is significant that Tanzania's Threshold program and the preparation process for the MCC Compact Program ran concurrently. This was a unique arrangement, as most countries either complete or approach the completion of a Threshold program before developing and concluding a Compact Program. Tanzania was declared eligible for a Compact program in November 2005, well before the Threshold program began, and the

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<sup>1</sup> District governments in Tanzania receive, on average, roughly \$4 million in revenue annually from the Ministry of Finance. Tracking committees at the district level monitor these resources.

<sup>2</sup>During the October 2007 Annual Review of the General Budget Support donors, PCCB pledged to conclude the investigations of at least five "grand corruption" cases by October 2008. Grand corruption cases were defined as those involving a large sum and/or defendants who are well-known to the public.

<sup>3</sup>The individuals being prosecuted include the former Permanent Secretary of the Ministry of Finance, who signed the Threshold Program Strategic Objective Grant Agreement on behalf of the Government of Tanzania in May 2006.

Compact Agreement was concluded and signed in February 2008, several months before the Threshold program was due to close.

The simultaneity of Threshold program implementation and Compact agreement development presented special opportunities and challenges. One challenge came in the form of increased pressure on the Threshold program to show results early in the life of the Program. Although this was possible for some indicators, the ultimate outcome of other Program activities, e.g., the training and capacity building of the anti-corruption bureau which occurred over the life of the Program, can only now be seen with the completion of key investigations and the indictment and arrest of high level officials.

On the other hand, an opportunity presented by Threshold-Compact simultaneity was the ability of the Compact process to place direct pressure on the Government of Tanzania to move ahead more quickly with certain aspects of the Program. In the case of the Financial Intelligence Unit, the Ministry of Finance delayed almost a year in approving Mission proposals for providing technical assistance to establish the Unit, citing the need for further discussion, government-wide agreement, and the drafting of regulations. In two letters to the Ministry of Finance in early 2007, the Millennium Challenge Corporation noted the delays and requested action in several areas relating to the FIU, including the appointment of a Commissioner and the drafting of regulations. These letters helped to resolve bottlenecks in the establishment of the Unit, and in the second year of the Program, the Mission was able to provide the technical assistance and equipment that would ultimately establish the Unit. Had Tanzania not been eligible to receive a Compact in 2007, and had the Compact negotiation process not already begun, it is doubtful that MCC would have been able to exert this quantum of leverage on the Ministry to resolve the bottlenecks.

### *USAID's Procurement Practices*

USAID/Tanzania accomplished program objectives through a contract or assistance agreement with nine major implementing partners, including Pact-Tanzania, Campaign for Good Governance, Women in Law and Development in Africa, National Organization for Legal Assistance, the US Department of Justice, the New York City Department of Investigation, Deloitte and Touche, and Kilimanjaro International Corporation.

Macro International conducted key monitoring and evaluation functions for the Program, administering a mid-term and final performance audit of major partners, tracking corruption stories in the media and corruption cases being prosecuted, and building the capacity of local partners to monitor, evaluate, and report on their activities.

Tanzania's Threshold program employed a relatively large number of partners. Although the management of nine major mechanisms required extra time and effort on the part of the Mission, USAID/Tanzania believes there were several benefits to this choice. First, a "diversified portfolio" of partners reduced the risk of loss to the overall Program should one partner have proved weak or difficult to manage. Second, as each partner had a

discrete scope of work, each was eager to show results in its niche area, making for an especially energized Program with highly motivated partners. Third, key elements of the Program did not suffer neglect as is sometimes the case when a single firm manages a multi-pronged program of activities. Fourth, a large number of partners gave USAID more opportunities to offer grants and contracts to Tanzanian firms and non-governmental organizations, and thereby build their capacities for greater responsibilities.<sup>4</sup>

USAID managed its partners by organizing periodic partner conferences, which helped them understand each other's work and how it fit into the overall objectives of the Program. The partners recognized themselves as performing distinct roles but also viewed themselves as part of the Threshold program "team".

### *Component-by-Component Discussion*

#### Build Civil Society Monitoring Capacity

Implementing Partners: Pact-Tanzania, Campaign for Good Governance

Pact-Tanzania's objectives under the Program were to build the capacity of civil society organizations to carry out grassroots public expenditure tracking, and to train Tanzanian journalists in investigative reporting. Pact worked with various civil society organizations to establish and train 83 public expenditure tracking committees across the country.<sup>5</sup> It also installed public expenditure notice boards in 227 villages. Finally, Pact trained 312 journalists in basic investigative journalism techniques.

Public expenditure tracking committees have had notable successes in bringing about local government accountability and transparency in Tanzania. Discoveries made by the expenditure tracking committees include misappropriated funds for district projects to abuses of authority and power. In the village of Chato, for example, the local committee learned that some of the nurses in the local dispensaries were demanding and receiving extra payments for drugs. The committee raised the concern at the district level and the district medical officer suspended the nurse in question. In another case, an expenditure tracking committee finding led to the commencement of an investigation and an arrest by

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<sup>4</sup>Four of the eight major partners were headquartered in Tanzania: Campaign for Good Governance, Women in Law and Development in Africa, National Organization for Legal Assistance, and Kilimanjaro International Corporation. A start-up local firm, Kilimanjaro International, was awarded a \$2.6M contract to carry out the public procurement reform component of the Program. Ultimately, Kilimanjaro's excellent performance in Tanzania 'put it on the map' of qualified African firms undertaking development work. The company has since grown considerably and has become competitive in Uganda, Ethiopia, Sudan and Rwanda.

<sup>5</sup> Note that the Threshold Program public expenditure tracking indicator in the results reporting table ("districts using public expenditure tracking") only counts one committee per district. In some districts, Pact established committees at the village and ward levels in addition to the district level. These were not captured by the indicator. This is the reason that Pact's total figure of 83 public expenditure tracking committees established is higher than the figure of 77 contained in the results reporting table.

the Prevention and Combating of Corruption Bureau (PCCB). In many committees, the PCCB has a permanent seat.

In late 2007 and early 2008, the Tanzanian media featured extensive coverage of the so-called “Richmond affair,” the corrupt award of a major energy contract by Tanzania’s energy authority to a U.S.-based firm, Richmond, LLC., which led to a Parliamentary probe and the resignation of the Prime Minister. Some of the journalists trained by Pact were involved in writing major stories about the scandal.

The skyrocketing of the number of corruption stories appearing in the Tanzanian media over the life of the Program suggests a greater appetite for corruption reporting among the public. The journalists trained by the Program have been personally responsible for more than 800 of the 6,363 corruption stories tracked over the life of the Program.

Campaign for Good Governance (CGG) was tasked with establishing public expenditure tracking committees in 12 districts, training committee members on the budget process, and mentoring the committees in their relationship with district officials. CGG fully met its objectives.

The public expenditure tracking committees established by both Pact and CGG have sparked considerable interest in grassroots expenditure tracking by other donors and the Government of Tanzania. The Government, through the Prime Minister’s Office – Regional and Local Government, has developed guidelines for public expenditure tracking based on the work of Pact and has distributed these guidelines to all local government authorities. Two national meetings related to public expenditure tracking have taken place, with the strong interest and participation of actors across development sectors. The U.S. Embassy provided strong front office support for public expenditure tracking, with then-Ambassador Mark Green visiting numerous committees, unveiling new public notice boards, and recognizing individual committees for their achievements.

#### Build the Rule of Law for Good Governance

Implementing Partners: US Department of Justice, New York City Department of Investigation, Women in Law and Development in Africa, National Organization for Legal Assistance, DPK Consulting, Crown Agents Consulting, Kilimanjaro International Corporation.

The US Department of Justice’s work on the Threshold program was accomplished under two agreements – one with the Office of Prosecutorial Development, Assistance and Training (OPDAT), and the other with the International Criminal Investigative Training and Assistance Program (ICITAP). In 2007, OPDAT trained 30 Prevention and Combating of Corruption Bureau (PCCB) prosecutors on the Prevention and Combating of Corruption Act of 2007, courtroom advocacy skills, admission of evidence, and ethics. In 2008, OPDAT trained a further cohort of 30 prosecutors and investigators on preparing cases for prosecution. ICITAP’s interventions consisted of a series of trainings of investigators and managers in the PCCB, the development of an electronic case

management system, and the development of PCCB's internal affairs department. Between the two interventions, the US Department of Justice trained 236 PCCB personnel. The ICITAP Program provided 14 personal computer workstations, 3 servers, and other information technology equipment to PCCB, enabling it to establish a Local Area Network at its headquarters. An evaluation of ICITAP's program conducted in late 2008 is forthcoming.

USAID also carried out trainings for PCCB and the judiciary on economic crimes and procurement fraud. The Mission engaged DPK Consulting and Crown Agents Consulting for this purpose. Crown Agents consulting trained 60 PCCB investigators and Public Procurement Regulatory Authority compliance officers on corruption and fraud in procurement in February and August 2007. DPK Consulting trained 80 magistrates on economic crimes and anti-corruption legislation.

The New York City Department of Investigation (NYC DOI) began its activities with the PCCB by conducting a training in May 2007 for PCCB investigators on using new technologies in investigations and handling high profile cases.

But In March 2008, a team of investigators from NYC DOI went a much further: They directly assisted the PCCB with the investigation of several key grand corruption cases. NYC DOI returned in June 2008 to assist the PCCB in preparing indictments and charges on these cases. As a result of PCCB's willingness to grant this unprecedented access to NYC DOI, the Bureau completed all five grand corruption investigations targeted. The Department of Public Prosecution has commenced proceedings against the individuals involved in two of these five cases, and is likely to indict further individuals.

One particular grand corruption case which the NYC team helped PCCB prepare – the so-called “Twin Towers” Bank of Tanzania scandal – resulted in the arrest of two high-level Bank of Tanzania officials in January 2009 on abuse of office charges. Several stories in the Tanzanian media over the past two years have revealed the public's outrage about the \$340 million price tag of the new Bank of Tanzania buildings in Dar es Salaam known as the “Twin Towers.” At \$8,500 per square meter, the Twin Towers are among the most expensive buildings in the world, several times the cost per square meter of a finished building in New York City or Tokyo. The BOT officials arrested in January are now being tried for having occasioned loss to the Government of Tanzania of more than \$171 million.

Other activities in the rule of law sector focused on civil society actors. Women in Law and Development in Africa (WILDAF) was tasked with establishing five model legal aid clinics, strengthening existing free legal aid providers, and establishing a legal aid network. The five clinics established by WILDAF have served more than 1,000 new clients over the life of the Program. As of the last quarter of the Program, these clinics were seeing 175 new clients per quarter (short of the target of 260). WILDAF also successfully established a legal aid network, the Tanzanian Network of Legal Aid Providers (TANLAP), consisting of 12 legal aid societies. This action has helped unite Tanzania's previously fragmented and disparate legal aid providers, providing them with

opportunities to share information, support and mentor one another, and obtain external funding.

The National Organization for Legal Assistance (NOLA) was tasked with raising public awareness of the key provisions of the Prevention and Combating of Corruption Act of 2007 and training journalists on the contents of the Act. NOLA trained 189 media personnel on the new anti-corruption law, which gave rise to numerous stories in the press about the Act. As part of its awareness raising campaign, NOLA also produced multiple high-quality radio and television spots, billboards, pamphlets and materials designed to educate the public on the major provisions of the Act and how to report corruption. Publication of the PCCB's 'hotline' number in these materials increased the number of calls by members of the public to the bureau to report corruption.

The Threshold program also focused its efforts on professionalizing Tanzania's prosecution service. Through Kilimanjaro International Corporation, the Program provided a comprehensive 5-week program of pre-service training to 157 newly-hired state prosecutors in the Department of Public Prosecution. Designed to bridge the gap between law school and practice for the new state attorneys, the training focused on legal opinion writing and prosecution basics. Although Tanzania had a prosecution service prior to this intervention, no group of prosecutors of any significant size had ever been gathered to receive training and an orientation to their profession. The Government of Tanzania hired the 157 new prosecutors as part of program of prosecutor "civilianization" – the transferring of responsibility for criminal prosecution from the police to state prosecutors at the District level. Since the clear separation between police and prosecutorial functions is a major feature of the rule of law in a democratic state, the Program helped the Government achieve its objective of improving human rights and access to justice for all Tanzanians. Public Prosecution Director Eliezer Feleshi called the Threshold program training "critical to the success of the civilianization of prosecution effort."

The "headline" success of the rule of law component of the Threshold program has been the role of the New York City Department of Investigation in the preparation of key, sensitive PCCB grand corruption investigations which have led to the arrests and prosecutions of senior officials. The level of access granted to NYC DOI based on a strong working relationship between the two agencies facilitated by the Threshold program allowed the DOI to offer detailed guidance to PCCB in the conduct of its investigations and the preparation of charges. In the case of the "Twin Towers" Bank of Tanzania scandal, Threshold program activities have helped the PCCB prosecute senior Bank officials responsible for a loss to the Government of more than \$171 million dollars.

In the course of implementing the rule of law component, the Threshold program has also helped USAID and the U.S. mission in Tanzania establish strong working relationships with the PCCB, the Department of Public Prosecution, and the Judiciary of Tanzania. These relationships continue to be useful to MCC, USAID, and the Embassy.

## Establish the Financial Intelligence Unit

Implementing Partner: Deloitte and Touche

In June 2007, the Ministry of Finance presented to Parliament regulations under the Anti-Money Laundering Act of 2006. These regulations legally operationalized the Financial Intelligence Unit. In September 2007, the Ministry of Finance appointed a Commissioner for the Unit. In October 2007, the Ministry accepted USAID's proposal to provide certain types of technical assistance and equipment to the FIU through an implementing partner.

Under its contract with USAID, which began in January 2008, Deloitte and Touche was responsible for procuring information technology hardware and software, security equipment, vehicles, and office furniture for the FIU; developing and coordinating an attachment and study program for the FIU with other countries' FIUs; and developing and implementing sensitization workshops for reporting persons and other stakeholders.

Deloitte successfully implemented these activities. Although there was a delay in the procurement of financial intelligence and investigation software for the Unit requiring an extension of Deloitte's contract to March 30, 2009 (approved by MCC in January 2009), that software has since been procured and the FIU staff will be trained on its use in May 2009.<sup>6</sup>

Working closely with the FIU Commissioner, Deloitte had completed all procurements for the FIU, with the exception of the software, by December 2008. The FIU now has three staff including the Commissioner; computers; vehicles; and a state-of-the-art, secure office. Deloitte carried out a training program for FIU staff which included an attachment of FIU staff to FinCEN, the U.S. FIU, and South Africa's Financial Intelligence Center. It developed two sensitization workshops for reporting persons obliged to report suspicious transactions to the FIU which were highly attended and focused national attention on the Unit and the obligation to report suspicious transactions.<sup>7</sup>

The sensitization workshops prompted Tanzania's National Board of Accountants and Auditors (NBAA) to develop and implement its own workshop on compliance with Tanzania's Anti-Money Laundering Act for Tanzanian accountants and auditors.

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<sup>6</sup> The software has been procured from the UN Office on Drugs and Crime (UNODC) and includes a training and consultation package provided by UNODC. The Ministry of Finance has agreed to pay for additional years of service and training under the agreement between the Government of Tanzania and UNODC; the Threshold Program supported the first year of the service.

<sup>7</sup> Persons obliged to report suspicious financial transactions under the Act include banks, cash dealers, accountants, real estate agents, dealers in precious stones, customs officers, regulators, auctioneers and others.



Deloitte guided NBAA's development of the workshop, but NBAA itself paid for the event, which was attended by 194 Tanzanian accountants and auditors.

The fact that NBAA paid for the workshop suggests that the private sector in the country is now interested and motivated to learn about the Anti-Money Laundering Act and reporting requirements for the FIU so as to comply with those requirements.

### Curb Corruption in Public Procurement

Implementing Partner: Kilimanjaro International Corporation

USAID/Tanzania engaged Kilimanjaro International Corporation to conduct audits of the procurement practices of 40 Government of Tanzania ministries, departments, or agencies, strengthen the institutional capacity of the Public Procurement Regulatory Authority (PPRA), and organizing multi-stakeholder fora on public procurement.

All activities were successfully completed. In addition to providing management training to PPRA senior staff, mentoring the agency's procurement evaluators, and facilitating a stronger working relationship between the PPRA and other government agencies such as the Prevention and Combating of Corruption Bureau, Kilimanjaro also facilitated a study visit by the PPRA Board of Directors to the United States. PPRA Director Ramadhani Mlinga said that the information and perspective gleaned by Board members during the study visit had a "major impact on the course of public procurement reform" in Tanzania and helped shape the Authority's strategic direction.

The most successful activity within this component was the execution and publication of audit reports of the procurement practices of 40 Government of Tanzania procuring entities.<sup>8</sup> These entities were assessed using indicators developed by PPRA measuring compliance with the provisions of the Procurement Act of 2004. The indicators were consistent with OECD standards.

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<sup>8</sup> The entities included: Round 1 (2007): Ministry of Health and Social Welfare, Ministry of Water, Ministry of Public Safety and Security, Ministry of Agriculture Food Security and Cooperatives, Ministry of Education and Vocational Training, Ministry of Energy and Minerals, Tanzania National Roads Agency (TANROADS), Tanzania Airport Authority (TAA), Vocational Education and Training Authority (VETA), Dar Es Salaam Water and Sewerage Authority (DAWASA), National Housing Corporation (NHC), Tanzania Electric Supplies Company (TANESCO), Regional Administrative Secretariat - Dar es Salaam, Regional Administrative Secretariat – Arusha, Ilala Municipal Council, Mwanza Municipal Council, Arusha Municipal Council, Mbeya District Council, Dodoma District Council, Iringa District Council. Round 2 (2008): Ministry of Community Development, Gender and Children, Ministry of Justice and Constitutional Affairs, Dodoma Municipal Council, National Social Security (NSSF), Open University of Tanzania (OUT), Muhimbili University College of Health Sciences (MUCHS), National Health Insurance Fund (NHIF), National Board of Accountants and Auditors (NBAA), Kigoma-Ujiji Municipal Council, Morogoro Municipal Council, Urban Water Supply and Sewerage Authority (UWASA) – Arusha, Urban Water Supply and Sewerage Authority (UWASA)- Moshi, Tanzania Commission for Aids (TACAIDS), Bukoba District Council, Tanzania Civil Aviation Authority(TCAA), Songea Municipal Council, Songea District Council, Sumbawanga Municipal Council, Arumeru District Council, and Sumbawanga District Council.

The release of the results of the 40 procurement audits completed with Threshold program funding marked the first time in Tanzanian history that a report of government procurement practices was made available to the public. Summaries of the audit findings published in Tanzanian newspapers increased awareness among the public of the deficiencies of public procurement and the role of the PPRA as regulator. In fact, the PPRA is now referred to in the Tanzanian media as the country's "procurement watchdog."

In addition to the critical role played by the procurement audit report of TANESCO in the exposure of a particular grand corruption case involving the Prime Minister and two Cabinet ministers, the release of the results of the first twenty reports in September 2007 appears to have sparked reform among the final twenty procuring entities audited. Beginning in October 2007, the PPRA received – and honored – several requests for special training on the Procurement Act from the twenty government ministries and agencies to be assessed in Round Two. This indicates that the managers of these entities felt that PPRA's watchdog role was a serious one, and wanted to move into compliance with the Procurement Act to the extent possible before their agencies were audited.

### *Unanticipated Events*

The Government's delay in undertaking certain activities related to the establishment of the FIU represented an unanticipated setback for this component of the Threshold program.

During the period May 2006 to October 2007, little progress was made in the establishment of the FIU due to the Government of Tanzania's delay in preparing a strategy or business plan for the operationalization of the Unit, or to accept USAID's assistance in preparing such a document. In July 2006, USAID proposed that a full-time US Department of the Treasury advisor be seconded to the Ministry of Finance to assist in the establishment of the FIU. Among the duties of that person would have been to prepare a road map for the Government's next steps in establishing the FIU. In an October 2006 letter, the Ministry of Finance specifically rejected this proposal.

In November 2006, USAID proposed that a Roundtable Discussion for FIU stakeholders be held in order to provide the Government an opportunity to present for discussion its road map for establishing the FIU and its requests for technical assistance from USAID. The Ministry of Finance agreed in principle to the idea, but did not agree to hold the event until April 2007. After another delay occasioned by the Ministry, the Roundtable Discussion was ultimately held in May 2007. Even at this event, the Government declined to enumerate the type and modality of technical assistance it required from the Program to help establish the Unit.

In March 2007, USAID approached the Ministry of Finance with a proposal to provide information technology equipment to the FIU, reasoning that certain "generic" IT

equipment could be procured for the FIU even though the Ministry had not yet finalized its strategy for establishing the FIU. No response to this proposal was ever received.

As of July 2007, USAID/Tanzania had sub-obligated only \$39,000 of the \$1.5M available to support the establishment of the FIU. Despite best efforts to persuade the Ministry of Finance to either propose or accept USAID's proposals for particular types of technical assistance to the Unit, between May 2006 and October 2007, USAID's activities in this component were limited to organizing the Roundtable Discussion mentioned above, and sponsoring several officials involved in the creation of the FIU to undertake a study visit to South Africa's Financial Intelligence Center and to attend training courses at the Federal Deposit Insurance Corporation and the International Law Enforcement Academy.

With the transmittal to USAID of a basic list of technical assistance needs for the FIU in July 2007, and the appointment of the FIU Commissioner in September 2007, this component of the Program began to move more quickly. By January 2008 a contractor was in place and the process of providing equipment and training to the Unit had begun. As of this writing the Financial Intelligence Unit has opened its doors and has the full complement of security and IT equipment it needs to track suspicious financial transactions.

### **3. SUSTAINABILITY**

#### Build Civil Society Monitoring Capacity

The Government of Tanzania responded positively to a recent proposal by USAID to implement public expenditure tracking specifically in the HIV/AIDS sector as part of the US President's Emergency Plan for AIDS Relief. Plans are underway to use public expenditure tracking in the HIV/AIDS sector to provide a grassroots means of tracking HIV related expenditures and ensuring the rights of People Living with HIV/AIDS.

A consortium of development partners recently established a media fund which will ensure that investigative journalism continues to be supported in Tanzania. In addition, USAID's democracy-governance program will support the training of a small number of journalists in 2009.

#### Build the Rule of Law for Good Governance

The UK's Department for International Development has committed to supporting the Prevention and Combating of Corruption Bureau with at least \$400,000 over the next year and additional funding over four years. However, at present, no development partner has committed to a significant training or support program for prosecutors from the Department of Public Prosecution or members of the judiciary.

USAID's democracy-governance program is likely to continue to support TANLAP, the legal aid network created with the support of the Threshold program with FY09 funding.

### Establish the Financial Intelligence Unit

FinCEN has agreed to provide limited technical support for the Financial Intelligence Unit. In addition, FinCEN is currently sponsoring the FIU's application to the Egmont Group (a standards body for Financial Intelligence Units). Under the Threshold program Strategic Objective Agreement, the Government of Tanzania committed to supporting the FIU's operating expenses for the next five years.

The World Bank's Financial Market Integrity Unit and the Commonwealth Secretariat have expressed interest in providing technical assistance to the FIU and have developed relationships with the FIU Commissioner. No plans for technical assistance have yet been formalized.

### Curb Corruption in Public Procurement

There are several challenges to the sustainability of procurement reform in Tanzania. First, the Public Procurement Regulatory Authority is under no legal obligation to release its reports to the public. That the PPRA did so in this case was at least in part because it felt it necessary to honor the Threshold program Strategic Objective Grant Agreement which stipulated that the 40 audit reports should be released to the public.

Another challenge to procurement reform in Tanzania is the PPRA's limited enforcement authority. The Parliamentary Probe Committee recommended greater independent powers be given to the PPRA, but under the Procurement Act, the PPRA has no specific authority to enforce its recommendations to procuring entities concerning their level of compliance with the Procurement Act.

The Ministry of Finance has agreed to fund an additional 20 procurement audits to be conducted by the PPRA, and the African Development Bank will provide support so that PPRA may undertake several more audits of the Government's more than 300 procuring entities.

### *A Comment on Sustainability*

Although significant milestones have been achieved through the Threshold program, whether the Program's overall success in meeting its targets will represent an enduring achievement for Tanzania in anti-corruption reform is an open question. Recent arrests of high level officials in grand corruption cases, greater and better-quality reportage in the media about corruption, and a stronger procurement regulatory agency suggest that it will. However, Tanzanian corruption-fighting institutions remain weak, and highly dependent on the political will of the executive for continued support.

In sum, the Threshold program represented a necessary but insufficient condition to the achievement of the anti-corruption reforms recorded in Tanzania to date. For example, were it not for the Program's funding of the procurement audit report of TANESCO and

the training of the investigative journalists who wrote about the case, the activities of the former Prime Minister would likely not have been exposed. Equally, the Program's training and support for the PCCB allowed it to carry out successful investigations of several grand corruption offenders. Without Threshold program support for the PCCB, these key investigations are likely to have dragged on for many years or not been completed at all.

However, the achievements of Tanzania's Threshold program were in the final analysis dependent on the willingness of the President of Tanzania to take a hard line against corruption and move decisively against certain high level, well-connected offenders.

## **4. LESSONS LEARNED**

### Build Civil Society Monitoring Capacity

A key lesson learned in this component concerned the structure of the journalist training. Early in the Program, Pact-Tanzania conducted its journalist training exercises as a single week-long event. USAID noted that this training structure produced no tangible outcomes. At USAID's suggestion, Pact modified the activity so that the training of the same journalist cohort proceeded in three phases. In the first phase, the journalists were trained in investigative reporting techniques (usually by a well-known international journalist). In the second phase, the trainees were asked to develop and pursue a single story over a 6-week period, and have a draft ready at the end of the period. During this research and story development phase, the trainer was available for consultations via email. The trainees could apply for small grants in to defray travel expenses incurred to pursue their stories. At the end of the 6-week period, the cohort reconvened for the third phase. Their stories were critiqued by the trainer and their peers, and further modified. This three-phase training ensured that the majority of journalists produced at least one publishable story by the end of the training.

An important lesson was learned in the implementation of public expenditure tracking. Campaign for Good Governance (CGG) adopted a particular technique which was to prove useful to Pact and other civil society organizations implementing this activity. Noting that local government officials within the bureaucracy of the Regional and Local Government Authority were sometimes suspicious of expenditure tracking, CGG entered a district by first securing an appointment with the District Commissioner to explain the purpose of expenditure tracking, tie it to the Threshold program and MCC, and verify that the expenditure tracking exercise was fully endorsed by the Ministry of Finance and State House. CGG understood that District Commissioners, as direct appointees of the President, were more likely than other local government officials to view public expenditure tracking as a national program and a priority of the President. Their endorsement often jump-started the expenditure tracking exercise in their districts, and in some cases they put pressure on District Executive Directors and other local government officials to participate and cooperate in the exercise.

### Build the Rule of Law for Good Governance

A key lesson learned among the interventions carried out in this sector concerns the role of monitoring and evaluation. The National Organization for Legal Assistance (NOLA) produced numerous information, education and communication materials on the Prevention and Combating of Corruption Act. Among these materials were high-quality radio and television spots. Billboards promoting the PCCB hotline could be seen throughout the country, and leaflets explaining the Act were posted in hundreds – perhaps thousands – of public places. However, no systematic monitoring of the impact of this communication campaign took place. USAID/Tanzania underestimated the budget required for a communication campaign, failing to include sufficient funds for monitoring and evaluation, and NOLA had little experience with large-scale, mass media public advocacy, which led them to downplay the importance of M&E. For this reason, the Program cannot properly measure the success or reach of the campaign. Even a small investment in a quick audience survey would have helped fill this gap.

### Establish the Financial Intelligence Unit

A key lesson learned in the establishment of the Financial Intelligence Unit was the importance of having government counterparts in “line” ministries or agencies with a management interest in obtaining resources for their agencies. As the FIU was merely an idea on paper during much of the Threshold program, and its future was in the hands of the Ministry of Finance (specifically, the Ministry’s Legal Department), USAID effectively had no “line” agency partner. The Legal Department, already overwhelmed with its everyday tasks of drafting legislation and regulations, proved to be a poor partner for the day-to-day coordination and planning of assistance to the FIU.

The situation changed in September 2007 when USAID was provided with a direct partner in the form of the FIU Commissioner who took ownership of the Unit and was explicitly interested in moving it forward.

### Curb Corruption in Public Procurement

The success of this component is in part due to the ability of the implementing partner to establish an excellent working relationship with the Public Procurement Regulatory Authority. USAID encouraged the PPRA to consider Kilimanjaro International’s staff as an extension of its own staff. PPRA offered office space and other resources to the Kilimanjaro auditors and trainers, and the PPRA Chief Executive Officer and his team met regularly with the Kilimanjaro Chief of Party and the USAID Project Manager to take stock of the project and map the way forward. In this way, PPRA ensured that Kilimanjaro’s efforts to build its capacity were consistent with its strategic plan. PPRA ensured that Kilimanjaro International’s auditors were accompanied by PPRA staff during each phase of the audit process to enable knowledge transfer. At the close of the project, PPRA certified to USAID that its procurement audit staff were able to conduct audits without outside assistance.

## 5. FUNDS FLOW REPORT

Obligations:

Bilateral Instrument	Start and End Dates	Bilateral Obligation	Disbursements	Accrued Expenditures as of 3/31/2009
SOAG	May 2006-September 2008	\$11.16M	\$10.52M	\$11.04M

Sub-obligation detail:

Implementing Partner	TCP Component Number	Total Estimated Cost (TEC)	Amount Sub-Obligated to date	Disbursements to date	Accrued Expenditures as of 3/31/2009
Pact-Tanzania	1	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000
Campaign for Good Governance	1	\$200,000	\$200,000	\$200,000	\$200,000
Women in Law and Development	2	\$640,805	\$640,805	\$640,805	\$640,805
US DOJ - ICITAP	2	\$913,910	\$913,910	\$626,673	\$833,101
US DOJ - OPDAT	2	\$33,000	\$33,000	\$33,000	\$33,000
Japan Africa Marketing (vehicles - PCCB)	2	\$375,946	\$375,946	\$375,946	\$375,946
National Organization for Legal Assistance	2	\$322,740	\$322,740	\$322,740	\$322,740
Kilimanjaro International (NYC DOI)	2	\$75,400	\$75,400	\$75,400	\$75,400
Kilimanjaro International (State Atty Trng)	2	\$609,274	\$609,274	\$609,274	\$609,274
DPK Consulting	3	\$326,881	\$326,881	\$316,657	\$326,881
Deloitte and Touche	3	\$1,194,685	\$1,194,685	\$983,800	\$1,194,685
Kilimanjaro International (Publ Proc Reform)	4	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000
State University of New York	4	\$130,000	\$130,000	\$130,000	\$130,000
US Energy Association	4	\$15,000	\$15,000	\$15,000	\$15,000
Crown Agents Consulting	4	\$146,166	\$146,166	\$146,166	\$146,166
African Wildlife Foundation	4	\$100,000	\$100,000	\$0	\$78,333
Macro International	5	\$150,000	\$150,000	\$147,679	\$150,000
Technical Services and other procurements (various partners)	all	\$512,662	\$512,662	\$496,340	\$511,203
<b>Totals</b>		<b>\$11,146,469</b>	<b>\$11,146,469</b>	<b>\$10,519,480</b>	<b>\$11,042,534</b>

Amount available for sub-obligation:	\$3,174	Comments:	
Of which uncommitted:	\$357	Amount available for programming:	\$0

## TANZANIA THRESHOLD PROGRAM RESULTS REPORTING TABLE

	Performance Indicator	EXPECTED OUTPUT	Baseline as of May '06	FY:	06 OUTPUT	07 OUTPUT	07 OUTPUT	07 OUTPUT	07 OUTPUT	08 OUTPUT	08 OUTPUT	08 OUTPUT	08 OUTPUT
				Quarter	Q4 Jul-Sept '06	Q1 Oct-Dec '06	Q2 Jan-Mar '07	Q3 Apr-Jun '07	Q4 Jul-Sept '07	Q1 Oct-Dec '07	Q2 Jan-Mar '08	Q3 Apr-Jun '08	Q4 Jul-Sept '08
1	Districts using public expenditure tracking	60	12	Target <sup>1</sup>	18	23	29	34	39	45	50	55	60
				Actual <sup>1</sup>	15	18	26	31	44	51	63	77	77
2	Anti-corruption investigations brought to court <sup>2</sup>	28	20	Target	21	22	23	24	25	26	27	28	28
				Actual	37	65	105	144	192	254	291	327	354
3	Media stories exposing corruption <sup>3</sup>	1,300		Target	144	288	432	576	720	864	1,008	1,152	1,300
				Actual	60	168	340	816	1,224	1,857	3,174	5,078	6,363
4	Media stories of anti-corruption cases brought to court <sup>3</sup>	300	50	Target	--	--	87	124	161	198	235	272	300
				Actual	--	--	68	109	137	191	224	266	309
5	Financial Intelligence Unit cases opened <sup>4</sup>	30	0	Target	--	--	--	--	--	--	--	--	1
				Actual	0	0	0	0	0	0	0	0	0
6	Procurement audits conducted on MDAs and LGAs <sup>5</sup>	40	0	Target	0	0	6	12	18	24	30	36	40
				Actual	0	0	3	20	20	35	40	40	40

### EXPANDED INDICATOR DESCRIPTIONS

1. Number of districts nationwide using Public Expenditure Tracking Systems at the local government level. This figure is determined using key informant interviews with the Program Officer or Chief of Party of each of the two Implementing Partners (IPs)--Pact Tanzania and Campaign for Good Governance--with which USAID/Tanzania has executed an Agreement to carry out this component. These IPs provide electronic records of the results.
2. Number of investigations conducted by the Prevention and Combating of Corruption Bureau (PCCB) which result in the case being brought to court. The figure is determined by conducting key informant interviews with appropriate officials in the PCCB and if necessary the Department of Public Prosecutions (DPP). The figure refers to the number of new cases brought to court, i.e., where



PCCB or DPP made an appropriate legal filing. Per the Threshold program Agreement, this indicator tracks number of cases “presented in court” which includes cases later withdrawn or lost, i.e., where no conviction is secured.

3. Number of stories appearing in the print media about current anti-corruption cases presented in court. The figure is determined by conducting a print media content analysis of the major print publications in the country (see note 3 below).
4. Number of stories appearing in the print media which expose corruption. The figure is determined by conducting a print media content analysis of the major print publications in the country.
5. Number of investigations and analyses of suspicious financial transactions conducted by the Financial Intelligence Unit.
6. Number of audits conducted and reported by the media of targeted central government ministries/departments/agencies and local government authorities (see note 5 below).

## NOTES

1. Targets and actuals for all output indicators are cumulative from quarter to quarter. For indicators with a baseline figure, the first quarter’s targets and actuals are the baseline plus the new results achieved in that quarter.
2. The target and baseline agreed upon under the Threshold program Agreement was not based on accurate information about PCCB’s actual performance in bringing investigations to court.
3. Quarterly reports prior to the Quarter 3 2007 report did not disaggregate media stories about corruption cases “presented in court” versus media stories generally exposing corruption. Therefore, there was no information for Indicator 4 until the 2<sup>nd</sup> quarter of 2007, when USAID and the Implementing Partner began disaggregating the data. Media stories generally exposing corruption have been captured in Indicator 3, which was not an indicator in the Threshold program Agreement but is preserved because it presents useful information about media activity against corruption. The targets for Indicator 3 have been established by USAID based on the performance of this indicator over the first three quarters of program implementation. No baseline data is available for this indicator. Indicators 3 and 4 reflect media stories tracked in 35 newspapers.
4. The Financial Intelligence Unit is operational but for installation of suspicious transaction reporting analysis software.
5. A total of 40 audits have now been completed and results published in the media.