Near-end review of support to the establishment of a modern fiscal and regulatory framework for mining, oil and gas sub-sectors in Tanzania

Final Report

Scanteam
Analysts and Advisers

Oslo, December 2015

Project:	Near-end Review of Norwegian Support to the Establishment of a Modern Fiscal and Regulatory Framework for Mining, Oil and Gas Sub-sectors in Tanzania
Client:	Royal Norwegian Embassy, Tanzania
Period:	August-November 2015

Task Team:

Ms. Torun **Reite,** Scanteam, team leader

Mr. Theodor Dahl **Aliferis,** Research assistant

Scanteam
P.o. Box 593 Sentrum, NO-0106 Oslo, Norway – Tel: +47 2335 7030
Web: www.scanteam.no – E-mail: scanteam@scanteam.no

Contents

Acronyms and Abbreviations

BoT	Bank of Tanzania
DP	Development Partner
GDP	Gross Domestic Product
GoT	Government of Tanzania
MEM	Ministry of Minerals and Energy
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NBS	National Bureau of Statistics
NDC	National Development Corporation
NOK	Norwegian Kroner
NER	Near End Review
NTA	Norwegian Tax Authorities (NTA)
OGAT	Oil and Gas in Tanzania
PAD	Policy Analysis Department
PEFA	Public Expenditure and Financial Accountability
PCCB	Prevention and Combating of Corruption Bureau
POPC	President's Office Planning Commission
SC	Steering Committee
TMAA	Tanzania Minerals Audit Agency
TMoF	Tanzanian Ministry of Finance
TEITI	Tanzania Extractive Industries Transparency Initiative
TCME	Tanzania Chamber of Minerals and Energy
TPDC	Tanzania Petroleum Development Corporation
TRA	Tanzania Revenue Authority

1 Executive Summary

In August 2015 the Oil for Development Steering Committee invited Scanteam to conduct a Near End Review (NER) of Norwegian support to establish a modern fiscal and regulatory framework for the mining, oil and gas sub-sectors in Tanzania- a program that has been going on since 2012 and is projected to end in 2015.

Norway has provided support to Tanzania in the area of tax policy, including fiscal and legal advice and tax modelling through different programs and modalities since 2003. Up until around 2012 the support was provided to the Policy Analysis Department (PAD) in the Tanzanian Ministry of Finance (TMoF), first as a twinning arrangement between Norwegian and Tanzanian institutions (Ministries of Finance) and subsequently as financial support to underpin capacity development. From 2012, fuelled by the prospects of the increasing strategic economic importance of the oil and gas subsectors within the extractive industries in Tanzania, the current program was formulated, approved and the first activities initiated.

The programme's main objective is to assist the GoT in building capacity in the use of and to develop a modern fiscal and regulatory framework for non-renewable natural resources.

Tanzania Revenue Authority (TRA) has been the coordinator on the Tanzanian side, but altogether 10 government entities take part in programme activities, centred round the Tanzania Revenue Forecasting Technical Modelling Team for Mining, Oil and Gas (TRFMT-MOG) – a team established through the programme. TRA is the secretariat of the team.

Highlights of the achieved results so far are:

- Strengthened capacity to carry out negotiations – something put forward as one of the greatest achievements of the programme.
- It should be noted that in 2013 the GoT decided not to renegotiate mining contracts something that led to a reprioritisation within this programme.
- Revenue forecasting capacity in the Extractive industries has been strengthened. The model has functionality to potentially underpin revenue forecasting, and the ADAPT and REACT models have been used as an input to Tanzania Macro Economic modelling (MACMOD). However, data quality and comprehensiveness can improve and the input to the MACMOD be more systematic. In sum, actual revenue forecasting falls short of the potential.
- The model can potentially underpin risk assessments and strengthen audit processes of mining companies and other relevant companies within the EIs. So far, the model has not been applied for this purpose. Main constraints are related to lack of time series data in the model. Data quality and comprehensiveness and data maintenance are areas that need to be strengthened if support is to be continued. There are also institutional links adding business process value to audit processes within TRA and TMAA need to be strengthened.
- The programme has contributed towards strengthened capacity for policy formulation and a range of new policies and new legislation has been developed.

- Key stakeholders within the modelling group are actively taking part in the formulation of policies and putting forward legislation. This stated, new legislation and policies can only in part be attributed to this programme.
- An important achievement pinpointed by stakeholders, is the consolidation of a platform for collaboration between the participating institutions. The benchmarking and training output including their reports were well utilised as reference materials in preparation of policies, laws, regulations and contract negotiation. This stated, activities within the modelling team can benefit from becoming more institutionalized and activities between workshops and benchmarking missions carried out within this programme have been limited (or literally non-existent) indicating weaknesses in ownership, sustainability and a fragility/vulnerability of the established modelling team.
- Important foundations have been put in place. The increased trust and collaboration at inter-sector/inter-institutional level is in itself an important outcome.
- The increased professionalism and more informed input in the negotiation processes have potentially led to better negotiation results or at least the option of an informed decision that, without the programme, would not have been available.
- The increased capacity has contributed to more informed policy formulation processes and in formulating a legal and regulatory fiscal framework.

Main issues that are addressed in the analysis of the programme with an emphasis on lessons learned and the way forward, are:

- The Tanzania Revenue Authorities has a strong ownership to the programme. However, buy-in from the other government institutions varies and overall ownership and accountability mechanisms need strengthening.
- More active engagement and participation from the Ministry of Energy and Minerals and the Ministry of Finance should be encouraged.
- The programme identifies areas of intervention of high relevance and high priority for the GoT.
- The review confirms unanimous endorsement of the areas of intervention and the need for support to strengthen not only the capacity to establish a modern fiscal and regulatory framework for mining, oil and gas subsectors but also the uniqueness of the focus on strengthening the collaboration between the participating institutions.
- However, more could have been done in programme design and preparation to formulate a clearer strategy and to define the expected outcome at a more strategic level. This would have clarified the different business areas/areas of intervention that fall within the program: negotiations, revenue forecasting, audit and legal framework and new policies. This would also have provided more clarity as to both the potential benefits of the programme in specific business processes and also to clarify the roles and responsibilities of the participating institutions.
- The overall impression is that negotiations have been prioritized together with policy formulation and legislation with less emphasis on audit and revenue forecasting.

There is clear evidence of positive results achievements in these two areas. However, the overall picture is one of mixed result achievements.

- The modelling group has primarily had meetings and activities during specific consultancy missions linked to training activities, workshops and benchmarking missions.
- To address this, there are also some administrative barriers in the present set-up that need to be addressed to facilitate a smoother and more continuous collaboration within the modelling group.
- The full potential impact of the programme has yet to materialize. Measures need to be taken to move from the current activity oriented and individually oriented approach to a more strategic and institutionalized approached where expected output and outcome are defined as part of business processes/decision-making processes within the main areas of intervention: negotiation, revenue forecasting, audit and legal and regulatory fiscal framework. To quote one stakeholder: "there is a need to bring the actions and increased capacity into live situations".
- Through more proactive programme monitoring more could have been done in bridging the gap between the expected outcome as defined in the 9 programme objectives and the achieved results.
- The overall impression is that the programme management is at par with established procedures. All key management documents are in place and the annual meetings have taken place with relevant documentation. This stated, the review team and stakeholders alike share the impression that the programme´s result achievements could have been even better with strengthened monitoring during implementation.
- The overall assessment is that sustainability is not in place and that continued support is needed to strengthen the sustainability of initiatives, actions and the institutions and structures aimed for within the programme.
- An exit strategy has been discussed and further development of the suggested interventions is recommended. In relation to capacity building there are potentially institutions at a regional level that will be able to take over part of the capacity building needs and that could be included in the programme as part of an exit strategy.
- There is also scope for reducing the role of the Norwegian consultant/technical assistant and to leave more space for Tanzanian senior officials to take on more responsibility.

All in all, and in view of the solid foundations and achievements that have been established continuation of the programme, in an adjusted form, is recommended.

2 Background to the Near-end review

In August 2015 the Oil for Development Steering Committee invited Scanteam to conduct a Near End Review (NER) of Norwegian support to establish a modern fiscal and regulatory framework for the mining, oil and gas sub-sectors in Tanzania- a program that has been going on since 2012 and is projected to end in 2015. The team consisted of Torun Reite (team leader) with some support from a research assistant (see cover).

Norway has provided support to Tanzania in the area of tax policy, including fiscal and legal advice and tax modelling through different programs and modalities since 2003. Up until around 2012 the support was provided to the Policy Analysis Department (PAD) in the Tanzanian Ministry of Finance (TMoF), first as a twinning arrangement between Norwegian and Tanzanian institutions (Ministries of Finance) and subsequently as financial support to underpin capacity development. From 2012, fuelled by the prospects of the increasing strategic economic importance of the oil and gas subsectors within the extractive industries in Tanzania, the current program was formulated, approved and the first activities initiated. This program has a narrower scope than the former and focuses on establishing a modern fiscal and regulatory framework for the mining, oil and gas sub-sectors.

Tanzania Revenue Authority (TRA) has been the coordinator on the Tanzanian side, but altogether 10 government institutions take part in programme activities, centred round the Tanzania Revenue Forecasting Modelling Team for Mining, Oil and Gas (TRFMT -MOG) - a team consolidated through the programme. The support has been provided through training, benchmarking studies and technical assistance. The project is meant to build understanding, skills and knowledge base of individuals and institutions dealing with extractive/non-renewable resources, and spans for a period of three years starting from 2012/13 to 2014/15.

The TRFMT – MOG - hereinafter called the modelling group include 21 members from 10 key participating institutions TRA (secretariat), MoF, Ministry of Energy and Minerals (MEM), Tanzania Minerals Audit Agency (TMAA), Tanzania Extractive Industries Transparency Initiative (TEITI), President's Office Planning Commission (POPC), Tanzania Petroleum Development Corporation (TPDC), Bank of Tanzania (BoT), National Development Corporation (NDC) and the National Bureau of Statistics (NBS).

2.1 Scope of Work

The purpose of the NER is to assess project achievements made so far, including documentation of lessons learned. This review assesses the achievements and results of the programmes in relation to objectives defined in the programme documents. Furthermore, this NER assesses the needs for a possible continuation of the project and provides recommendations for a possible extension of the project, primarily within the Oil for Development framework. The team has noted the particular relevance of the revenue forecasting model within the Oil for Development programme in Tanzania, and has put a particular emphasis on the model and the training and functioning of the modelling team and secretariat hosted by TRA in putting forward recommendations.

In addition this review is based on the OECD-DAC Criteria for Evaluating Development Assistance and consequently the review includes an assessment by the criteria of Relevance, Effectiveness and Sustainability, among others.

2.2 Methodology

The review has primarily relied on a qualitative approach and include:

- Desk review of documents, both general documents and programme-specific documents. A list of documents reviewed is enclosed to this report (Annex C), and
- Interviews with relevant stakeholders from Norwegian and Tanzanian institutions. A list of interviewees is enclosed to this report (Annex B).

The team carried out a field mission between September 14th-19th 2015. Prior access to programme specific documents represents the main constraint met in implementing the assignment. The team retrieved the relevant programme specific documentation from the Norwegian embassy in Dar es Salaam on the first day of field mission.

In addition some stakeholders had limited accessibility during the time of the field visit. However the majority of these have been contacted and interviewed through a combination of e-mail correspondence, teleconferences and skype conversations.

3 Conditioning and constraining contextual factors

Recent change of Government might introduce both structural changes within Government and appointment of new senior officials within Government changing the conditions for a continued programme. There is reason to believe that it will take some time until participating institutions are functional and a potential continued support could be meaningful. This should be taken into account in the planning and preparations and when establishing a timeline for possible continued support.

The macroeconomic performance and outlook for Tanzania continues to be fairly positive, growth rates at a steady 7 per cent of GDP. Foreign Direct Investment has been considerable particularly within the gas sector. Tanzania has traditionally had an important mining sector and in the medium term national and international agents share the expectations that the Extractive Industry/non-renewables will become even more prominent to the national economy once gas production takes off.

About 10 years ago, Tanzania collected less tax (relative to GDP) than most other countries in the region. The number of taxpayers (relative to the number of businesses and population) was low. Tax exemptions were widespread, and more widespread than in most other African countries. Tax policies were partly to blame, but poor tax administration was possibly even more important.

Tax revenues have increased considerably over last 10 years. Revised tax legislation, broadening of the tax base, and strengthened tax collection area are probably all contributing factors. Although tax exemptions have been reduced, they still amount to around 4 per cent of GDP or 20-27% of annual tax collection. (Source: IMF Country report 14/228)

Some important legal and regulatory foundations are in place, and the key challenge is related to compliance and enforcement in addition to capacity development and strengthening institutions. However, these processes face governance challenges related to principal-agent problems and collective action failures that challenge the conditions for capacity development at an institutional level and the potential for attaining sustainability of Norwegian support. For a definition of these terms we refer to Annex E of this report.

In view of the importance of the extractive sector in Tanzania government take from mining and some renewables is one of several important underpinnings of domestic resource mobilization. There have been differing opinions about the desirability of renegotiating contracts within the mining sub-sectors and a firm decision not to renegotiate was made in 2013, although broadly supported, this decision led to a reprioritisation of programme activities.

There are imbalances in the institutional capacity of key institutions and also in the leverage of the relevant participating institutions. Moreover there seems to be uneven ownership within the participating institutions and the roles and responsibilities in the current institutional set-up reduce checks and balances. International good practice implies that the Ministry of Finance (MoF) should be responsible for policies on taxes and for tax-related policies on domestic resource mobilization (DRM). Stakeholders perceive the MoF to be relatively weak in this respect and have also participated in a less active manner than what could have been hoped for within the current programme. The Tanzania Revenue Authority and to some lesser extent the Planning Commission at the President's Office have become more prominent actors on tax policy. The same tendency can be noted within the modelling group, with the point of gravity clearly located in TRA that continues to consolidate in terms of formal and informal influences in decision-making processes on both tax policy and more tax administrative issues. The decision of supporting a secretariat to the modelling group within the Tanzanian Revenue Authority and not the Ministry of Finance was argued for by referring to the Ministry of Finance´s limited capacity in the Appropriation document. Whatever rationale there was at this point in time, the institutional set-up should be a concern in the medium to long term and be appropriately addressed. The potential governance risk and other related risks and consequences were however not discussed nor raised.

4 The Program

The project is a three year capacity building initiative that is considered a continuation of the previous support channelled to the Policy Analysis Department in The Ministry of Finance and shares the overall strategic objective of strengthening the resource management capacity of the Government of Tanzania, and in this latter phase from 2012-2015 particularly in relation to the extractive industry subsector of mining and gas.

Between 2003-2012 the Ministry of Finance has received financial and technical support from Norway, with the aim of improving capacity within the areas of tax policy, legislation and revenue forecasting.

The results from Norway's support between 2003-2012 reflected a need to consolidate and to have a more long term approach to capacity building within the Government of Tanzania (GoT), the need to develop tax models for the extractive sector, associated fiscal analysis as well as multiple uses of the results for specialized tax audit planning and implementation and as a basis for negotiations and renegotiations of Mining Development Agreements (MDAs) and Production Sharing Agreements (PSAs) in the extractive sectors.

Therefore the GoT requested, and was granted, both financial and technical assistance to support the goal of building capacity in the use of and development of a modern fiscal revenue and regulatory regime for non-renewable natural resources.

The overall programme activities have been divided into three major phases. An end review of the first two phases has been carried out and the main findings and conclusions are summarized in Annex D to this report. This near-end review concentrates mainly on the Third Phase of the programme, for which the report hereinafter applies the term "the programme".

Moreover the third phase of support to strengthening the resource management capacity of the Government of Tanzania, in short, this programme, is seen as complementary to the institutional cooperation between the Norwegian Tax Authorities (NTA) and Tanzania Revenue Authority (TRA) that focuses on strengthening tax compliance and has tax audits as the main area of intervention.

The programme's main objective is to is to assist the GoT in building capacity in the use of and to develop a modern fiscal revenue and regulatory regime for non-renewable natural resources..

Table 4.1 provides an overview of Norwegian financial support to the programme, both appropriated amounts and actual disbursements per financial year. According to available information the last disbursements was made for the financial year 2014. There is an undisbursed amount of approximately NOK 5.35 million that is planned for disbursement within the programme period.

TRA received three disbursements: 2012/13 USD 477,624.98, 2013/14 USD 1,967,067.17 and 2014/15 total of USD 537,143.85 Totalizing to requested total amount for the project for three years USD 2,981,836.18 or 18,604,507,- NOK, see Table 4.1. below.

The main categories of expenditure in the program are related to benchmarking missions, consultancy fees, travel costs and workshops/training.

Table 4.1. Total Norwegian support for the Phase III 2012 - August 2015

Appropriation Decision dates	Amounts			
14.06.2012; Appropriation document	**NOK 20 million**			
Appropriation document – indicative allocation per financial year	2012	2013	2014-15	Total
	3,000,000	6,000,000	11,000,000	20,000,000
Disbursements per financial year	3,000,000,-	11,657,036.76,-	3,947,470,-	18,604,507

4.1 Objectives and Expected Results

The main objective of the programme is to assist the Government of Tanzania (GoT) in building capacity in the use of and to develop a modern fiscal revenue and regulatory regime for non-renewable natural resources.

The chosen approach is to build knowledge through training, capacity transfer and hands on technical assistance, to enable adequate renegotiations and enforcement of relevant development and productions sharing agreements as seen appropriate by the GoT.

Nine specific objectives have been defined:

1. Support the GoT to undertake analyses on the financial, fiscal and legal implications of various tax regimes for mining and oil and gas through the mining and petroleum tax models and do benchmarking to other countries that have undergone similar transformations.
2. Build specialized technical capacity in the tax administration of natural resources including mining, oil and gas subsectors that will involve mastering the use of the so developed models, dealing with transfer pricing, thin capitalization and any other issues which inhibit maximum government take and recommend ways in which this can be addressed in both Legislation and Agreements.
3. Assist the GoT to establish a sustainable revenue management from natural resources by establishing dedicated account/fund or fiscal rules for the utilization of volatile natural resources, considering that minerals, oil and gas are non-renewable resources and that extraction is effectively the equivalent of transferring an asset into cash.
4. Assist the GoT in designing and implementing a progressive framework including instruments for collecting windfall taxes, resource rent in the mining and petroleum sectors which once implemented will not require frequent re-negotiations as commodity prices fluctuate in the future.
5. Assist the GoT to finalize all pending audit issues by the time to be agreed upon by involved parties for the remaining mining and petroleum companies.
6. Assist the GoT to assess the possibilities to renegotiate the fiscal terms of Production Sharing Agreements (PSAs) in relation to Upstream (identification, exploration and production of resources), Midstream (transport and processing) and Downstream –

(conversion to marketable products) and Revenue generation (collection and utilization).

7. Assist the GoT to effectively undertake MDAs and PSAs re-negotiations with the remaining mining companies on how to move towards the new tax regime by providing both legal and negotiations strategies.
8. Assist the GoT in the promotion of Extractive Industries Transparency Initiatives (EITI) through close collaborations between the former and all Government Agencies regulating mining, oil and gas operations in Tanzania.
9. Assist the GoT, through a close coordination with TPDC and Ministry of Energy and Minerals with the Norwegian Government, in revising current policies and practises of public commercial ownership in the mining, petroleum and gas sub-sectors so as to optimize Government take from these operations.

The expected results are capacity building and re-negotiation skills to renegotiate the agreements in order to increase the Governments tax revenues from the mining and petroleum (oil and gas) sector. Such gains in tax revenues are expected due to improvement of both policy and regulatory framework. This will be possible as the negotiations and the core mining and oil and gas group, but also other relevant government agencies, will be equipped with the required expertise and training in order to introduce such policies and regulations.

This will lead to a more transparent, predictable and sustainable investment climate in the mining sector, thus attracting long term investments and competitiveness both regionally and internationally. Generally, it is expected all the above changes will increase the Governments overall take from the mining sector while maintaining a competitive environment for investments.

Bearing in mind that minerals, oil and gas are non-renewable natural resources, a sustainable mineral revenue management through the established and dedicated account or fund or fiscal rule for the future generations will be established. This will be one of the landmark results of the project.

4.2 Results Achieved

Tables 4.2-4.6 below show the Expected outcome and achieved results that have so far been verified based on information available as of September 2015. The review team has chosen to group the expected outcome and the achieved results so far in four strategic areas of intervention and a miscellaneous Other:

- Negotiations and Renegotiations
- Revenue forecasting
- Audit
- Legal Framework and New Policies
- Other

This grouping has been done at the team´s own initiative motivated by the wish to illustrate the main emphasis and priority areas of the programme interventions both in the initial plans and management documents and to reflect actual prioritisations made during implementation, whether supported by decisions made in annual meetings, or not. This distinction between the three main areas has the advantage of providing additional clarity on results achieved per main area of intervention.

Table 4.2: Negotiations and Renegotiations Programme, Planned and Achieved Results

Expected Outcome	Results 2012- September 2015
Negotiation elements of the following objectives: • Support the GoT to undertake analyses on the financial, fiscal and legal implications of various tax regimes for mining and oil and gas through the mining and petroleum tax models and do benchmarking to other countries that have undergone similar transformations. • Build specialized technical capacity in the tax administration of natural resources including mining, oil and gas subsectors that will involve mastering the use of the so developed models, dealing with transfer pricing, thin capitalization and any other issues which inhibit maximum government take and recommend ways in which this can be addressed in both Legislation and Agreements.	Negotiations are part of an on-going process. The modelling team, represented by some of its members, has been involved in analysis and advice that has served as input in negotiation processes. More specifically the modelling team (represented by some of its members) has been engaged and involved in at least 2-3 negotiation processes. The impact can only be assessed though verification of the actual value of more professional advice and information in the decision-making process measured against what would have been the decisions without the increased capacity. This has not been possible to establish. In quantitative terms it is not possible to establish a monetary value on the professional advice provided. Strengthened negotiation capacity has been identified as the area of greatest achievement within the programme.
Assist the GoT to effectively undertake MDAs and PSAs re-negotiations with the remaining mining companies on how to move towards the new tax regime by providing both legal and negotiations strategies. Assist the GoT to assess and possibilities to renegotiate the fiscal terms of Production Sharing Agreements (PSAs) in relation to Upstream (identification, exploration and production of resources), Midstream (transport and processing) and Downstream – (conversion to marketable products) and Revenue generation (collection and utilization).	This is an area of intervention that was planned in the initial Program document and Appropriation document but has later been abandoned due to a policy decision made at high level within the GoT. No results have been achieved. During the programme the modelling team, or part of the team, has been involved in carrying out a portfolio analysis of the mining sector. This analysis concluded that the potential gains were limited measured up against the cost in terms of "loss of trust". This conclusion was made based on estimated lifespan of mining MDAs that could potentially be renegotiated with substantial additional revenue yields.

In the area of negotiations and re-negotiations, the following achievements can be highlighted:

- Strengthened capacity to carry out negotiations has been put forward as one of the greatest achievements of the programme.
- Some members of the modelling team have been involved in negotiations.
- The GoT decision not to renegotiate mining contracts changed led to an adjustment of programme priorities. There is broad stakeholder support towards this decision.
- Team members and consultancy services provided through the program were been involved in carrying out analyses to underpin this decision.

Table 4.3: Revenue Forecasting Programme– Planned and Achieved Results

Expected Outcome	Results 2012- September 2015
Revenue forecasting elements of the following objectives: • Support the GoT to undertake analyses on the financial, fiscal and legal implications of various tax regimes for mining and oil and gas through the mining and petroleum tax models and do benchmarking to other countries that have undergone similar transformations. • Build specialized technical capacity in the tax administration of natural resources including mining, oil and gas subsectors that will involve mastering the use of the so developed models, dealing with transfer pricing, thin capitalization and any other issues which inhibit maximum government take and recommend ways in which this can be addressed in both Legislation and Agreements.	Revenue forecasting falls short of the potential. • The model has only to a very limited degree served as input for macro-economic forecasting. There are gaps in data quality and maintenance for the model to serve as a useful tool. Specifically, the ADAPT and REACT models have been used as an input to Tanzania Macro Economic modelling (MACMOD), but not on a systematic and regular basis. • This outcome is considered as started, but not completed due to lack of necessary input data for the forecasting model

In the area of revenue forecasting the following achievements can be highlighted:

- An application has been put is in place for the GoT and the participating government institutions to use for revenue forecasting
- Some strengthened capacity to consider relevant elements and factors for revenue forecasting in the Extractive industries has been developed.
- The ADAPT and REACT models have been used as an input to Tanzania Macro Economic modelling (MACMOD), although the data quality and comprehensiveness can be improved and the use of these data can benefit from being more regular and systematic.
- Actual revenue forecasting falls short of the potential.

Table 4.4: Audits Programme, Planned and Achieved Results

Expected Outcome	Results 2012- September 2015
Assist the GoT to finalize all pending audit issues by the time to be agreed upon by involved parties for the remaining mining and petroleum companies.	The model has achieved to provide indicative or expected revenue from operating mines or project. The Large Tax Payers Department (LTD) has benefitted from strengthened capacity through participation/representation in the modelling team.

In the area of audit the following achievements can be highlighted:

- An application has been put in place for the GoT and the participating government institutions to use the model to support audit processes, particularly on risk assessment.
- The model has not been applied for this purpose due to information gaps (time series data etc)

- Institutional links within TRA between the modelling group and the LTD, possibly involving the Norwegian Tax Authorities as part of the institutional collaboration, on one hand and between the TRA and TMAA on the other, could benefit from being strengthened.
- The TRA is of the opinion that is should be overall responsible to utilise audit findings and perfecting final tax assessments, and share results with other relevant parties particularly MoF and TMAA. The team takes note of the possible differences of opinion on roles and responsibilities and pinpoints this as an area that needs to be clarified in a continued phase of the programme.

Table 4.5: Legal Framework and New Policies Programme, Planned and Achieved Results

Expected Outcome	Results 2012- September 2015
Assist the GoT in designing and implementing a progressive framework including instruments for collecting windfall taxes, resource rent in the mining and petroleum sectors which once implemented will not require frequent re-negotiations as commodity prices fluctuate in the future. Assist the GoT to establish a sustainable revenue management from natural resources by establishing dedicated account/fund or fiscal rules for the utilization of volatile natural resources, considering that minerals, oil and gas are non-renewable resources and that extraction is effectively the equivalent of transferring an asset into cash.	During the programme period a considerable amount of new policies and legislation has been developed. These include: • The Petroleum Act 2015 • The Tanzania Extractive Industry (Transparency and Accountability) Act 2015 • The Oil and Gas Revenue Management Policy 2015 • The Oil and Gas Revenue Management Act 2015 • The Natural Gas Policy of Tanzania 2013 • The Mining (mineral Trading) (Amendment) Regulations 2012 • Draft of Local Content 2015 • Draft of National Petroleum Policy of Tanzania 2014 and 15
Assist the GoT, through a close coordination with TPDC and Ministry of Energy and Minerals with the Norwegian Government, in revising current policies and practises of public commercial ownership in the mining, petroleum and gas sub-sectors so as to optimize Government take from these operations.	

In the area of legal framework and new policies the following achievements can be highlighted:

- Strengthened capacity has been put in place.
- Key stakeholders within the modelling group are actively taking part in the formulation of policies, such as the Petroleum Act 2015, the Tanzania Extractive Industry (Transparency and Accountability) Act 2015, the Oil and Gas Revenue Management Policy 2015, the Oil and Gas Revenue Management Act 2015, the Natural Gas Policy of Tanzania 2013, the draft Local Content Policy 2015 etc.
- New legislation and policies can only in part be attributed to this programme.

Table 4.6: Other

Expected Outcome	Results 2012- September 2015
Assist the GoT in the promotion of Extractive Industries Transparency Initiatives (EITI) through close collaborations between the former and all Government Agencies regulating mining, oil and gas operations in Tanzania.	A platform for collaboration, both formally and informally, has been established. This platform should be more actively applied, something that would increase the sustainability.

Under other achievements the most important to mention, and that has been pinpointed by stakeholders, is the consolidation of a platform for collaboration between the participating institutions. This stated, activities within the modelling team are limited (or literally non-existent) between workshops and benchmarking missions carried out within this programme. It is important to stimulate an internal domestic demand for the modelling group's representatives and the participating institutions to reap the benefits of this institution and to increase sustainability.

An analysis of progress and achievements and some observations and recommendations regarding the core issues defined in the Terms of reference are presented in the following section.

5 Analysis of Progress and Achievements

In this section an assessment of progress and achievements including lessons learned is presented. The highlighted aspects are either reflected in the ToRs or found particularly relevant to this programme and have emerged during the review process.

5.1 Ownership

The overall assessment is that the Tanzania Revenue Authority has a strong ownership to the programme with variable buy-in from the other government institutions. Overall ownership and also the accountability could be strengthened.

Pinpointing lessons learned there is evidence to suggest that more could have been done in programme design and preparation to formulate a clearer strategy and to define the expected outcome at a more strategic level for the different business areas/areas of intervention that fall within the program. This would have provided more clarity as to both the potential benefits of the programme in specific business processes and also to clarify the roles and responsibilities of the participating institutions.

Currently ownership seems to be strongest in the TRA and possibly in TMAA. TPDC voices ownership but have faced some challenges in practice in being able to share the relevant project information for the modelling group to benefit fully.

Summing up, all stakeholders unanimously pinpoint the relevance and importance of the programme and refer to overall positive achievements, but in practice, when probing the specific gains for the individual government entities, there are still some challenges to be worked on.

Measures need to be taken to clarify and define specific gains, and clarify roles and responsibilities of the participating institutions and the individuals participating in the modelling team. Such measures would possibly serve to strengthen ownership and buy-in and also to strengthen the accountability mechanisms and establish stronger links between the individuals in the modelling group and the institutions in specific business processes/decision-making processes.

5.2 Relevance

The programme identifies areas of intervention of high relevance and high priority for the GoT. The review confirms unanimous endorsement of the areas of intervention and the need for support to strengthen not only the capacity to establish a modern fiscal and regulatory framework for the mining, oil and gas subsectors but also the uniqueness of the focus on strengthening the collaboration between the participating institutions.

This stated, stakeholders voice doubts as to the relevance of continuing to carry out additional benchmarking missions. Stakeholders pinpoint the importance the benchmarking missions and workshops have had during the first phase of support (between 2012-2015), although some point to the diminishing marginal return due to the large amount of missions. Some have also underscored the importance these activities have had in creating trust and mutual understanding between the participating institutions and representatives of these in the modelling team. Others have highlighted the importance of these missions for motivational purposes. The programme has been pioneering inter-sector collaboration in a setting where this is rather the exception than the rule.

Summing up, the areas of intervention are seen as highly relevant but the adopted strategy should be reconsidered and adjusted with continued support moving towards a more institutionalized approached with an emphasis on linking the modelling team to decision-making processes in *live situations*.

5.3 Effectiveness

The fundamental question as regards effectiveness is to assess to which extent the programme has reached its expected objectives at outcome/impact level. However for this specific programme the expected objectives that have been defined are more related to processes and less to expected outcome.

Based on the verified results achieved the overall impression is that negotiations have been prioritized as has the development of new policies and a legal and regulatory fiscal framework. However less emphasis has been put on audit and revenue forecasting.

Focus has been put on input and training, workshops and benchmarking activities but additional benefits could have been gained had the design and strategy gaps been addressed from the outset. This aspect also includes the assessed gaps in the modelling group weak institutional links to the participating institutions and their relevant business processes. There is a need to define the business process objectives for each of the areas: negotiations/renegotiations, revenue forecasting, audits and legal and regulatory framework and other for the programme to reach its potential at outcome level.

This being stated, there are important foundations and also many examples of outcome that have been achieved, although boundaries for direct attribution is challenging and demonstrating the contra factual not possible. Some of these achievements are already presented in previous sections, but deserve additional highlighting in relation to effectiveness:

- The increased trust and collaboration at inter-sector/inter-institutional level is in itself an important outcome
- The increased professionalism and more informed input in the negotiation processes have potentially led to better negotiation results or at least the option of an informed decision that, without the programme, would not have been available.
- The increased capacity has contributed to more informed policy formulation processes and in formulating a legal and regulatory fiscal framework.

There is a need to underscore the impression that the areas of intervention merit different assessments as to their effectiveness. Whereas the technical advice and analysis that serves as input in the negotiation processes have improved and the negotiation processes thus have become more informed, neither the revenue forecasting nor the audit processes, that could potentially have become strengthened as a result of a more active use of the model´s potential, seem so far not to have grasped that potential and have not changed significantly.

Summing up, there are potential benefits to be reaped from additional emphasis on these two areas if the programme is to be extended into a next phase.

In view of the solid foundations and achievements continuation is recommended.

5.4 Efficiency

To allow for a detailed assessment of overall efficiency, more detailed information and a link between the costs and the activities are needed. However, some observations can be made, supported by stakeholders´ views as voiced during the review process:

- The modelling group has primarily had meetings and activities during specific consultancy missions linked to training activities, workshops and benchmarking missions. This represents a missed opportunity and more active use of the core team would give additional benefits.
- There are administrative barriers to a more smooth and continuous collaboration within the modelling group. For every programme-initiated event the TRA needs to submit letters to the participating institutions to request the release of their personnel. This seems cumbersome and could have been administered in a more flexible manner or through a more structured planned approach. The current approach is ad hoc and the release of personnel requested on a case by case basis.
- The benchmarking and training output including their reports were applied as reference materials in preparation of policies, laws, regulations and contract negotiation, the added value on the margin, are considered by stakeholders to have been decreasing. Some of these benchmarking mission and workshops are surely needed to build capacity, develop networks and establish trust within the team, but the opportunity cost or cost-efficiency of some of these activities could be discussed and possibly addressed in a potential continued support.
- Programme management and coordination seems up to standard and efficient and in line with established procedures for Norwegian cooperation.

5.5 Impact

The overall assessment is that the potential impact has so far not materialized and that measures should be taken to move from the current activities oriented and individually oriented approach to a more strategic and institutionalized approached where expected output and outcome are defined as part of business processes/decision-making processes within the main areas of intervention: negotiation, revenue forecasting, audit and legal and regulatory fiscal framework. To quote one stakeholder: "*there is a need to bring the actions and increased capacity into live situations*".

More could have been done in bridging the gap between the expected outcome as defined in the 9 programme objectives though defining which specific relevant business processes the different participating institutions are engaged in and define specific targets for business process improvements based on the defined programme activities and input. This would also have increased the accountability mechanisms at institutional level within the programme.

This could also have served as an instrument to provide greater clarity as to the specific gains for each participating institutions and could possibly have contributed to a more balanced ownership of the programme.

Overall a solid foundation has been put in place to build on and for the expected impact to materialize, at least in part.

5.6 Programme and project management;

The overall impression is that the programme management is at par with established procedures. All key management documents are in place and the annual meetings have taken place with relevant documentation.

The main gap identified that poses a challenge for an assessment of efficiency and effectiveness and also for a more continuous cost control, is the fact that the progress reports and the financial information are delinked. This has been raised on several occasions in the management meetings by the Norwegian embassy quote.

"The Norwegian Embassy (….) observed further that the report lacked a financial statement and report reflecting the disbursements and expenditure in 2013-14 (…).

The review team has the impression that the programme´s result achievements could have been better with strengthened monitoring during implementation. More pro-activeness and a possible mid-term review at an earlier stage might have revealed the perceived low level of commitment to data quality and comprehensiveness and data maintenance of the model. The relatively modest achievements in the areas of audit and revenue forecasting could have been mitigated through prior action had there been a more diligent monitoring process possibly addressing this.

Moreover, the lack of modelling group activities between consultancy visits is another area that could have been addressed with greater alertness.

5.7 Sustainability

The overall assessment is that sustainability is not in place and that continued support is needed to strengthen the sustainability of initiatives, actions and the institutions and structures aimed for within the programme.

Incentives and links to the institutional level are the fundamental issues that need to be addressed to strengthen sustainability. Some specific measures in this regard have been mentioned under 5.3.5. Impact.

However the TRA has developed a proposal on how sustainability of the project can be achieved. This includes:

- The Institute of Tax Administration (ITA) of the TRA will be used to conduct training for team members on Training of Trainers programmes so that they are able to train more people for the continuation of the programme. However support on capacity building will still be needed

- The TRA will establish a back office that will accommodate the modelling and forecasting functions this project. This will take place after models development is completed in 2016 by the consultant.
- One of the project team members from MoF is pursuing a PhD degree at Colorado University in the US in oil and gas and another member has been elected a member of parliament. These are taken as positive points to the sustainability of the project goals.

These are important interventions and a sound point of departure for strengthened sustainability and include elements that can be incorporated in an Exit strategy.

5.8 Exit strategy

An exit strategy has only to a limited extent been discussed in the programme documentation. The programme would benefit from continued support where some of the issues addressed in this review are taken on-board so as to strengthen sustainability and prepare the ground for an exit.

In relation to capacity building there are potentially institutions at a regional level that will be able to take over part of the capacity building needs. East and Southern Africa Management Institute (ESAMI) has been mentioned as a possible partner in this regard. It is considered beyond the scope of this assignment to carry out an assessment of potential partners.

There is also scope for reducing the role of the Norwegian consultant/technical assistant and to leave more space for Tanzanian senior officials to take on more responsibility. Roles and responsibilities should gradually tilt towards the Tanzanian side. So far the Norwegian technical assistance has been the centrepiece of programme activities.

It should be mentioned that, as part of exit strategy, TRA has already signed the Memorandum of Understanding (MoU) with TPDC for getting production data for simulation in the model. The results of the project are expected to be seen after the production of gas starts.

5.9 Summing Up Lessons learned and Looking Ahead:

- The Tanzania Revenue Authorities has a strong ownership to the programme. However, buy-in from the other government institutions varies and overall ownership and accountability mechanisms would benefit from being strengthened.
- The engagement and active participation from the Ministry of Energy and Minerals and the Ministry of Finance should be strengthened, including the possibility of reassessing the representation and or the composition of the modelling team, or at least replace representatives (on a permanent or temporary basis) that are not able to participate.
- More could have been done to in programme design and preparation to formulate a clearer strategy and to define the expected outcome at a more strategic level for the different business areas/areas of intervention that fall within the program: negotiations, revenue forecasting, audit and legal framework and new policies. This

would have provided more clarity as to both the potential benefits of the programme in specific business processes and also to clarify the roles and responsibilities of the participating institutions.

- The programme identifies areas of intervention of high relevance and high priority for the GoT. The review confirms unanimous endorsement of the areas of intervention and the need for support to strengthen not only the capacity to establish a modern fiscal and regulatory framework for mining, oil and gas subsectors but also the uniqueness and value of strengthening the collaboration between the participating institutions. Some adjustments should be made if support is to continue into a next phase. The main issues are related to reducing the training, workshops and benchmarking activities and to focus more on strengthening the institutional links.
- The overall impression is that negotiations have been prioritized, as has the formulation of new policies and legislation. There is a lot of evidence of results achievements in these areas. Less emphasis has been put on strengthening the links to the tax audit and revenue forecasting. These areas have an underexplored potential.
- There is a need to define the business process objectives for each of the areas: negotiations/renegotiations, revenue forecasting, audits and legal and regulatory framework and other for the programme to reach its potential at outcome level. This could also have served as an instrument to provide greater clarity as to the specific gains for each participating institutions and could possibly have contributed to a more balanced ownership of the programme. Moreover accountability mechanisms would have been strengthened.
- Important foundations have been put in place. The increased trust and collaboration at inter-sector/inter-institutional level is in itself an important outcome.
- The increased professionalism and more informed input in the negotiation processes have potentially led to better negotiation results or at least the option of an informed decision that, without the programme, would not have been available.
- The increased capacity has contributed to more informed policy formulation processes and in formulating a legal and regulatory fiscal framework.
- Result achievements are varied. Whereas the technical advice and analysis that serves as input in the negotiation processes have improved and the negotiation processes thus have become more informed, neither the revenue forecasting nor the audit processes seem to have changed significantly.
- The modelling group has primarily had meetings and activities during specific consultancy missions linked to training activities, workshops and benchmarking missions.
- Some existing administrative barriers to a more smooth and continuous collaboration within the modelling group need to be addressed, and more specific planning on resource needs and participation from the 10 institutions and their representatives in the modelling group is recommended. An annual plan and a mandate for the group might be measures to explore to avoid the need for individual letters to all the participating institutions for each training event/mission.

- The potential impact of the programme has yet to materialize and measures need to be taken to move from the current activities oriented and individually oriented approach to a more strategic and institutionalized approached where expected output and outcome are defined as part of business processes/decision-making processes within the main areas of intervention: negotiation, revenue forecasting, audit and legal and regulatory fiscal framework. To quote one stakeholder: "*there is a need to bring the actions and increased capacity into live situations*".
- Through more proactive programme monitoring more could have been done in bridging the gap between the expected outcome as defined in the 9 programme objectives and the achieved results.
- The overall impression is that the programme management is at par with established procedures. All key management documents are in place and the annual meetings have taken place with relevant documentation.
- The review team has the impression that the programme´s result achievements could have been better with strengthened monitoring during implementation.
- The overall assessment is that sustainability is not in place and that continued support is needed to strengthen the sustainability of initiatives, actions and the institutions and structures aimed for within the programme.
- An exit strategy has been discussed and further development of the suggested interventions is recommended. In relation to capacity building there are potentially institutions at a regional level that will be able to take over part of the capacity building needs and that could be included in the programme as part of an exit strategy.
- There is also scope for reducing the role of the Norwegian consultant/technical assistant and to leave more space for Tanzanian senior officials to take on more responsibility.

Annex A: Terms of Reference

1. General information

The Oil for Development Steering Committee hereafter termed the contracting authority, hereby invites Scanteam to conduct a Near End Review (NER) of Norway's Oil for Development programme in Tanzania "Support to the establishment of a modern fiscal and regulatory framework for mining and, oil and gas sub-sectors".

1.1 Contact person at the contracting authority

Any queries relating to this invitation to tender may be addressed to the contracting authority's contact person: Ms. Maria Gilani (magi@norad.no) at Norad, alternatively, to Mr. Vegard Pedersen (vepe@norad.no) at Norad.

2. Background

Norway has provided support to Tanzania in the area of tax policy, including fiscal and legal advice and tax modelling. Tanzania Revenue Authority has received support in establishing a modern fiscal and regulatory framework for the mining, oil and gas sub-sectors. The support has been provided through training and technical assistance. The project is meant to build understanding, skills and knowledge base of individuals and institutions dealing with extractive/non-renewable resources, and spans for a period of three years starting from 2012/13 to 2014/15.

The project involves 20 members from 9 key participating institutions who form the Tanzania Revenue Forecasting Technical Modelling Team on Mining, Oil and Gas. Currently, these institutions are TRA (secretariat), MoF, MEM, TMAA, TEITI, POPC, TPDC, BoT and NBS.

(i) Purpose and scope of work of the near end review (NER)

The purpose of the NER is to assess project achievements made so far, including documenting lessons learned. Furthermore, the NER should assess the needs for a possible continuation of the project. Based on the analysis made on what has worked well/not worked well and why, and the identified needs, the NER shall provide recommendations for a possible extension of the project, primarily within the Oil for Development framework.

Particularly relevant for the Oil for Development programme in Tanzania is the revenue forecasting model, and the training and functioning of the modelling team and secretariat hosted by TRA. Recommendations regarding an extension of the project should focus on this component of the project.

The review shall be based on the OECD-DAC Criteria for Evaluating Development Assistance. The criteria of Relevance, Effectiveness and sustainability shall be the key focus areas in the review:

3.1 Relevance - Is the cooperation relevant to the needs of the involved Tanzanian institutions? Is the cooperation focusing on the "right" areas (given the needs, what other donors are doing)? Modality and approach chosen: (i) do the chosen modality, approach and selection of beneficiaries support the project objectives in an optimal way? (ii) Is the balance right between the tools available (workshops, on-job training/mentoring, benchmarking study visits). The issues to be assessed include, but are not limited to, the following:

3.2 Effectiveness -the issues to be assessed shall include, but is not be limited to, the following:

a. An assessment of the achievements made so far, including an assessment of planned versus actual activities and reasons for deviations;

b. Identify factors affecting effectiveness in Project implementation, and factors that may be improved in a possible new project phase;

c. Assess and comment on how this project has cooperated with other stakeholders;

3.3 Efficiency– an examination of the Project outputs – qualitative and quantitative – in relation to the inputs. The issues to be assessed include, but are not limited to, the following:

a. How has the progress of the Project been measured and what specific goals have been obtained?

b. The use of resources in the Project|, including an assessment of cost-effectiveness, use of per-diems and allowances and finally value for money;

3.4 Impact– the positive and negative changes. The issues to be assessed include, but are not limited to, the following:

a. Has the project led to significant changes, improvement and/or development within TRA and other participating institutions?

b. Has the project shaped participants to provide inputs to various national undertakings such as policy/laws formulation/reviews?

3.5 Sustainability– the assessment intends to measure whether the benefits of an activity are likely to be continued by the Government of Tanzania or any other support after current donor funding has been withdrawn. The issues to be assessed include, but are not limited to, the following:

a. Assess measures taken or planned to be taken in order to create long-term processes, structures and capacity at the TRA

b. Assess what further measures should be taken in order to enhance sustainability.

c. The assessment should also be forward looking and assess the following:

   - Relevant needs – particularly related to the revenue modelling group/secretariat - still not met.
   - Recommendations for a possible extension of the project

3.6 Exit strategy – assess sustainability of the project. The issues to be assessed include, but are not limited to, the following:

a. The exit strategy shall include criteria determining a potential exit (planned and non-planned) and recommendations to how the process can be undertaken.

The review may also address other issues the Consultant believe are of importance to the project.

(ii) methodology

a. Literature review and fieldwork

The review shall be carried out through studies of available documentation, both general documents and Project-specific documents, and through interviews with representatives of relevant stakeholders in Norway and Tanzania. Norad and the Norwegian Embassy in Dar es Salaam will assist in the provision of relevant documents and reports.

The Consultant will be provided with a list of suggested institutions and contact persons to be interviewed, including contact information. The selected interviewees shall receive a written request outlining the purpose of the review and the main issues to be discussed in due time before the interview is conducted. The Consultant will contact the relevant stakeholders in Norway and Tanzania directly (with the contact person.

Fieldwork in Tanzania is estimated to last for 5 days excluding travel days. The Consultant shall have an introductory meeting with the Embassy on arrival to Dar es Salaam, in addition to a debrief meeting in order to present preliminary findings before leaving Tanzania. The donor may invite other stakeholders to the debriefing meeting. A written debriefing note shall be submitted to the contracting authority upon the meeting (with the contracting authority`s contact person, Maria Gilani, copied).

The final dates for the fieldwork are agreed with Norad and will be September 14-19. The list of relevant stakeholders to be consulted (by personal meetings and/or telephone interviews) includes, but is not limited to, the following:

- Interviews with representatives at different levels in Tanzania Revenue Authority and relevant other institutions participating in the project;
- Interviews with representatives at Econ Oil and Gas;
- Key staff at the Norwegian Embassy in Dar es Salaam and the Oil for Development Secretariat at Norad.

b. Estimated workload and tentative timeframe

The estimated workload of the assignment is five weeks, equivalent to approximately 230 working hours. Travel time is included in the estimated workload.

(iii) Reporting

Inception report and inception meeting

No later than 2 weeks after contract signature, and in due time before the field visit, the Consultant shall present an inception report to Norad. The inception report shall consist of the following:

- Outline/table of content/structure of the report;
- Preliminary list of references for the literature review;
- Preliminary list of interviewees
- Final implementation plan for the fieldwork including a detailed timeline for submission of reports within the assignment; and

- Final detailed budget, separated into inception work, fieldwork, report writing and finalisation of assignment

In addition, the Consultant shall present the inception report at an inception meeting to be conducted with Norad. The inception meeting may take place as a telephone meeting. In general, it will be important for the Consultant to keep a close dialogue with Norad during planning and implementation of the Assignment.

(iv) Draft and final report

The main deliverable of the review exercise is the final report including an executive summary. The report should cover the key review issues outlined in section 3. It should describe the methodology used and highlight any methodological limitations, identify key concerns and present evidence-based findings, conclusions, recommendations and lessons learned, as further described in Section 4. Reporting language will be English and the report should not exceed the maximum of 25 pages, including the executive summary.

6.1 The Draft Report:

The Consultant will share a high quality draft report with the TRA, the Embassy and Norad, no later 21.10.15, with a minimum of 7 working days for comments. The proposed adjustments shall be carefully reviewed and comments shall be taken into consideration in preparing the final version of the report. The final report shall be submitted 2 weeks later for the contracting authority's final no-objection. The Assignment must be finalised no later than 04.11.15.

The contracting authority will be the sole owner of the report and its content, and will hold the right to share and publish it. The Consultant will not have the right to publish the report, nor any of its content, without the contracting authority's permission in writing.

6.2 Presentation of Final Report

As part of the Assignment, the findings and conclusions will be presented by the Consultant to Norad in Oslo. The Embassy will have a debrief meeting, where the Consultant will present preliminary findings. To whom and at which date will be decided later.

(v) Contract

The following contract type will be used for this Assignment: Framework Agreement between Scanteam and Norad 1301585

7.1 The budget for the Near End Review of the Project: The maximum budget, including travel expenses, is 400.000 NOK

Annex B: Persons Met

Tanzania Revenue Authority

Mr. Tonedeus K. Muganyizi

Mr. Emmanuel H. Hezron

Mr. Royal Lyanga

Mr. Robert Rutajama

Mr. Charles L. Msike

Mr. Stephen Magige

Mr. George Hellar

Ms. Sophia Mwaijonga

Tanzania Minerals Audit Agency

Mr. Michael J. Kambi

Mr. Andrew A Mwangakala

Tanzania Petroleum Development Corporation

Mr. Lwaga A. Kibona

Bank of Tanzania

Mr. Jeremiah Munuo

President's Office Planning Commission

Ms. Angela Shayo

Ministry of Minerals and Energy

Mr. Godfrey F. Mchele

Econ Oil & Gas

Mr. Frian Årsnes

Annex C: Documents Consulted

- Programme document; Proposed Project between the Governments of the United Republic of Tanzania and Norway on Supporting the establishment of a modern fiscal and regulatory framework for the mining, oil and gas sub-sectors in Tanzania
- TRA: Detailed Norwegian Funds Planned Activities for 2013/2014
- TRA: Detailed Norwegian Funds Planned Activities for 2014/2015
- TRA New Planned Activities Which Replace The Two Consultancy Based Activities of 2014/15 Plan
- TRA release letter for Mr Jeremiah Munuo to participate in the implementation of the planned project activities 17th-29th August 2015
- TRA release letter for Mr Rustis Bernard to participate in the implementation of the planned project activities 17th-29th August 2015
- Copy of e-mail correspondence between Frian Årsnes and Sophia Mwaijonga on ToR for Back Office, November 1st 2013
- Proposed budget for the implementation of the project from 2012/13-2014/15
- 2014/15 new planned activities which replace the two consultancy based activities of 2014/15 Plan
- Annual progress report July 2013-June 2014
- Annual progress report July 2014-June 2015
- Minutes of annual meeting, May 2014
- Minutes of The Annual Meeting Report – Held on 18th September 2013
- Mandate For Annual Meeting – TAN 12/0014 – 23.09.2013
- Mandate For Annual Meeting – TAN – 10/0014 – Resource Management Capacity
- Mid-term review of the Oil for development programme, OPM 2015
- E-mail correspondence between Sophia Mwaijonga and Svein-Olav Svoldal on request for approval of new activities January 2015.
- Proposed Replacements of Activities after Cancellation of some Activities of the Project
- Re: Proposed Replacement of Activities after Cancellation of some Activities of the Project
- Summary of Sources & Uses of Funds – For Ten Months ending April 30th, 2014
- Benchmarking Report on The Administration and Management of Revenues from Mining and Petroleum Sub-Sectors – The Case of Botswana, Chile, Ghana, Malaysia and Trinidad & Tobago
- Training and Benchmarking Report on The Administration and Management of Revenues from Petroleum Sector in Malaysia
- Report of The Study Tour to Norway on Oil and Gas Sector

- Benchmarking Report on The Administration and Management of Revenues – Chile (usikkert offisielt navn)
- Report of The Second Training Session
- Report of The Training Workshop on Advanced MS Excel Modelling For REACT and ADAPT Models
- Report of The Fourth Training Workshop
- Report of The Fifth Training Workshop on Derivatives, Hedging and Price Forecasting
- Second review under the Policy Support Instrument – Press release; Staff report; and statement by the Executive Director for United Republic of Tanzania
- Domestic Resource Mobilization in Sub-Saharan Africa: The Case of Tanzania by Nehemiah E. Osoro
- Public Expenditure and Financial Accountability Report 2013
- Mid-term review of the Oil for Development program in Tanzania
- TEITI reports
- Mid-term review Norwegian support to TRA – strengthened tax compliance, with listed documents
- End review Tax policy support to the MoF Tanzania, with listed documents
- End review and appraisal TEITI, with supporting document
- Draft Domestic Resource Mobilization strategy for Tanzania
- http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf World Investment Report 2015

Annex D: Main Findings, End Review Phases I and II

Brief introduction to Phase I:

Phase I: To Build Specialized Capacity in the Natural Resources' Tax Administration

A three year contract on capacity building and technical assistance program was designed to cover the following aspects:

(i) Fiscal Policy and Tax System Optimization

(ii) Mining and Petroleum Models Advanced Analysis Workshop

(iii) Mining and Petroleum Models, Advanced Technical Modelling Applications and Techniques

(iv) Commodity Price Forecasting, Hedging & Derivatives

(v) Investment Economics, Discount rates and Weighted Average Cost of Capital (WACC)

(vi) Advanced MS Excel

Undertake Analysis on the Financial, Fiscal and Legal Implications of Various Tax Regimes for non-renewable Natural Resources

Design and Implementation of a Progressive Taxation Framework

Tax audits of selected mining and petroleum companies

Brief introduction to Phase II:

Phase II (Pre-Renegotiation Process)

This second phase consisted basically in preparations towards the re-negotiation of the Development Agreements and Production Sharing Agreements with the mining- and petroleum companies. The key activity is the assessment of the legal, financial and fiscal implications of the current Agreements. (see Review CPAD)

Highlights from end reviews:

In 2003, the project TAN-2297 "Strengthening Public Financial Management" was established through a twinning agreement (TAN-03/300) between the Ministries of Finance in Tanzania and Norway. The goal was to Strengthened capacity and competence at MoF-TAN especially related to Tax policy and tax legislation. All in all there were shortfalls and gaps in result achievements. It should be noted however that stakeholders unanimously point to the fact that the performance of the PAD during this project period was perceived as stronger and their role in policy analysis more predominant than what it is today. In the initial phase the project had high-level individuals within MoF-TAN promoting and sponsoring Policy analysis, such as the Commissioner of PAD and the Minister of Finance. This however did not trickle down to middle management and absences; centralization of decisions and lack of management engagement were seen as factors contributing to less continuous interest from staff and less specific task definition, target setting and answerability all in all adversely impacting project implementation. External issues such as a perceived gradual weakening of the Minister of Finance and the Ministry of Finance, limited focus on tax policy issues and the need for fundamental tax reform in key strategic documents and on the political agenda, and a more pronounced role of the Tanzania Revenue Authority on one hand and the Planning Commission at the President's Office on the other all contributed to limit the conditions for the project to succeed.

The main observations and lessons learned from Project 1 were:

- Ownership and commitment is not only an issue at top management level but needs to trickle down to middle management and subsequently staff. Top level engagement not only at the initial planning and decision-making, but continuously throughout project implementation is crucial and ups and downs in project implementation were often linked to managers' engagement and monitoring of project implementation and their explicit priority of project activities.
- Contextual factors such as the strengthening of other institutions should have triggered more collaboration with these from the outset. Attempts were made, but the project closed down at a crucial moment in time when the MoF-TAN was restructured in 2008, creating a void in terms of voicing the need for clear roles and responsibilities on tax policy and tax reform issues and on revenue forecasting. All in all, the discontinuation of Project 1 during the restructuring was unfortunate.

TAN-07/094 Strengthening Capacity on revenue forecasting, Tax Policy and Tax Legislation (Project 2) was a new project towards the Policy Analysis Department in the MoF-TAN starting in 2008 and redesigned compared to Project 1 due, among other factors, to the unilateral decision of the Ministry of Finance in Norway to end the institutional twinning arrangement. The goal was "to contribute to reducing poverty in Tanzania" and the purpose of the project was "to support improved policy analysis in PAD. The level of ambition had thus been reduced compared to Project 1. Many of the same challenged were faced during project implementation and shortcomings and gaps in results achievement including delays were experienced. Some of the gaps are due to management decisions and reflect a change of priorities. The project in PAD has delivered important outputs involving activities and inputs financed by the project. This included i.e. a mining tax model and training in the use of the model. The Task force on tax policy is seen as a results of not only the Norwegian project but also the merit of support from other institutions, including the IMF. Nonetheless it has created a forum for strengthening the links between core institutions such as the MoF-TAN, TRA, MEM and TPDC.

On the whole the results and achievements show a somewhat mixed picture.

Some of the constraints mentioned by stakeholders related to Project 1 were also faced by Project 2; a perceived gradual weakening of the Ministry of Finance not only on tax policy issues and on fundamental tax reform issues but a gradual strengthening of the Planning Commission at the President's Office on one hand and the TRA on the other.

*The main observations and lessons learned from Project 2 were***:**

- The substantial amount of study tours, training and workshops might have been too high in view of the limited group of counterparts/beneficiaries to enable an effective absorption and to turn the acquired knowledge into applied practices. The absences can also have had an adverse impact on core activities and strengthening of capacity in PAD.

- The transfer of formal and informal powers shifting gradually towards TRA is perceived to have continued during the implementation period of Project 2. This could have undermined the effectiveness of the Project and represents an external factor that could not easily have been mitigated but could possibly have been handled more explicitly in the design phase.

The management dialogue on necessary adjustment in the project throughout implementation could have been carried out at a higher level in the Ministry of Finance.

Annex E: Definitions

Collective Action Problems

A collective action problem exists where a group or category of actors fail to cooperate to achieve an agreed objective, such as a certain behaviour to obtain a goal/service, because the first-movers would incur costs or risks and they have no assurance that the other actors to the agreed objective will compensate them for those costs or risks. Instead, cooperation fails as the likelihood that actors abandon the agreed objective in terms of behaviour is high when the group in question is large, the goal/service is widely shared ('non-excludable') and does therefore not restrict free-riding as there is no cost attached to not follow the agreed behaviour. Although everyone realizes that the agreed behaviour is in their collective interest, the incentives for cooperation are unfavourable.

Principal-agent Problems

A principal-agent problem exists where one party to a relationship (the principal) entrusts another party (agent) authority to perform in a certain manner. There is a risk that the agent does not perform as expected, which is believed to be overcome by increasing the needed information to monitor the agent´s performance in an effective way. Should monitoring not be enough, the subsequent steps of answerability and sanctioning can be effectively used, which provides incentives for the agent to adhere to the expected performance. The assumption is that the principal wants the performance expected from the entrusted authority to the agent.