

# A Decade of Review: Trends in Budget Execution and Financial Performance of Development Projects in Tanzania (2014/15-2023/24)

Florian Buberwa Bombo

Research Officer, Planning, Monitoring and Evaluation Division, National Audit Office of Tanzania,  
Dodoma, United Republic of Tanzania

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## ABSTRACT

This study reviews ten years of financial performance, expenditure trends, and budget execution outcomes in Tanzania's development projects, drawing on audit evidence from the Controller and Auditor General (CAG) reports for financial years 2014/15 to 2023/24. Taking a document analysis methodology, the paper reviews major indicators such as budget absorption rates, audit findings, and implementation of audit recommendations over major development sectors. The study reveals persisting inefficiencies in budget execution, recurrent financial irregularities, and unevenness in expenditure performance, with notable instances in water, agriculture, and health sectors. While some progress has been noted in implementing audit recommendations, institutional frailties in procurement, project planning, and financial controls undermine development effectiveness. The study identifies the need for reforms in project readiness screening, real-time disbursement systems, performance-based budgeting, and digital financial management systems. It also recommends an extended scope of modern stakeholder engagement strategies beyond the current Citizen Reports, such as digital dashboards, participatory audits, and media partnerships. The paper concludes with tailored recommendations for policy reform, institutional strengthening, and enhanced public accountability.

**Keywords:** Project Budget execution, Financial performance, Development project audits

## INTRODUCTION

Effective public money management is critical for achieving development results and maintaining public trust. In Tanzania, development projects are a key instrument for realizing national priorities, such as the Five-Year Development Plans, Tanzania Development Vision 2025, and sector programs. The projects, which are funded through domestic and external sources, are intended to catalyze socio-economic transformation through infrastructure, service delivery, and poverty alleviation.

Success in these goals is contingent upon efficient allocation, disbursement, and use of funds. The Controller and Auditor General (CAG) through the National Audit Office of Tanzania (NAOT) has a crucial role to promote accountability and transparency in auditing public spending. CAG's Annual General Reports on Development Projects over the last ten years have consistently raised concerns on budget implementation, expenditure control, and financial discipline.

The paper synthesizes trends in financial performance and budget implementation in Tanzanian development projects over a ten-year period (FY 2014/15–2023/24). The paper uses audit-based data to track fiscal trends, inefficiencies, and systemic problems in implementation. The novelty of the study lies in its longitudinal, cross-sectoral synthesis of CAG reports, providing a ten-year perspective of public financial management that is unique.

The main aim of the study is to provide policy and institutional reform-oriented actionable insights. By relying solely on audit evidence, it helps inform public debate, enhance institutional learning, and facilitate evidence-based policymaking to improve budgetary governance.

It addresses three basic research questions:

1. What are the major trends in budget execution and financial performance of development projects from FY 2014/15 to FY 2023/24?
2. What recurrent inefficiencies emerge from the CAG's reports?
3. How can audit findings be leveraged to improve budget management, accountability, and value for money?

## LITERATURE REVIEW

### Public Financial Management and Development Projects

Public Financial Management (PFM) systems are the foundation of efficient, transparent, and accountable management of public resources. Good PFM guarantees that funds are allocated, spent, and reported in manners that deliver development outcomes (World Bank, 2023). In development projects, good budget management is critical for timely completion, value for money (VfM), and public confidence. Most Sub-Saharan African nations are, however, confronted with chronic challenges that range from budget under-execution to poor forecasting and weak financial controls (IMF, 2022).

Public investment is at the core of national development planning in Tanzania under Vision 2025 and Five-Year Development Plans. Notwithstanding substantial investments, audits have consistently shown inefficiencies in delayed disbursements, low budget absorption, and discrepancies between planned and actual expenditures (URT, 2024; NAOT, 2023). These inefficiencies compromise project performance and postpone socio-economic returns, necessitating reforms in budget implementation, institutional capacity, and financial accountability (Katera & Mdee, 2018).

### Budget Implementation: Global and Regional Context

Globally, ineffective budget execution remains a major constraining factor in the governance of public investments, particularly in low- and middle-income countries. Effective service delivery hinges on the proper coordination among planning, budgeting, and execution (OECD, 2021). However, empirical evidence suggests that in the majority of African nations, capital budgets of below 60% are executed, largely due to inadequate preparation of projects, unmatched cash flows, and late procurement (Allen & Alves, 2016). These vulnerabilities limit timely project completion and reduce the developmental impacts of projects.

At the regional level, the same trends are apparent in Southern and East Africa. The African Capacity Building Foundation (2020) recognizes how weak monitoring and loose enforcement of budget discipline undermine development gains. In Kenya and Uganda, for example, audit reports have documented high incidence expenditure arrears, unauthorized budget reallocations, and significant unspent balances (Office of the Auditor General of Uganda, 2021; Kenya National Audit Office, 2022). Such inefficiencies not only reduce the effectiveness of development financing but also erode public confidence in government spending.

In Tanzania, the same concerns have been raised, indicating the need for deeper institutional reforms, stronger project readiness processes, and better budget credibility mechanisms to ensure that the funds committed are translated into timely, cost-saving, and resultative outputs.

### The function of Supreme Audit Institutions in Financial Accountability

Supreme Audit Institutions (SAIs) are at the heart of advancing transparency and accountability in the management of public funds. INTOSAI (2023) maintains that quality audits extend beyond the verification of legality and regularity to auditing the economy, efficiency, and effectiveness of public programmes. In Tanzania, the Controller and Auditor General (CAG), through the National Audit Office (NAOT), has continued to unearth fiscal management weaknesses in both sectors and government levels.

However, studies show that audit recommendations are typically poorly implemented, limiting their impact on budget implementation and governance (Mashauri & Kirama, 2021; PMO-RALG, 2019). Despite this, performance audits are increasingly being recognized as key to informing policy and parliamentary oversight, and streamlining the role of audit-based evidence in enhancing public financial accountability (REPOA, 2020).

### **Gaps in the Literature and the Need for Longitudinal Audit Analysis**

While there is extensive literature on budget management and audit effectiveness, most studies either focus on individual financial years or specific sectors. Cross-sectoral, longitudinal assessments using audit data as a primary empirical source are notable by their absence. By the same token, relatively few studies examine systematically the link between audit findings and actual improvement over time in financial discipline or project outcomes. This study aims to bridge that gap by distilling a decade of CAG audit reports to distill enduring patterns, structural bottlenecks, and areas of reform in the financial management of development projects in Tanzania.

## **METHODOLOGY**

### **Research Design**

The study takes a qualitative research design founded on documentary content analysis. Unlike other literature, which has a tendency to focus on a single financial year or a single sector, this provides a longitudinal, cross-sector analysis of financial management of development projects for a decade. By analyzing a decade of Controller and Auditor General (CAG) reports, the study synthesizes recurring patterns, systemic weaknesses, and potential entry points for reform in Tanzania's public financial management and budget implementation.

### **Data Sources**

The study draws primarily from the Annual General Reports on the Audit of Development Projects of the Controller and Auditor General (CAG). Data for FY 2014/15 to 2016/17, 2021/23, and 2023/24 are in Chapter Four, while those for FY 2017/18 to 2021/22 are in Chapter Three. These chapters provide data on project financing, approved budgets, actual expenditures, disbursement flows, sector performance, and audit findings on delayed payment, underutilized funds, and financial control violations. The analysis focuses on budgeted versus actual expenditures, absorption rates, timeliness of disbursements, and the frequency of financial irregularities. Data were disaggregated by sector; health, education, roads, agriculture, and water, wherever possible, to facilitate cross-sector comparison and highlight performance contrasts in Tanzania's development priorities.

### **Data Collection and Analysis**

Data gathering entailed manual screening of chosen audit reports, mining for applicable data and narrative financial information. Analysis proceeded in four steps: distilling key details, classifying budget under-execution, unsupported expenditures, and late contractor payments as finance performance issues; undertaking trend analysis over the ten years to detect persistent or new challenges; and comparing sectoral performance for patterns of institutional bottlenecks. This allowed for the development of a consistent narrative on fiscal conduct, budget absorption, and accountability within the governance of Tanzania's development projects.

### **Limitations**

While based on the credibility of CAG audit reports, the study has limitations. Structural changes and level of detail in the reports over the years render year-by-year comparisons challenging. Relying on documentary sources excludes primary data from surveys or interviews that could have offered broader perspectives. Additionally, the reports focus on financial and compliance aspects with limited insight into actual development outcomes or beneficiary impacts. Nevertheless, the methodological rigor and quality of audit data ensure that the findings remain robust, policy-relevant, and grounded in authoritative evidence.

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## RESULT AND ANALYSIS

This chapter highlights main findings from a ten-year review of the Annual General Reports on the audit of Development Projects in Tanzania. The review is based on trends in financial performance, budget execution, and audit observations by major sectors. The findings are discussed under three thematic areas: (i) budget absorption and expenditure trends, (ii) recurring financial management issues, and (iii) sectoral performance comparisons.

### Budget Absorption and Expenditure Trends

Over the decade under review, audit reports demonstrate persistently low budget absorption in development projects. Despite high annual allocations by Parliament, a large portion of money remained undisbursed or unspent by year-end. In FY 2022/23, several projects in water, health, and education sectors recorded execution levels below 70%. The FY 2020/21 report attributed underperformance to late disbursements by the Treasury and external financiers, spanning central and local government projects. Even where funds were disbursed, delayed procurement, ineffective contract management, and late submission of implementation plans hindered spending on time. For example, in FY 2018/19, a transport sector project spent only 42% of its budget since it had outstanding procurement approvals and contractor disputes. In FY 2016/17, the agricultural sector faced major execution gaps linked to weak project readiness and shortages of qualified technical staff at district levels, further undermining effective budget utilisation.

### Ongoing Financial Management Issues

Audit reports over the past decade reveal persistent financial management irregularities, including expenditures without supporting documentation, delayed payments to contractors and service providers, non-remittance of statutory deductions such as PAYE (Pay as You Earn) and withholding tax, and the build-up of outstanding payables. In FY 2023/24, numerous payments were made for uncertified or unmeasured works, particularly in infrastructure projects—a pattern also noted in FY 2015/16 and FY 2017/18, reflecting enduring weaknesses in internal controls and project supervision. Reports from FY 2019/20 to 2021/22 highlight repeated interest charges from delayed contractor payments, adding unnecessary costs to government budgets without improving outputs. Another entrenched problem is weak implementation of audit recommendations. Despite recurring findings, follow-up mechanisms to ensure corrective action remain inadequate, especially at the local government level. This underscores a structural accountability gap in Tanzania's budget management cycle, limiting the impact of audits on improving financial discipline and project performance.

### Sectoral Performance Comparisons

Audit reports also reveal significant sectoral differences in budget execution and financial discipline. Roads and energy, with higher capital budgets, have medium-to-high absorption rates but face chronic issues of contract variations, delayed completion, and cost inflation. Road projects executed by TANROADS in FY 2020/21 utilized over 80% of their budgets but were undermined by delayed payment and contractor underperformance.

Water and agriculture also consistently record low utilisation, with the Water Sector Development Programme disbursing less than 60% of its FY 2022/23 allocation because of procurement delays and challenges in obtaining counterpart funds. The same weaknesses were witnessed in FY 2014/15 and FY 2016/17, pointing to systemic underperformance in sectors critical to rural livelihoods.

Education and health have stable funding but persistent inefficiencies, including overestimated budgets, under-delivered outputs, and unutilised completed facilities. Overall, despite expanded financing over the past decade, inefficiencies and management gaps continue to undermine the effective use of public resources (Figure 1).

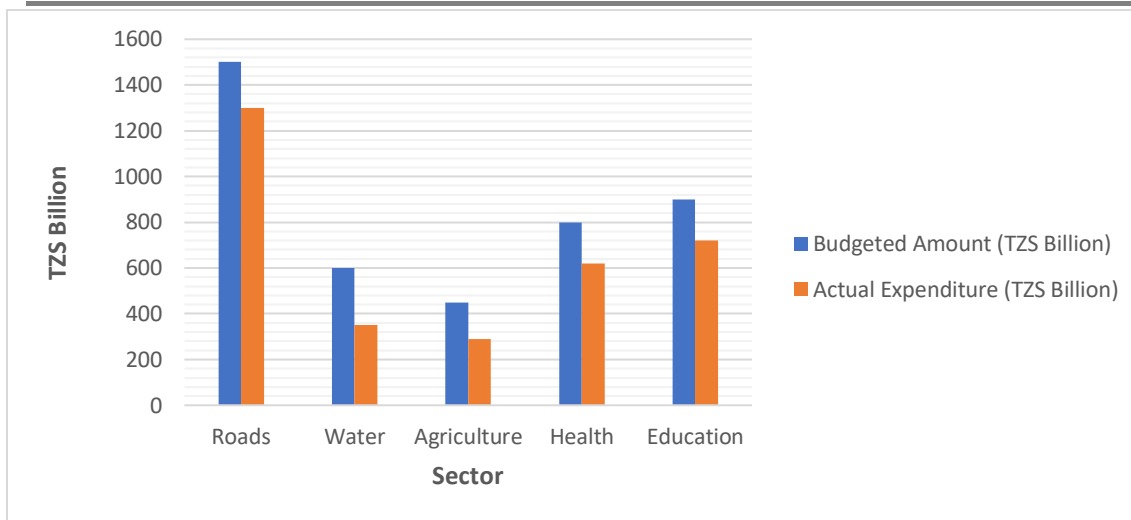


Figure 1: Sectoral Budget Vs Expenditure

## DISCUSSION

### Chronic Budget Under-Implementation and Institutional Capacity Shortfalls

A decade of audit reports highlights the persistence of weaknesses in Tanzania's public financial management and budget implementation, and low absorption rates in the water and agriculture sectors specifically. These shortfalls are primarily due to delayed fund disbursements, low procurement readiness, and weak implementation capacity, especially at the local government level. These constraints reflect the broader absorptive capacity challenges identified in earlier research and underscore the reality that increased allocations alone do not guarantee timely or cost-effective project implementation. Even sectors with relatively high absorption rates, such as roads and energy, have faced cost overruns, time delays, and procurement inefficiencies, demonstrating that volume of spending is not necessarily matched with quality results.

### Recurring Financial Management Irregularities

Throughout the decade, repeated financial management irregularities have been a cause for concern. Audit reports repeatedly record unsupported expenditures, uncertified works, late contractor payments, unspent balances, and interest charges due to delayed payments. Such recurring irregularities are indicative of systemic weaknesses in internal controls, loopholes in compliance with public finance regulations, and weak capacity for effective oversight. In the absence of more robust governance structures, tighter procurement compliance, and better contract management, such irregularities will persist in eroding value for money and undermining fiscal discipline.

### Sectoral Performance Differences and Efficiency Issues

Follow-up on audit recommendations shows a mixed pattern. While the rate of fully implemented recommendations has risen from 45 percent in 2014 to 70 percent in 2023, many are partially implemented or ignored, particularly at the local government level. Weak follow-up mechanisms, absence of enforcement powers, and poor tracking systems reduce the reform potential of audits and close accountability loopholes.

### Implementation of Audit Recommendations: Progress and Gaps

Another weakness is the absence of connection between financial accountability and development outcomes. Most audits still focus on compliance and spending of funds, with minimal information on whether expenditures have resulted in tangible services, infrastructure, or socio-economic improvements. This gap restricts the degree to which real project effect can be evaluated and diminishes the potential for linking budget execution directly to performance. OECD and INTOSAI standards speak of the imperative of integrating



performance auditing with traditional financial and compliance auditing in order to enable a broader evaluation of public spending.

### **Weak Linkages Between Financial Inputs and Development Outcomes**

A striking omission in the audit reports is the weak connection between financial performance and real development outcomes. Most audits address compliance with financial regulations and use of funds but have minimal information on whether spending results in services, infrastructure, or socioeconomic outcomes. This reflects a separation between financial accountability and performance accountability. OECD (2021) and INTOSAI guidance recommend more incorporation of performance auditing within classic financial and compliance audits to achieve a more comprehensive assessment of public expenditures.

### **Policy and Institutional Implications**

These challenges need to be met by enhancing project readiness and implementation capacity through better appraisal, realistic forecasting of cash flows, and enhanced procurement management; by modernising public financial management systems with electronic platforms for real-time monitoring and transparency; and by underpinning accountability by involving Parliament, civil society, and the media in audit follow-up to make budget execution both efficient and congruent with intended development outcomes.

## **RECOMMENDATIONS**

Against the backdrop of the tenacious underperformance in financial performance, budget implementation, and audit compliance experienced throughout the decade, the recommendations below are suggested to enhance the efficacy of development financing and public financial management in Tanzania:

### **Enhance Project Readiness and Budgeting.**

Ministries, Departments, and Agencies (MDAs) of the government and local government authorities (LGAs) should make certain that all development projects are subjected to thorough readiness screening prior to budgeting. This encompasses completing feasibility studies, acquiring land, developing procurement plans, and nominating project implementation teams. Enhancing the link between planning and budgeting will minimize delays in implementation and enhance absorption rates.

### **Enhance Timeliness and Predictability of Fund Disbursements**

The Ministry of Finance is to improve the effectiveness of fund releases by preparing more realistic cash flow projections and aligning disbursement timetables with implementation cycles. Development partners are also to be encouraged to harmonize disbursement conditions in a bid to reduce delays in externally financed projects. Prompt release of funds will facilitate smooth project implementation and reduce the accumulation of unpaid claims and interest charges.

### **Enhance Procurement and Contract Management Capacities**

Procurement delays and poor contractor performance are long-standing issues that delay project implementation. The Public Procurement Regulatory Authority (PPRA), together with the NAOT, must increase oversight and capacity development, particularly for the LGAs. Investment in training on contract management and deployment of qualified procurement officers across all project levels will lower inefficiency and minimize risks of fraud and wastage.

### **Institutionalize Result-Based Budgeting and Performance Monitoring**

MDAs and LGAs are to take a results-based approach to budgeting by connecting financial inputs with observable outputs and outcomes. This may be done by utilizing performance indicators, mid-year reviews, and results-based monitoring frameworks. This will guarantee not only that the execution of the budget is efficient but also that it is connected to desired development results.

## **Strengthen Implementation and Follow-up of Audit Recommendations**

In order to close the accountability loop, institutional mechanisms for following up on audit recommendations should be enhanced. This includes putting in place or enhancing audit committees in MDAs and LGAS, instituting internal tracking mechanisms on the status of recommendations, and compelling senior management to report progress from time to time. The Parliament's Public Accounts Committees must be strengthened and mandated to demand implementation of major audit findings.

## **Digitalize Public Financial Management Procedures**

There should be prioritization of the rollout of IFMIS to all spending entities. The systems should provide for real-time tracking of fund releases, expenditure commitments, procurement transactions, and project milestones. Greater use of digital tools will promote transparency, reduce delays, and enable evidence-based decision-making.

## **Diversifying Stakeholder Engagement as a Policy Imperative**

The National Audit Office of Tanzania (NAOT) has improved public communication with simplified Citizen Reports, yet wider stakeholder outreach is still crucial to enhance public accountability. Contemporary audit offices around the world show that continuous engagement with citizens, civil society, media, academia, and the private sector increases the effectiveness of audit reports.

Including inclusive engagement mechanisms—such as digital dashboards for real-time budget and audit data, local language community forums, social media targeting, collaboration with broadcast media partners, and coordination with universities—can increase audit evidence reach and utility. These mechanisms not only improve visibility but also promote citizen ownership of accountability processes, generating pressure for the adoption of audit recommendations.

By institutionalizing such mechanisms within its communication strategy, NAOT can close the gap between audit and action, ensuring that public financial control contributes directly to better governance, service delivery, and public confidence in institutions.

## **CONCLUSION**

This research explored budget implementation, financial performance, and audit compliance in Tanzania's development projects spanning a period of ten years based on evidence from CAG annual audit reports. Although significant funds have been invested in development projects, continued inefficiency in budget absorption, financial management, and audit follow-up still weakens the impact of public expenditures.

Repeated issues are delayed disbursements, unsupported expenditures, unspent balances, and poor implementation of audit recommendations. The issues are most severe in sectors like water, agriculture, and health that are critical to human development. Roads and energy had greater budget utilisation but were frequently beset by cost escalations, delayed works, and contract irregularities, which raised concerns regarding efficiency and value for money.

Some progress is registered, with the implementation rate of audit recommendations increasing from 45 percent in 2014 to 70 percent in 2023, reflecting greater institutional responsiveness. Reforms, nevertheless, remain uneven, and a gap between financial implementation and development outcomes persists.

These issues can be tackled by boosting project preparation, the timing of fund disbursements, procurement and contract management, and institutionalising performance-based budgeting. Transparency, public confidence, as well as the implementation of audit recommendations, can also be improved through modernising stakeholder engagement using inclusive, technology-enabled platforms.

The past decade offers lessons of warning and opportunities for change. Continued investment in development initiatives must be matched with stronger mechanisms of financial discipline, institutional learning, and

accountability to citizens. Only through such comprehensive governance and oversight reforms can Tanzania truly unlock the potential of its development budget and deliver lasting value to its citizens.

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