AVAILABLE OPTIONS TO FUND RECRUITMENT, TRAINING, SUPPORT AND MONITORING OF SECONDARY AND PRIMARY SCHOOL TEACHERS IN TANZANIA

Submitted by

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**ABBREVIATIONS AND ACRONYMS**

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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
</tr>
<tr>
<td>CIT</td>
<td>Corporate Income Tax</td>
</tr>
<tr>
<td>DPs</td>
<td>Development Partners</td>
</tr>
<tr>
<td>DRM</td>
<td>Domestic Resources Mobilization</td>
</tr>
<tr>
<td>EP4R</td>
<td>Education Programme For Results</td>
</tr>
<tr>
<td>EPZs</td>
<td>Export Processing Zones</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>FYDP</td>
<td>Five Years Development Plan</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HESLB</td>
<td>Higher Education Students’ Loan Board</td>
</tr>
<tr>
<td>HNWI</td>
<td>High-Net-Worth-Individuals</td>
</tr>
<tr>
<td>LGA</td>
<td>Local Government Authority</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MoEST</td>
<td>Ministry of Education, Science and Technology</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
</tr>
<tr>
<td>PEDP</td>
<td>Primary Education Sector Development Program</td>
</tr>
<tr>
<td>PO-RALG</td>
<td>President’s Office Regional Administration and Local Government</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SDL</td>
<td>Skills Development Levy</td>
</tr>
<tr>
<td>SEZs</td>
<td>Special Economic Zones</td>
</tr>
<tr>
<td>TEN/MET</td>
<td>Tanzania Education Network/Mtandao wa Elimu Tanzania</td>
</tr>
<tr>
<td>TIC</td>
<td>Tanzania Investment Centre</td>
</tr>
<tr>
<td>TRA</td>
<td>Tanzania Revenue Authority</td>
</tr>
<tr>
<td>TZS</td>
<td>Tanzanian Shilling</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
</tbody>
</table>
Executive Summary

This report aimed at providing evidence on how to raise more funds for supporting and monitoring primary and secondary school teachers, as well as for recruiting and training them in Tanzania. Focused on identifying education budget gaps and what works in terms of available options to fund recruitment, training, support and monitoring of secondary and primary school teachers in Tanzania.

Assuming the absence of alternative funds from other stakeholders in the both secondary and primary, this analysis estimates TZS 912 billion (USD 395 million ) to be needed to recruit 80,000 new teachers out of 200,898 who are missing12; TZS 57 billion USD 24 million1) is needed to train 126,707 of the teachers for Teachers Continue Professional Educations (TCPE); and TZS 32.8 billion (USD 14.2 million) for supporting and monitoring program. The implication is that the government needs at least a total of TZS 1.1 trillion (USD 4.79million) to fill the gaps estimated in this study. New estimates of shortfalls in budget education financing can help policymakers at all levels understand the size and scope of the problem.

To raise more funds for recruiting and training more teachers should start with the increase of recruitment, training, support and monitoring budget. The government is estimated to be losing around TZS 12.28 trillion (USD 5.32billion) from VAT and EPZ tax exemption alone3 saving 50% of the potential taxes could bring to the government coffer tax revenue amounting to TZS 6.14trillion (USD 2.66billion). Moreover, property tax reform through re-introduction of point-based system (progressive tax system) is estimated to raise TZS 1.28 trillion (USD 556 million). Finally, introduction of High-Net-Worth-Individuals (HNWI) in Tanzania would bring TZS 866.2 billion (USD 375 million). In total, the four progressive taxes could raise TZS 10 trillion, (USD 4 billion), well enough to fund the full training, recruiting as well as supporting and monitoring primary and secondary school teachers in Tanzania.

The key conclusion of the study is that there is an urgent need to improve the financing of education in general and in the context of this study in particular.

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1 This estimate is based on government salary scales of fresh graduate pay, transport costs and 14 days subsistence allowances paid to teachers upon employment.
It is recommended that:

- The Ministry of Finance and Planning to reduce harmful tax incentives, allocate at least 20% of the budget allocated to the education sector and ensure corruption is minimised.
- Tanzania Revenue Authority to establish HNWI unit and fight the tax evasion, and
- the study suggests the President’s Office Regional Administration and Local Government and Local Government Authorities to introduce points-based property evaluation system.
PART ONE

GENERAL INTRODUCTION AND BACKGROUND OF THE STUDY

1.1. Introduction and Context

In 2018, the education sector accounted for only 15 per cent of the total national budget, the highest allocation was witnessed in 2014/2015, 19.8 percent, equivalent to 3.9 per cent of Gross Domestic Product (GDP). This amount falls short of the UNESCO Education 2030 Framework for Action that establishes a target for countries to allocate up to 20% of their national budget or 6% of GDP to meet SGD4 by 2030. This gap could be said to be a result of the overall revenue deficit in terms of revenue collected against the total revenue expenditure.

A review of literatures and budget reports provides eight key spending patterns which can be used to indicate the trend of allocation of funds by sectors showing a decreasing allocation of funds to education despite being the leading priority sector as per the Tanzania Development Vision 2025. It was noted in that report the Government’s ongoing struggle to keep pupil-teacher ratios down, in particular in the face of a temporary freeze on public sector recruitment in 2016/17. It states that, for an average 40:1 ratio to be maintained, a further 56,173 pre-primary and 130,725 primary teachers would be required. This requires heavy financial investment in terms of manpower recruitment, deployment and monitoring.

It is against this background that the study informing this report was conducted. It aimed at identifying available options for financing recruitment, training, support and monitoring of teachers in Tanzania, particularly primary and secondary school teachers.

1.2 Study Objectives and Focus Areas

The following were the objectives of the study:

i) To provide evidence on how to raise more funds for supporting and monitoring primary and secondary school teachers in Tanzania.
ii) To provide evidence on how to raise more funds for recruiting and training primary and secondary school teachers in Tanzania.

1.3 Methodology

The study was basically a desk review of available secondary data from Ministries of Education, Science and Technology and President’s Office – Regional Administration and Local Government, Ministry of Finance and Planning on funds allocation and disbursements for recruiting, training, and supporting and monitoring primary and secondary school teachers. Also, it estimated the budgets needed to recruit new teachers based on existing teacher gap, government salary scales, training need requirements, and other available reliable data to estimate the education budget gaps for recruitments, training, support and monitoring.

1.4 Data Analysis

According to the terms of reference, the study was required to carry a desk review and collecting secondary data from various organizations. The collected secondary data were presented in various tables and charts, and analyzed using simple arithmetic calculations.

1.5 Arrangement of the Study

The next chapter presents the Tanzania budget in allocation and disbursement, followed by viable options potential to meet the finance gaps, and finally conclusions and recommendations are presented.
PART TWO

EXISTING GAPS IN THE TANZANIA EDUCATION BUDGET TO ENSURE THERE IS ACCESS TO QUALITY AND INCLUSIVE EDUCATION FOR ALL.

2.1 Tanzania education budget

The overall budget has been 14.8% of the total budget in 2017/18 and a retrospective analysis shows that the overall budget was 16.1%, 14.8%, 14.3% and 13%, for the years 2016/17, 2017/18, 2018/19 and 2019/20 respectively (UNICEF, 2020) (see Figure 1). Though the education sector is the priority sector according to the Tanzania Development Vision 2025 in 2017/18, the budget fell below infrastructure sector, and it was equivalent to 3.9 per cent GDP.

![Figure 1: Education approved budget versus other key sector shares over total national budget (%), between FY 2016/17 and 2019/20](source: Ministry of Finance and Planning estimates and Budget books FY 2019/20)

The reality of public education expenditure patterns for 2020/2021 budget from the tax revenue to be collected and its allocation to the ministries responsible for education (MoEST and P-ORALG) designates that the amounts allocated are TZS 1.35 trillion and 402,127,242,667.00 respectively and fee free Basic Education policy which provides free basic education from pre-primary up to the lower secondary school level was allocated TZS 298 billion.
2.2 Composition of Education Budget

During the FY 2016/17, a total of TZS 897.6 billion was allocated for MoEST’s development spending. Of this, TZS 427 billion was for Higher Education Student’s Loans Board (HESLB) and TZS 470 billion for the Ministry’s development projects. Only 31% of TZS 470 billion (for MoEST’s development projects) was disbursed by April, 2017.  

In 2017/18, MoEST approved a total budget of TZS 916.8 billion for development expenditure. Up to March 2018, only TZS 594.6 billion (65%) had been disbursed. According to the 2018/19 MoEST’s Memoranda, TZS 286.9 (48.2%) went to HESLB. A total of 160.4 billion (27%) went to Education Programme For Results (EP4R), aiming at improving learning outcomes of students at primary and lower secondary levels through improvements of pass rates in final national examinations and improved learning of primary second grade (age 8/9) students in Reading, Writing and Arithmetic. A total of TZS 29.2 billion (5%) went to improving reading, writing and counting project through the Primary Education Sector Development Program (PEDP).

It has been noted that, the Government has been reducing and allocating less to the education sector’s development budget. In the fiscal year 2017/18, for instance, out of the approved education sector’s budget (TZS 4,706.4 billion); TZS 3,572 billion (76%) was allocated for recurrent expenditure while only TZS 1,134 billion (24%) was for development expenditure. Comparing allocations for fiscal years 2016/17 and 2017/18 for instance, one can see that education sector’s recurrent expenditure has increased by 16.4% from TZS 3,069.5 billion in 2016/17 to TZS 3,572 billion in 2017/18.

Development decreased by 33.3% from TZS 1,700.5 billion in 2016/17 to TZS 1,134 billion in 2017/18 (equivalent to TZS 567 billion less). It means that the Government did reduce development spending as it decided to decrease education sector’s spending. The reduction has many and far-reaching negative implications in training, supporting and monitoring primary and secondary school teachers in Tanzania. The Figure 2 below elaborates more on the development expenditure reduction.
2.3 Budget needs for recruiting, training, supporting and monitoring primary and secondary teachers.

The following is the key background information that should be taken into account in understanding the issues raised in this report.

**Recruitment Budgets**

There is an estimated shortage of 56,173 pre-primary and 130,725 primary teachers when a class size of 40:1 ratio is maintained would be required\[1\]. Whereas, the former Deputy Minister of State in the President’s Office (Regional Administration and Local Government), Mr. Mwita
Waitara told the parliament that the shortage of primary and secondary school teachers stood at 66,000 and 14,000 respectively in 2019\textsuperscript{12}. The total teachers' gap is around 186,898 after adding shortage of 56,173 pre-primary, 130,725 of primary and 14,000 of secondary school teachers. It appears that financial constraints restrict the government to recruit more teachers. Without adequate and reliable source of revenues, the gaps will get worse as it is estimated that at least 406,600 new teachers will be required by 2030\textsuperscript{13}.

If 80,000 teachers are employed in a year\textsuperscript{14}, the Government needs to set aside TZS 1,015,680,000 for salary (see the Table 1 below), and other allowances as shown below per year. Incentives provided as part of recruitment drives include transport and 14 days subsistence allowances paid to teachers upon employment\textsuperscript{2}. These costs are usually budgeted for in Local Government Authorities (LGAs). Transport to new duty stations is paid upon submission of tickets after reporting (place of domicile).

**TABLE 1: SUMMARY OF ESTIMATED COSTS FOR RECRUITMENT, TRAINING AND SUPPORT PRIMARY AND SECONDARY SCHOOL**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Items</th>
<th>TZS</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salary (TZS800,000 * 80,000*12)</td>
<td>768,000,000,000.00</td>
<td>332,467,532.47</td>
</tr>
<tr>
<td>2</td>
<td>WCF, PPSSF, NHIF (0.5%, 10%, 3%)</td>
<td>103,680,000,000.00</td>
<td>44,883,116.88</td>
</tr>
<tr>
<td>3</td>
<td>Subsistence Allowance (14<em>80,000</em>100,000)</td>
<td>112,000,000,000.00</td>
<td>48,484,848.48</td>
</tr>
<tr>
<td>4</td>
<td>Transport Allowance (80,000* TZS 400,000)</td>
<td>32,000,000,000.00</td>
<td>13,852,813.85</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,015,680,000,000.00</strong></td>
<td><strong>439,688,311.69</strong></td>
</tr>
</tbody>
</table>

**Key Message**

A budget of TZS 1,015,680,000,000.00 (USD 439,688,311.69) per year to recruit 80,000 new teachers

**Budget for Training of Teachers**

\textsuperscript{2} Salary amount has been taken from the Government Employee Salaries Notice No.1 of 2015; while a normal subsistence allowance for government employees in country sides, and local transport is researcher estimation as many teachers are employed near to the job stations. Other charges are statutory contributions.
There is a great need of training teachers after being employed. In fact, it was found that teachers without adequate understanding of their subjects “opt to rely on the follow, repeat and memorize methods, rather than problem-solving”¹⁵. Consequently, the Government of the United Republic of Tanzania, through MoEST established National Framework for Teachers Continuous Professional Development (TCPD) in 2020¹⁶. The framework envisages that adequate funds are set aside every year through MoEST and PO-RALG in collaborations with LGAs and other stakeholders. The framework provides that the TCPD is compulsory for all teachers, and it is likely to be costly but it is necessary for improving education both in teaching and learning experience. Assuming that the total teachers in primary and secondary schools is 266,108.00¹⁷, and if 126,707 of them need training annually at TZS 450,000³, it will cost the government TZS 57 billion (USD 24.7 million).

Key Message

| It is estimated that to implement CPD for 126,707 teachers in primary and secondary education, the Government should set aside TZS 57 billion (USD 24.7 million). |

Monitoring and Support

Monitoring and support include expenses covered for school inspections, transports costs of inspectors, allowance of school inspectors and some expense to cover capital expenditure. The phrase monitoring and support means supervision or inspection of schools, providing recommendations on how to improve education quality and following up implementation of the recommendations. According to an interview with one of the respondent monitoring and support is done through School Quality Assurance. Teachers are provided with support in improving their teaching skills and methodology. Head of Schools And Academic Masters do monitor on daily and weekly basis. For instance, in July 2018 Ward Education Officers (WEOs) were provided with 2,894 motorcycles to enable them to visit the given schools weekly. Challenges encountered include availability of funds for fuel to support school movements.¹⁸ The fund allocated in the budget for monitoring and support is TZS 30.2 billion (USD 9 million) for Other Charges (OC) and TZS 2.6 billion (USD 809,967 for development as quality assurance

³ Basing on National Board of Accountants and Auditors training fees of 24 CPD hours training
budget for 2019/2020. In our interview with another participant, the budget is not insufficient and currently they are at inspecting only 25% of all school per year. Consequently, if the budget is doubled, 50% of the schools would ensure adequately monitored and supported in a year. Therefore, the additional budget for monitoring and support should be TZS 32.8 billion (USD 5.6 million).

Key Message

An additional budget TZS 32.8 billion (USD 14.2 million) is required to allow those responsible for monitoring to visits 50% of all primary and secondary schools.

In short, the Government to raise TZS 32.8 billion for monitoring and supporting primary and secondary school teachers in Tanzania, and TZS 1,016 billion for recruiting and TZS 57 billion training primary and secondary school teachers in Tanzania as summarized in a Table 2 below.

Table 2: Summary of Funds Needed

<table>
<thead>
<tr>
<th>Item</th>
<th>Number of Teachers</th>
<th>Number of Teachers/Schools</th>
<th>Amount in TZS (Billions)</th>
<th>Amount in USD (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Monitoring and Supporting</td>
<td>50%</td>
<td></td>
<td>32.8</td>
<td>14</td>
</tr>
<tr>
<td>2 Recruiting</td>
<td>80,000</td>
<td></td>
<td>1,016</td>
<td>439.69</td>
</tr>
<tr>
<td>3 Training</td>
<td>126,707</td>
<td></td>
<td>57</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1,105</td>
<td>479</td>
</tr>
</tbody>
</table>
PART THREE

VIABLE OPTIONS THAT WILL BE POTENTIAL TO SHARE WITH THE GOVERNMENT FOR IT TO INCORPORATE INTO THE MAJOR EDUCATION DEVELOPMENT PLANS

3.1 Available options for financing recruitment, training, support and monitoring of primary and secondary school teachers in Tanzania

Globally, countries are still fight the COVID-19 outbreak which has affected countries differently. It has affected global economic growth beyond negatively. It is estimated that it has reduced “global economic growth to an annualized rate of -4.5% to -6.0% in 2020, with a partial recovery of 2.5% to 5.2% projected for 2021”\(^1\). Tanzania’s economy has not been spared as its economy is likely to decrease as tourism, exports of manufacturing and agricultural goods have decreased. The effect this has on government’s ability to adequately finance public sector finances that are already stretched because Tanzania’s low tax-to-GDP ratio.

Consequently, it is important for the Government to generate more sustainable resources through progressive domestic resource mobilization measures such as the ones proposed below will: increase the overall tax-to-GDP ratio from 13.87 to 21.02\%, and, if just 20\% of these total potential revenues were invested in education, would allow the country to cover the costs of financing recruitment, training, support and monitoring of primary and secondary school teachers in Tanzania. These include traditional and non-traditional progressive options.

3.1.1 Traditional Financing Options

As previously stated, the Government of Tanzania\(^2\) does not allocate enough amount to education as suggested by the UN recommends of allocating at least 15-20\% of budget or 4-6\% of GDP to education and Education 2030 Framework for Action to attain SDG4. \(^3\)If education is truly to be an engine of opportunity and economic mobility, the government should invest as per the international agreement. It is primarily a fundamental, enabling right the government is responsible for delivering as per national and international commitments, including commitments to achieving SDG4. Meanwhile, it was estimated that tax amounting USD 1.53
billion (TZS 3.4195 trillion) a year due to various causes\textsuperscript{22}. These revenues are being lost unnecessary which could nearly fund the education budget twice. It is important that these causes of revenue leakages are addressed as indicated in Table 3.

**Table 3: Summary of revenue loss estimates**

<table>
<thead>
<tr>
<th>Source of losses</th>
<th>Amount in USD and TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illicit capital flows (revenue losses there from)</td>
<td>$464 million/TShs 1 trillion per year from trade mis-invoicing</td>
</tr>
<tr>
<td>Informal sector (revenue losses from the relatively non-poor who should be taxed. Estimated at a quarter of collectable tax revenues)</td>
<td>$761 million/TShs 1.7 trillion</td>
</tr>
<tr>
<td>Other tax evasion</td>
<td>Over $250 million/TShs 559 billion (VAT tax evasion, under-valuing imports, fake imports, untaxed forest revenues)</td>
</tr>
<tr>
<td>Additional mining sector revenue losses</td>
<td>$57 million/TShs 127 billion (estimate of unpaid taxes undiscovered by government audits)</td>
</tr>
<tr>
<td>Total</td>
<td>$1.53 billion/TZS 3.4195 trillion</td>
</tr>
<tr>
<td>Corruption in the government budget (20% of expenditure lost to corruption)</td>
<td>$1.3 billion/TShs 2.9 trillion</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$2.83 billion/TZS 6.3195 trillion</td>
</tr>
</tbody>
</table>

*Source: Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT), 2017*

**Key Message**

*The government should fight corruption, illicit flows, and other tax evasions to increase government. This increase may enable the Government raise an additional US $ 2.83 billion in revenue.*

3.1.2 Revenue potential from a set of progressive taxation reforms

3.1.2.1 Tax Incentives Revision

Tanzania offers a number of tax exemptions which limits its domestic revenue mobilization. A study by ActionAid\textsuperscript{23} reported that the government’s own figures, statutory VAT tax exemptions\textsuperscript{24} for 2015/16 stood at TZS 927 billion - the equivalent of US$413 million (using October 2017 exchange rates). This figure does not include any of the discretionary tax
exemptions given to individual companies, for example, on corporate income tax, nor does it contain any of the foregone revenue resulting from the EPZs and SEZs tax exemptions. Furthermore, it was argued that when the government’s own VAT data combined with ActionAid’s estimates for tax revenue foregone in EPZs gives us annual tax losses of USD 531.5m (TZS 12.3 trillion) per year. As this still does not include any of the long list of incentives detailed above apart from VAT and EPZ incentives and is it does not include any revenue foregone due to discretionary tax incentives, this figure is likely to be an underestimation rather than an overestimation.

**Key Message**

| The government loses an estimated USD 531.5m (TZS 12.3 trillion) per year from the EPZs and SEZs tax exemptions alone |

3.1.2.2 Property Tax Reform

Property tax in Tanzania has gone through several reforms in recent years. Notably, the responsibility of property tax collection previously placed on Tanzania Revenue Authority from the Local Governments in 2017 but in January 2021 has been handed back to the Local Governments. More importantly, fixed property rates were introduced in the year 2018/19 whereby an ordinary building is charged with TZS 10,000 (USD 4.484) and a storey building is charged with TZS 50,000 (USD 22.422) per year. This fixed property rates are regressive and might earn little taxes. The property taxes reform will increase by TZS 2,568.75 billion (USD 1.11 billion) if a flat rate method is abolished in favour of points-based evaluation system (See Table 2).²⁵

In summary, the property taxes reform will increase by TZS 2,569 billion (USD 1.112 billion)²⁶ if a flat rate method is abolished in favour of point based. This estimate might be huge as charges based on points-based system has been omitted to simplify tax calculation.
Table 2: Summary of property taxes in nearest billion TZS and USD

<table>
<thead>
<tr>
<th>S/No</th>
<th>Type of properties</th>
<th>Tax under flat rate</th>
<th>Tax under point based</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>TZS</td>
<td>USD</td>
<td>TZS</td>
</tr>
<tr>
<td>1</td>
<td>3,500,000 residential properties</td>
<td>350.00</td>
<td>0.15</td>
<td>1,968.75</td>
</tr>
<tr>
<td>2</td>
<td>500,000 commercial properties</td>
<td>5.00</td>
<td>0.00</td>
<td>375.00</td>
</tr>
<tr>
<td>3</td>
<td>400,000 Double storey buildings</td>
<td>20.00</td>
<td>0.01</td>
<td>600.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>375.00</td>
<td>0.16</td>
<td>2,943.75</td>
</tr>
</tbody>
</table>

Source: Author constructed as discussed above

Key Message

Reforming property tax in Tanzania can bring an estimated tax amounting to TZS 2,568.75b (USD TZS 1.11b) to the government coffers.

3.1.3 Improvement of High-Net-Worth Individuals (HNWI) Compliance

The amount of taxes collected from wealthy individuals through Personal Income Tax (PIT) in developed countries is high. This is contrary in developing countries where PIT mostly come from working individuals from formal employees. Consequently, it results in inadequate collection of revenue, and rendering tax system increasingly unfair to poor working class. This pattern is associated with weak implementation of laws, resulting into massive loss of revenue and severe inequity in the distribution of the tax burden. In Africa, only three countries–Mauritius, South Africa and Uganda – have active systems in place to focus on the tax affairs of HNWIs (See Box 1).

The Knight Frank Report estimated that in 2019, there were 5,553 High-Net-Worth-Individuals (HNWI) in Tanzania with a total wealth of more than USD 1 million. Assuming the average income of the 5,553 millionaires is USD 50,000 (TZS 115.5 million), their total income is USD 277.65 million (TZS 5,775 billion). Using 2021 individual tax rate (PAYE) introduction of HNWI would bring TZS 1,732.5 billion (USD 750 million) to the government revenue. Assuming that only 50% of the potential revenue is realized to allow for inefficiency, the government could collect TZS 866 billion (USD 375 million).
BOX 1: HNWI: THE EXPERIENCE OF UGANDA

The Uganda Revenue Authority's (URA's) HNWI unit was set up in September 2015. Within the first year of its operation, the unit increased revenue collection by UGX19 billion (USD5.5 million), and the proportion of wealthy individuals who filed income tax returns increased from 13 per cent to 78 per cent. These improvements were registered even before the URA audited any of the individuals. A number of factors explain this success story. First, and most importantly, URA's top management was actively engaged in and committed to the decision to tax these individuals. Second, once the URA obtained some information on potential HNWIs, it proceeded to act on its findings without waiting until it had in place a set of formal criteria for identifying these individuals. Most of the lessons were being learnt along the way. Third, the URA did not shied away from the fact that a large proportion of HNWIs were politicians or politically influential. To ensure that it dealt with the political sensitivity of taxing these individuals, it merged the HNWIs unit with its VIP unit, and placed both under the Public Sector Office, whose officials had experience in dealing with public figures. Fourth, there was close collaboration between the HNWI unit and the URA’s research department, which ensured that any recommendations made through research were tested in practice. Fifth, people identified as HNWIs were approached initially from a perspective of educating them and getting their commitment to pay some taxes, rather than undertaking harsh enforcement.

Key Message

Improving tax compliance of HNWI in Tanzania could bring TZS 1,732.5 billion (USD 750 million) to the government revenue.

3.1.4 Table 4: Summary of tax potential from progressive sources

<table>
<thead>
<tr>
<th>Notes</th>
<th>Tanzania</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency:</strong></td>
<td>TZS</td>
<td>USD</td>
</tr>
<tr>
<td><strong>Exchange Rate</strong></td>
<td>2,310</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank of Tanzania, February 2021 average</td>
</tr>
<tr>
<td>HNWI</td>
<td></td>
<td>Revenue from improved compliance</td>
</tr>
<tr>
<td>Compliance</td>
<td>866,248,983,000</td>
<td>374,999,559.74</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Property Tax</td>
<td>1,284,375,000,000</td>
<td>556,006,493.51</td>
</tr>
<tr>
<td>Tax Incentives Revision</td>
<td>6,138,825,000,000</td>
<td>2,657,500,000.0</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>8,289,448,983,000</td>
<td>3,588,506,053.25</td>
</tr>
<tr>
<td>Education Budget Gaps</td>
<td>1,015,680,000,000</td>
<td>439,688,312</td>
</tr>
<tr>
<td>Revenue Surplus</td>
<td>7,273,768,983,000</td>
<td>3,148,817,741.56</td>
</tr>
</tbody>
</table>

In summary, the Government needs TZS 912 billion for to recruits 80,000 new teachers out of 200,898 who are missing teachers, TZS 57 billion to train 126,707 teachers and TZS 32.8 billion to support and monitor teachers for quality educations. Meanwhile, this study shows that the Government could potentially be generate TZS 8,289,448,983,000 from the proposed progressive tax reforms besides potentially raising $2.83 billion/TZS 6.3195 trillion for tax evasions and misuse of funds. Only 15% of these could fund the entire budget of estimated recruiting the needed teachers, training and monitoring of secondary and primary school teachers in Tanzania.
PART FOUR:

CONCLUSION AND RECOMMENDATIONS

4.1 Conclusions

The key conclusion of the study is that there is an urgent need to improve financing of education in general and in the context of this work in particular. Education is too important to the country, its people and its development. Allowing the current funding inequities to persist has negative impacts to the country development plans and its people. It also will not allow the country to achieve its targets either those spelled out in national development plans and the Education Sector Plan, much less SDG4.

While, there is a need of TZS 912 billion (USD 395 million) to recruit 80,000 new teachers; TZS 57 billion (USD 24 million) to train 126,707; and TZS 32.8 billion (USD 14.2 million) for supporting and monitoring program the government is still losing much of its revenue. The implication is that the government needs at least a total of TZS 1.1 trillion (USD 4.79 million) to fill the gaps estimated in this study. New estimates of shortfalls in budget education financing can help policymakers at all levels understand the size and scope of the problem. It is important that the government should fight corruption, illicit flows, and other tax evasions to increase government. This increase may enable the Government raise an additional US $ 2.83 billion in revenue. Moreover, improving tax compliance of HNWI in Tanzania could bring TZS 1,732.5 billion (USD 750 million) to the government revenue. Finally, the government loses an estimated USD 531.5m (TZS 12.3 trillion) per year from the EPZs and SEZs tax exemptions alone. Specifically, below are recommendations for each level of government.

The Ministry of Finance and Planning

- To reduce harmful tax incentives. It is good that the Tanzanian government has remained committed to reducing tax incentives, calling this a ‘new policy drive. The government should abolish all of the harmful tax incentives; and

- Establish greater oversight over spending of the government budget to ensure corruption is minimised.
• The Ministry should ensure public schools are funded adequately by ensuring that at least 20% of the budget went to education sector.

Tanzania Revenue Authority

• To establish HNWI unit after conducting a Cost-Benefit Analysis and calculating net present value and internal rate of returns. The presence of large taxpayer unit is an asset as it can facilitate the establishments of HNWI Unit, and it can save costs. The collected revenues from HNWI must not exceed the cost of collection: even at retention rate of 3-4.5%, the unit may yield substantial revenue to fund education.

• Broaden the tax base by raising tax collections across the country (beyond the capital city), beyond a small number of corporate and individual taxpayers and to include companies and professional organisations currently in the informal sector, including by expanding ICT-based tax collection systems.

• Continue and deepen the campaign to counter tax evasion.

• As the parent ministry responsible for education in Tanzania, the Ministry should ensure public schools are funded adequately by ensuring that at least 20% of the budget went to education sector. President's Office Regional Administration and Local Government and Local Government Authorities should:

• Introduce points-based property evaluation system. Central government devolved authority for property taxes to PORLG and finally to individual LGAs. The Ministry should abolish the flat property rate taxes and introduce points-based property valuation system which is more progressive, equitable and may bring more revenue to fund the education.

4.2 Limitations of the Study and Future Study Areas

The study used secondary data. However, the availability of secondary data proved to be difficult since the three ministries above have incomplete records of the data of interest. Similarly, some funds for recruitments are paid to local governments, but not consolidated at the
It was concluded that if the budget and actual disbursement could only be used when data is collected from Local Government authorities, contributions of other stakeholders directed directly to teachers noted to be missing at the higher level.

This study did not get primary data on effective use of available funds better in a cost-effective manner. Also, it did not collect data on perception of teachers and other stakeholders on training, recruiting as well as supporting and monitoring of teachers. Specifically, it is better to know how frequently schools are monitored by DEOs and WEOs. Are the reasons of shortages teachers the problem, or paying salaries is the problem? Or are IMF conditionalities related to public servant wage bill containment issues the problem? To understanding clearly this subject which affects the quality of education is important for future study.

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2 https://allafrica.com/stories/201905080873.html

3 Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT), The One Billion Dollar Question Revisited 5 years later: How Much is Tanzania Now Losing in Potential Tax Revenues?, 2017, http://curtisresearch.org/publications/the-one-billion-dollar-question-revisited

4 Ministry of Finance and Planning Budget Book 2019/2020


7 UNICEF, 2020 Education Budget Brief 2020 Tanzania

8 National Five-Year Development Plan 2016/2017 – 2020/2021

9 Budget speech of Minister of Finance and Planning for FY 2016/17

10 Budget speech of Minister of Finance and Planning for FY 2017/18


12 https://allafrica.com/stories/201905080873.html


14 https://allafrica.com/stories/201905080873.html

The Unedited Republic of Tanzania Ministry of Education, Science and Technology National Framework: For Teachers Continuous Professional Development, 2020


Ndalichako Joyce, 2018 available at: https://www.dailynews.co.tz/news/2018-07-205b518d8ae9db0.aspx


Education 2030: Incheon Declaration and Framework for Action for the implementation of Sustainable Development Goal 4 page 4


The estimate is based on size of population, household size, construction rate, and property tax rates, detailed calculations can be provided on request.

TRA collected only TZS 1,699,580,000 as per third quarter in 2018/19 this much smaller compared to its potential.

Jalia Kangave, Susan Nakato, Ronald Waiswa, Milly Nalukwago and Patrick Lumala Zzimbe (2018) What Can We Learn from the Uganda Revenue Authority’s Approach to Taxing High Net Worth Individuals? Available at: https://core.ac.uk/download/pdf/286048438.pdf

Jalia Kangave, Susan Nakato, Ronald Waiswa, Milly Nalukwago and Patrick Lumala Zzimbe (2018) What Can We Learn from the Uganda Revenue Authority’s Approach to Taxing High Net Worth Individuals? Available at: https://core.ac.uk/download/pdf/286048438.pdf

Read more at: https://www.tanzaniainvest.com/economy/hnwi-millionaires-2019 and follow us on www.twitter.com/tanzaniainvest

Assuming an average rate of return of 5% as Bank of Tanzania interest rate

ActionAid 2019 Research on revenue potential from a set of progressive taxation reforms in Malawi, Mozambique and Nigeria: Methodological note for internal use