

Mwiga Wiljonsi Mbesi

**Public Financial Watchdogs, New Public Management and Value
for Money in Tanzania**

**University Fernando Pessoa
Porto 2015**

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“**TODOS OS DIREITOS RESERVADOS**”

Mwiga Wiljonsi Mbesi

**Public Financial Watchdogs, New Public Management and Value
for Money in Tanzania**

Dissertation presented to Universidade Fernando Pessoa
as a requirement to obtain the doctoral degree in Social
Sciences (Doutoramento em Ciências Sociais), under the
supervision of Prof. Dr. Paulo Vila Maior.

RESUMO

MWIGAWILJONSI MBESI

Entidades de Supervisão Financeira do Setor Público, Nova Administração Pública e “Value for Money” na Tanzânia

(Sob orientação do Prof. Doutor Paulo Vila Maior)

Apesar da visibilidade crescente da Nova Administração Pública (NAP) e das agências reguladoras, permanecem por responder algumas interrogações cruciais sobre como respeitar os padrões adequados de “Value for Money” (VFM) na utilização de recursos públicos. Esta tese pretende explorar o impacto das agências reguladoras na problemática da “accountability” e da gestão de recursos públicos através de uma análise crítica das instituições de auditoria na prossecução de VFM de acordo com a teoria da NAP. A tese envereda, ainda, por uma análise crítica da posição dos cidadãos no contexto da atividade desempenhada pelas agências reguladoras.

O contexto tanzaniano foi abordado através de uma estratégia de investigação qualitativa, com ênfase nas entrevistas, questionários e análise documental, com o propósito de testar a validade das perguntas de partida. Os resultados revelaram que a Tanzânia adotou o modelo de NPA e criou, nessa conformidade, várias agências reguladoras. Todavia, tratou-se da adoção parcial do modelo de NAP. Apesar das reformas empreendidas, tem-se notado o crescimento de fraude, de irregularidades várias, de corrupção e uma utilização ineficiente de recursos públicos. Constatou-se que a adoção da NAP e a criação de agências reguladoras não contribuíram para o aumento do poder das entidades de supervisão financeira do setor público nem para o aumento dos padrões de “accountability”. Um fator com peso que diminui o alcance de VFM é o elevado nível de dependência política das entidades responsáveis pela provisão de serviços públicos.

Os resultados revelaram ainda que as entidades de supervisão financeira do setor público têm muita utilidade para assegurar VFM na utilização de recursos públicos. No entanto, as instituições de auditoria tanzanianas confrontam-se com vários desafios que dificultam a execução cabal dos seus deveres profissionais. Estas entidades encontram-se divididas entre acautelar interesses políticos e interesses dos cidadãos. Por exemplo, os dirigentes das instituições de supervisão financeira na Tanzânia são nomeados pelo governo e dele dependem em larga medida, o que coloca em risco a sua independência política. O modelo das agências reguladoras tanzanianas inclui consultores financeiros com ligações ao governo e não verdadeiras instituições de supervisão financeira do setor público.

Apesar do *Controller and Auditor General* dispor de um mandato constitucional para auditar o setor público, não dispõe de poderes de verificação das suas recomendações. A tese considera, por conseguinte, que as entidades de supervisão financeira do setor público tanzaniano têm poderes limitados. Não obstante a Constituição exigir que o governo seja “accountable” junto dos cidadãos e que haja abertura à intervenção dos cidadãos na gestão dos assuntos públicos, o modelo das agências reguladoras da Tanzânia, assim como o seu enquadramento legal e o sistema de “accountability”, ignoram a intervenção dos cidadãos.

ABSTRACT

MWIGA WILJONSI MBESI:

Public Financial Watchdogs, New Public Management and Value for Money in Tanzania

(Under the orientation of Prof. Dr. Paulo Vila Maior)

Despite the increased visibility of the adoption of New Public Management (NPM) and agencification, the key questions regarding the achievement of Value for Money (VFM) in the utilization of public resources remain unanswered. This dissertation intended to produce evidence on the impact of agencification on accountability and management of public resources. It critically analyzes the usefulness of Supreme Audit Institutions (SAIs) in assuring VFM in the utilization of public resources according to the NPM doctrine. It also provides a critical analysis of the position of the public in the agencification framework.

Qualitative research strategy was used to analyze the Tanzanian framework, and in particular in-depth interviews, questionnaires, and documentary analysis, to confirm the initial research assumptions. Findings revealed that Tanzania has embraced NPM and agencification. However, the country has partially implemented the NPM doctrine. Despite the reforms, fraud, irregularities, corruption, and inefficient use of resources are growing. NPM and agencification have not largely improved public watchdogs' power in addressing accountability issues. One major factor that hinders the achievement of VFM is that the service delivery machinery has been highly politicized and becomes part of the political system.

Findings reveal that public financial watchdogs are exceptionally useful in assuring VFM in the utilization of public resources. However, Tanzania's SAI is facing a number of challenges that resulted in the unsuccessful execution of professional duties. Watchdog institutions are facing the risk of balancing political interests and the interests of the public. For instance, the

heads of Tanzania's public financial watchdog institutions are appointed and largely obey to the government and not to the public. This puts in jeopardy their expected independence status. Thus, Tanzania's agencification and accountability framework comprises "government financial consultants" and not "public financial watchdog institutions".

Although the Controller and Auditor General (CAG) is constitutionally mandated to audit the public sector, it is not mandated to follow-up and to enforce audit recommendations. This dissertation considers Tanzania's public watchdog institutions as toothless public financial watchdog institutions. Regardless that the Constitution requires the government to be accountable to the people and to be open to the people's participation in public affairs, Tanzania's agencification, legal and accountability frameworks ignore the involvement of the public.

RÉSUMÉ

MWIGAWILJONSI MBESI

Les Institutions de Surveillance des Finances Publiques, Nouvelle Gestion Publique et «Value for Money» en Tanzanie

(Sous la supervision de Prof. Docteur Paulo Vila Maior)

Malgré l'augmentation de la visibilité de l'adoption de la Nouvelle Gestion Publique (NGP) et des agences de régulations, les questions clés concernant le respect des standards de « Value for Money » (VFM) dans l'utilisation des ressources publiques restent sans réponse. L'objectif de cette thèse est d'analyser l'impact des agences de régulation sur la problématique de l'«accountability» et de la gestion des ressources publiques à travers une analyse critique de l'utilité des Institutions de Surveillance pour assurer une VFM dans l'utilisation des ressources publiques en suivant la doctrine de la NGP. La thèse présente aussi une analyse critique de la position du public face aux activités effectuées par les agences de régulation.

La recherche qualitative a été utilisée comme stratégie pour analyser le contexte de la Tanzanie, et en particulier les interviews approfondies, les questionnaires et l'analyse documentaire, pour confirmer les hypothèses initiales de recherche. Les résultats ont révélé que la Tanzanie a adopté la NGP et l'agencement. Cependant, il ne s'agit que d'une mise en œuvre partielle du modèle de NGP. Malgré les réformes, la fraude, les irrégularités, la corruption, et l'utilisation inefficace des ressources augmentent de plus en plus. L'adoption de la NGP et la création des agences de régulation n'ont pas amélioré le pouvoir des institutions publiques de surveillance ni traité les problématiques liées à l'«accountability». Un facteur important qui entrave la réalisation de NGP est le fait que le mécanisme de prestation de services a été très politisé et devient partie intégrante du système politique.

Les résultats révèlent que des garde-fous dans la gestion des finances publiques sont particulièrement utiles pour assurer une NGP dans l'utilisation des ressources publiques.

Cependant, les institutions tanzaniennes de surveillance sont confrontées à des défis qui ont abouti à une exécution sans succès de ses devoirs professionnels. Elles sont partagées entre les intérêts politiques et les intérêts publics. A titre d'exemple, en Tanzanie, les chefs des institutions financières publiques de surveillance n'obéissent pas aux intérêts publics mais plutôt au gouvernement qui les nomme. Ceci met en péril leur statut d'indépendance présumée. Ainsi, le modèle tanzanien des agences de régulations et de «accountability» inclut les «consultants financiers du gouvernement» mais pas les «institutions de contrôle des finances publiques».

Bien que la Constitution donne mandat à la «Cours des Comptes» pour auditer le secteur public, cette dernière ne dispose pas de pouvoir pour suivre et appliquer les recommandations des audits. Cette thèse considère les institutions publiques de vigilance de la Tanzanie disposent des pouvoirs assez limités. En dépit du fait que la Constitution oblige le gouvernement à rendre compte à la population et lui ouvrir une participation à la gestion des affaires publiques, le cadre juridique des agences de régulation et de l'«accountability» en Tanzanie ignore complètement la participation des citoyens.

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LIST OF ABBREVIATIONS

- ABB – Asea Brown Boverri
ABC – Activity Based Costing
ASA – American Sociological Association
BAWATA – Baraza la Wanawake Tanzania (National Women’s Council of Tanzania)
BSA – British Sociological Association
CAG – Controller and Auditor General
CCM – Chama Cha Mapinduzi
CEOs – Chief Executive Officers
CFACG – Committee on the Financial Aspects of Corporate Governance
CPI – Transparency International corruption index
CSOs – Civil Society Organizations
DANIDA – Danish International Development Agency
DfID – Department for International Development
EAC – East African Community
EEA – European Environment Agency
EPA – External Payments Arrear account
ERR – Economic Rate of Return
EU – European Union
EWURA – Energy and Water Utility Regulatory Authority
E & Y – Ernst & Young
FEE – Fédération des Experts-comptables Européens – Federation of European Accountants
GAP – Global Accountability Project
GCLA – Government Chemistry Laboratory Agency

GDP – Gross Domestic Product
IFM – Institute of Finance Management
IMF – International Monetary Fund
INTOSAI – International Organization of Supreme Audit Institutions
IPPs – Independent Power Producers
IPPF – International professional practices framework
IPTL – Independent Power Tanzania Limited
ISA – International Standards of Auditing
IT – Information Technology
LAAC – Local Authorities’ Accounts Committee
LGAs – Local Government Authorities
LHRC – Legal and Human Right Centre
MABs – Ministerial Advisory Boards
MDAs – Ministries, Departments, Agencies
MDG – Millennium Development Goals
M&E– Monitoring and Evaluation
MEM – Ministry of Energy and Minerals
NHS – National Health Systems
MoH – Ministry of Health
MOHSW – Ministry of Health and Social Welfare
M&E – Monitoring and Evaluation
MNH – Muhimbili National Hospital
MW – Megawatts
MOI – Muhimbili Orthopedic Institute
MPs – Members of Parliament
MSD – Medical Stores Department
NACSAP – Tanzanian National Anti-Corruption Strategy and Action Plan
NAO – National Audit Office
NAOT – National Audit Office of Tanzania
NBAA – National Board of Accountants and Auditors
NEP – National Energy Policy

NEPAD – New Partnership for Africa’s Development
NIMR – National Institute for Medical Research
NGOs – Non-Governmental Organizations
NPM – New Public Management
OAG – Office of the Auditor General
OBS – Open Budget Survey
OECD – Organization for Economic Co-operation and Development
OHCHR– Office of the High Commissioner for Human Rights
OPRAS – Open Performance Review and Appraisal System
ORCI – Ocean Road Cancer Institute
PCCB – Prevention and Combating Corruption Bureau
PER – Public Expenditure Review
PET – Public Expenditure Tracking System
PIs – Performance Indicators
PMS – Performance Management System
POPSM– President of Office Public Service Management
PSRP – Public Service Reform Programme
REA – Rural Energy Agency
REPOA– Research on Poverty Alleviation
R&D – Research and Development
RET – Renewable Energy Technology
SAIs – Supreme Audit Institutions
REF – Rural Energy Fund (REF)
SADC – Southern African Development Community
SMART– Specific, Measurable, Achievable, Realistic, and Timely
SMEs – Small and Medium Enterprises
SRA – Social Research Association
TANESCO – Tanzania Electricity Supply Company
TANROADS – Tanzania National Roads Agency
TCAA – Tanzanian Civil Aviation Authority
TEMESA – Tanzania Electrical, Mechanical and Services Agency

TFDA – Tanzania Food and Drugs Authority
TFNC – Tanzania Food and Nutrition Centre
TGNP – Tanzania Gender Networking Programmes
TSSF– Tanzania Social Security Forum
UFP – University of Fernando Pessoa
UK – United Kingdom
UWT – Umoja wa Wanawake Tanzania
UN – United Nations
UNDP – United Nations Development Programme
UNESCAP – United Nations Economic and Social Commission for Asia and the Pacific
URT – United Republic of Tanzania
USAID – United States Agency for International Development
UNU – United Nations University
VFM – Value for Money
WWF– World Wide Fund For Nature

INTRODUCTION

1. Background

Governments across the world provide services to the public. Infrastructures for public utilities include energy, health, water, education, and communications (just to mention a few). They are essential for economic and social development. In democratic countries, governments are responsible for the decisions regarding public resources that provide public services to the citizens. Citizens and companies are responsible to supply resources that enable the state to render public utilities and other social services. The public expects the government to enhance equity, quality, efficiency and accountability in the provision of services. As the outcome of the electoral process, governments are the agents of the public, the latter being the principals in the process (Cotton et al., 2000; Majone, 2000).

However, public management became increasingly complex as a result of the global economic pressure which influences the universal use of the New Public Management (NPM) and “agencification” in managing public resources. NPM is basically indoctrinated by the management ideas borrowed from the principal-agent theory usually applied in the private sector (Majone, 2000; Arthur and Busenitz, 2003; Pollitt et al., 2004; Jacobsson and Sundström, 2007). The NPM doctrine advocates the use of agencies by governments in the delivery of services to the public, whereby governments are the principals and regulatory agencies are the agents of the governments. This relationship has generated a number of questions regarding the position of the public in this process. According to Majone (2000) agencies are agents of the principal; therefore because governments are the principals,

agencies are parts of the government. Caulfield (2002), on the other, had found that the appointing authorities of the agencies' chief executive officers are the governments.

Governments are responsible to provide information to the public on how public resources have been utilized. Therefore, transparency is essential for keeping a good relationship between the government and citizens, as transparency is important to achieve accountability (UNDP, 1997; Graham et al., 2003; Ferlie et al., 2005). In order to increase the credibility of the information provided by governments to citizens, governments have been appointing public financial watchdogs to examine both financial and non-financial records related to resource utilization. The quality of public financial watchdogs in terms of integrity, independency, objectivity and ethics is essential for assuring equity, quality, efficiency and accountability over the utilization of public resources. Auditors play an important role in enforcing accountability of executive agencies to legislatures and the general public (Ramkumar and Krafchik, 2005). When studying the audit quality process, Herrbach (2001) argued that auditors play key roles in the agency relationship. He also argued that at the economic and social levels, the awareness of auditors' professional responsibility is important for their reputation. However, he did not clearly provide the basis to measure the quality of auditing and the significant impacts of lower quality of auditing.

Lonsdale (2000) argues that public financial watchdogs are situated within the structure of the government, and that watchdog institutions have the same characteristics in the sense that they comply with universal standards (International Standards of Auditing – ISA) and they operate within the framework of professional bodies within their countries. The argument supports Bowerman's view (1996), who argued that there is a need to rediscover the accountability roots of value for money (VFM) so that its first duty is to add value to the public, and that the auditor should do his/her job as watchdog and not consultant. In supporting Bowerman's arguments, Pollitt et al. (1999) suggested that it is important to focus on issues of effectiveness of public programs and issues regarding compliances. In addition to that, Herrbach (2001) argues that the sensitivity of individual auditor's behavior is determined by the fact that it is difficult to measure the quality of auditing, and that irrespective of the importance of quality of auditing opinion, auditors have been influenced by governments. One of the challenges facing auditors is that they are appointed so as to protect the interest of a huge diversity of stakeholders with different interests (Herrbach,

2001; Morimoto et al., 2004). The question on whether public financial watchdogs are strong enough to maintain their neutrality without being influenced by the appointing authority needs to be studied (see tables 8 and 24, and figures 10 and 15). The authors' arguments suggest that the independence of public financial watchdogs in providing fair assurance to the public (on the use of public resources) is questionable. The question is whether NPM and agencification have improved public financial watchdog institutions' ability to address accountability issues in favor of the public (see performance management and VFM audit, pp. 203-209).

On the other hand, auditing has been considered by several authors to have characteristics that make it appear like working in double agency relationships. The first agency exists between users of financial information (principals) and financial watchdog institutions (auditing firms). The users (principals) rely on the opinion delivered by auditors, i.e., it is trust-based. Secondly, agency exists between the owners of audit firms (partners) and their employees (auditors), since employees-auditors are involved in auditing tasks by examining financial records to obtain audit evidence regarding the company's operations (Sikka et al., 1998; Herrbach 2001). At the end of the day the opinion is provided by the partner through the evidence obtained by employees. Those who examined financial records are dissociated from the opinion and judgment of the firm. This complex structure has generated problems, including mounting of auditors' expectation gap¹, complexities in undertaking legal actions against auditors, and loss of trust to auditors (Best et al., 2001; Haque, 2002; Kassim and Hanafi, 2008; Adeyemi and Uadiale, 2011). If this complexity exists in the private sector, what is the magnitude of complexities in addressing equity, efficiency and accountability in the public sector where there is a deep separation between ownership and the principals? (See performance management and VFM audit, pp. 203-209).

According to the United Nations (UN, 2007a), citizens' decreasing trust in government accountability has been noticed. The UN observation was in line with Haque's argument (2002) that new public management reforms were raising challenges to the public's trust in public services. Citizens were becoming increasingly skeptical on getting equity and

¹ Auditors' expectation gap is the difference between the belief of auditors and those of the public concerning auditors' responsibilities and duties (Monroe and Woodliff, 1993; McEnroe and Martens, 2001).

services with quality. Similarly, the issue of public servants who had lost trust in the context of increasingly job insecurity as a result of the adoption of NPM raised a public concern on the efficiency of public services. According to Talbot and Pollitt (2004), staff motivation is essential for achieving quality of services in the agencification process. Poor staff motivation can feed employees' demonization, hence the quality of services to the public can be compromised. Talbot and Pollitt (2004) found that employees' perception on staff motivation is not universal. Some employees are motivated just for the perception that their status is respected. For instance, some employees are motivated for the awareness that they belong to certain professional groups with a specific specialization. Motivation under NPM is extrinsic, i.e., it is based on external factors such as good pay, fringe benefits, and bonuses that encourage high-level performance. Furthermore, there are a number of questions regarding motivation in the public sector such as: firstly, how much is required to extrinsically motivate public servants? Secondly, how much do we expect a public servant to provide services to the public in relation to the amount paid as motivation? Thirdly, in order to achieve VFM, what are the mechanisms to evaluate civil servants' output in relation to the input? The questions are relevant, as they require appropriate quantification of input and output in assessing VFM. However, they are beyond the scope of this study.

As public expenditure controllers, watchdogs have important functions as they prevent and detect fraud and they fight against corruption in public spending. However, the functioning of independent Supreme Auditing Institutions (SAIs) in terms of scope and impact has remained partial (UN, 2007a). Furthermore, as Turnbull (2011) argued, many practices are unethical and public officials are using their power to corrupt and make things work according to their interest. Hence, the promotion of ethics among public officials is vital for the achievement of VFM.

Public administration is increasingly complex as a result of the global economic pressure which influences the widespread use of NPM and agencification in public resources' management. There are a number of challenges, including the design of appropriate mechanisms to achieve efficiency. Governments are influenced to respond to a number of economic and social economic issues, such as poverty reduction in response to the Millennium Development Goals (MDG) (UN, 2007b). NPM – which is permeable to the ideology of privatization and contracting out, the proliferation of executive agencies,

decentralization, and expanding performance monitoring and the use of flexible staffing arrangement – has been made to be universal across the world (Lonsdale, 2000). The extent to which the NPM model significantly values the position of the public in relation to other stakeholders needs to be studied (see involvement of the citizens, pp. 209-211).

The answer to the so-called global economic challenges forced governments across the world to change public management policies. As a result of global economic forces and influences, governments have been losing the autonomy to identify priority areas for the allocation and utilization of scarce public resources (UN, 2007a). Many questions can be addressed, including the appropriateness of using the universal approach to the so-called global economic challenges without considering the fact that different countries face different economic, political, cultural and legal frameworks. There is also a question of whether all countries across the world face the same challenges and the same opportunities. These questions are, nevertheless, beyond the scope of this dissertation.

The principal-agent model in the public sector has not critically and efficiently addressed good governance and best practices. It has, therefore, left public sector practitioners with many dilemmas regarding quality, equity, accountability and efficiency (Hilb, 2012). Turnbull (2011) pointed out a number of relevant questions regarding monitoring, control and efficiency of agencies: should agencies be free from any government intervention? If the answer is “yes”, what level of autonomy should governments give to agencies? What are the implications? Besides, NPM is making use of the agencification process, which means that a number of regulatory agencies are being created. The increase of regulatory agencies can result into the increase of administrative costs, raising the question of how the number and size of regulators can be reduced while increasing their effectiveness in public management. Likewise, the question of whether the adoption of NPM takes into account the rights, wellbeing and responsibilities of each stakeholder in the agency relationship is another area of concern.

According to the UN (2007b), in many countries (developing countries in particular) the majority of the population has low purchasing power. Therefore, through the use of NPM governments need to ensure accessibility to basic services, such affordable health services, energy, education, water, communication, transport and other public utilities. The

utilization of public resources needs to address the interests and rights of this vulnerable group of citizens. In order to enhance equity and accountability to the entire population, transparency and involvement of the society in issues regarding public spending is important. In order to improve efficiency and achieve sustainable economic development, the UN has identified and is promoting (through the Department of Economics and Social Affairs) a mechanism that fosters the partnership between the public sector, the private sector and civil society. On the other hand, in order to promote transparency for sustainable development, Morimoto et al. (2004) suggested the inclusion of all stakeholder groups, including NGOs and the civil society, in the auditing system of the public sector. Furthermore, good coordination between the government, companies, NGOs and civil society was important in the achievement of corporate social responsibility. However, the questions regarding the involvement of all stakeholder groups, and whether the same is in line with audit protocols, need to be studied. Furthermore, involving all stakeholders has some complexities due to the diversity of stakeholders with a multitude of different interests. Both the efforts of the UN to introduce public-private partnerships involving the civil society, and Morimoto et al. (2004) suggestion of involving all stakeholders in the auditing process, indicate that there is a serious problem in the management of public resources. Therefore, exploring the strength of public financial watchdogs in terms of autonomy, integrity and objectivity in assuring equity, quality and efficiency of public spending in the NPM setting is essential.

Auditing is a professional responsibility that plays an important role not only in monitoring and evaluating efficient utilization of public resources, but also as a catalyst for change in public reforms (UN, 2007a). Both social accounting and social auditing involve cultural change aiming at a more cooperative model of delivery of services to the public that involves a systematic local dialogue (Zadek and Raynard, 1995).

Irrespective of the complexity and criticisms on social audit, in the UK, for instance, for more than two decades different forms of social audit have been undertaken. This kind of audit has been involving different groups of stakeholders, including those from government and non-governmental organizations (NGOs) (Cotton et al., 2000). Without ignoring the relevance of involving the civil society as an alternative public financial watchdog in addition to professional auditors and other legislative instruments, the question is whether

the civil society possesses relevant skills, competence and experience to undertake this responsibility. Furthermore, the autonomy appointing authority, the extent of power, the modality of reporting and the remuneration by the civil society need to be clearly defined. Also potential conflicts of interests between auditors and the civil society are of interest. It is important to know whether the social audit model adopted in the UK fits to all countries across the globe taking into account political, economic, technological and cultural differences.

Cotton et al. (2000) suggested the use of social audit to improve equity, quality and efficiency in the provision of services to the public. Zadek and Evans (1993) defined social audit as a process of defining, observing and reporting measures of an organization's ethical behavior and social impact against its objective with the participation of its stakeholders, which is the wider community. On the other hand, Turnbull (1995) defined social audit as the process whereby an organization measures and reports on its performance bearing in mind its declared social, community or environmental goals. Generally, commercial auditing is understood to mean independent examination and verification of an organization's financial statements. Therefore, the use of social audit has been facing some criticism in terms of its validity in relation to the statutory audit (Zadek, 1993; Zadek, 1997; Cotton et al., 2000). However, even statutory financial audit was found to have significant weaknesses, which has implications to equity, quality and efficiency (Power, 1996, 1997). Therefore, a sustainably designed mechanism is required.

The International Monetary Fund (IMF) and the World Bank were influencing by entering into agreement with different countries for public reforms, which required, among others, a policy that creates competition through privatization of state owned corporations (Mukangara, 1993; World Bank, 2002). However, whether privatization has significantly improved performance, accountability and responsibility and improved the supply of social services to citizens, remains an open question. Hood (2006), and Gomez, Friedman and Shapiro (2004) consider transparency and accountability to be used as the international pressure for change. However, Wangwe (1992) concluded that privatization is a solution to the (bad) governance problem. It is unfortunate that many privatized corporations, particularly in developing countries, were still struggling with a high level of corruption and the lack of transparency. Nevertheless, responsibility and accountability among many

government officials were found to be increasing (Kihyo 2002). The question is whether privatization improved the efficiency of corporations' performance and the delivery of services to the public. Furthermore, the question here is why an increasing level of corruption and fraudulent practices has been noticed irrespective of the reforms and the auditing being continuously carried up. What is the role of public financial watchdogs in protecting the interest of the public?

Apart from the fact that NPM has borrowed from the principal-agent theory which has been dominant in private sector and that it has taken a broad view by economists, the principal-agent theory is based on the assumption that agencies are given full autonomy. It is based on the belief that there is no interference by the delegating authority (Majone, 2001). Asymmetry is a problem, particularly in public management. Majone (2001) identified two major reasons for delegation: firstly, to reduce decision-making costs by taking advantage of the expertise of agencies; and, secondly, to enhance the credibility of policy-making and to foster long-term commitments. According to Epstein and O'Halloran, (1999) in the context of cutting down decision-making costs, principals face the fundamental problem of bureaucratic drift. The ability of the agent to perform and generate outcome, which are different from delegating authorities' policies preferences, is a challenge. Bureaucratic drift between agencies and the delegating authority is one of the fundamental agency costs. If at all possible, principals should appoint the agency that shares the same policy preferences. However, this can be impossible if not too costly. Majone (2001) raised a very important question as to how a delegate can be independent and at the same time accountable? He concluded that a fiduciary principle is fundamentally significant to reconcile independence and accountability in the agency relationship.

Apart from the fact that Majone's arguments are based in the context of the European Union (EU), the NPM model is increasingly used at the global level and its impact is conceivably the same: the adoption of the principal-agent relationship borrowed from the private sector to the public sector, where the principals are the governments that delegate power to agencies. I strongly support Majone's argument that fiduciary principles and duties are essential for accountability in the agency relationship. In fact, the public has justifiably vested confidence, good faith, reliance and trust to their governments to act for the sole benefits and interests of citizens. However, the author did not address the question

of having a reliable mechanism to provide assurance on fairness in the fiduciary relationship.

Apart from the fact that the adoption of agencies in the public sector under the NPM theory has been facing many social, economic and institutional challenges, agencification has brought a degree of flexibility in the management of public organizations (URT, 2005). On the other hand, Sulle (2010) suggests that the NPM model must face local adjustments so as to fit each individual country's situation. Many authors, however, have criticized the universal application of the NPM model. As argued by Politt and Bouckaert (2004) and Sulle (2010), public reforms are path-dependent, meaning that the outcomes of reforms are not necessarily measured or determined by the adoption of universal public reforms' ideas and programs. The achievement of outcomes needs to take into account many factors in the local environment. Apart from different scholars' criticisms, the model is increasingly adopted at the global level. This dissertation tries to find out whether public reforms programs have achieved in terms of efficiency and effectiveness, and to what extent the principal-agent relationship has reduced fraud and corruption and improved services provided to the public.

Studies show that apart from the widespread adoption of the agency model in the public sector, many countries have not fully implemented the requirements of the NPM doctrine. Irrespective of global economic pressures, NPM principles have partially been implemented. For instance, according to Sulle (2011), Tanzania is among the countries that have partially implemented the NPM doctrine. McCourt (2008) suggested that there is a need to complete policy ground work analysis and evaluation before any attempt for refining and analyzing policy instruments. Like in many other countries, the agency model in Tanzania shows a hybrid nature in terms of autonomy, organization and control. Therefore, governments have to work to develop the tripod model (Bertelli, 2005; Roness et al., 2007; Sulle, 2010; Magone 2011). This is a three-parameter model that summarizes the public agency context. Pollit, et al. (2004) identified three parameters that outline the public agency as follows: 1) the public agency arises from disaggregation, which consists in the removal of the task from the 'core' (the government) to functionally separate units (agencies) working at the arm's length from the government (Pollit et al., 2004; Sulle, 2010); 2) the public agency holds operational and functional autonomy for the management

of resources to achieve agreed objectives; 3) the relationship between the agency and the parent ministry is regulated through a contract. The three parameters of public agency (tripod model) were also explained by (Ball & Osborne (2011) and Sulle, (2010). Dassah (2008) and Bagachwa et al. (1995) found that irrespective of public financial watchdog institutions and both internal and external auditing, poor control of state-owned corporations, corruption, and abuse of power reached a high degree not only in Tanzania but also other Sab-Saharan countries. This has left several questions about the role played by public financial watchdogs in assisting good governance to properly utilize public funds and delivery of VFM.

Bagachwa (1997) and Kihyo's (2002) both argued (concerning the Tanzanian case) that state corporations were performing poorly due to excessive bureaucracy and corruption and to inappropriate managerial competencies. The details of political fraud and corruption need an intensive investigation that falls beyond the scope of this dissertation. However, the involvement and influence of political leaders and government officials in the formulation, delegation and control of agencies is examined in the dissertation, as these aspects have a substantial impact not only in agencies' reputation but also to the delivery of services to the public.

2. Statement of the problem

There are a number of public reforms undertaken in the public sector across the world aiming at improving efficiency and equity in the provision of services to the citizen (Mukangara, 1993; World Bank, 2002 and 2005; Yamamoto, 2003). Reforms have been addressing the issue of improving transparency, accountability and responsibility for the purpose of enhancing quality and efficiency of public services. Apart from the fact that agencies are created to meet the needs of each individual sector, they are expected to efficiently use public resources when executing their responsibilities. Therefore, they need to achieve higher levels of efficiency by ensuring that both public and private companies (in the latter case, only those private companies with the responsibility of providing public goods or services) provide higher quality goods and services to citizens. Besides, as a way to gain support from the public, agencies are also required to closely operate with customers/citizens. In order to achieve the aforementioned goals, NPM requires agencies to

keep away from political interference. According to NPM, as a way to improve performance, agencies need to firstly, recruit, monitor and control employees' performance in compliance with the performance contract, and secondly, to create better incentive package to motivate employees (Talbot and Pollitt, 2004). However, contrary to the requirements of NPM, many agencies were found to have no autonomy on their employees and that, without involving the agencies in decisions, the governments' civil service departments were found to dominate the design, review and evaluation of human resources' policies. Furthermore, it was found that previous approval from the civil service department or the responsible ministry was necessary for agencies to take human resources and financial decisions (Sulle, 2011, p. 505).

The minimization of costs in public spending, the reduction of bureaucracy and fraud were identified among the goals. The privatization of states' assets and the adoption of NPM were viewed as the solution for problems in the public sector (Osborne and Gaebler, 1992; Wangwe, 1992; Borins, 1994; Hughes, 1998). However, irrespective of privatization and the adoption of NPM, many scholars have reported inefficiency, poor quality services and lack of equity in the provision of public services. Misuses of public resources in the public sector have also been noticed (Bagachwa, 1997; Kihyo, 2002; Cooksey, 2003; Dassah, 2008).

Nevertheless, it is believed that one of the factors that contribute to improve organizations' performance is the implementation of good governance practices ensuring credibility through transparency, responsibility and accountability. The improvement of performance and fraud prevention are among the major contributions of good governance (Yeh, Lee, and Kim, 2002). Companies that have implemented good governance practices attained high degree of corporate disclosure, transparency and performance. Corporations with superior information transparency signal better performance (Chiang, 2005). Scholars' arguments point out that there is a linkage between financial watchdogs and good governance in achieving VFM on the utilization of public funds. The statement is justified by the fact that financial watchdogs play an important role in assuring accountability, equity, quality and transparency in achieving good governance (Herrbach 2001; Ramkumar and Krafchik, 2005; UN, 2007a). Therefore, the aim of this dissertation is to explore the usefulness of

public financial watchdogs in assuring VFM on the utilization of public funds according to the NPM doctrine.

3. Justification of the choice

Different studies have identified a number of challenges that hinder good governance, including corruption, lack of transparency, tempering with constitutions, procedures and standards, lack of judiciary independence, poor human rights, and different forms of discrimination and disruption of the rule of law (Huque, 2001). The problem facing governance is the lop-sided rules of politics and the uneven distribution of power, which indicates that a lack of check and balances needs to be identified. Despite the challenges facing good governance, some countries successfully implemented good governance practices, notably Chile, Denmark, New Zealand, and Finland². Some researchers and corporate governance experts realized that Chile successfully implemented good governance practices (Buc, 2006; Sanchez and Majlis, 2005). Griffen et al. (2008) identified Chile as an example for Latin America and Eastern Europe because of its success in economic reform, market liberalization and stabilization. Chilean structural adjustment started in 1974. Since then, the country underwent a successful economic, social and political transition. On the other hand, the Heritage Foundation's Economic Freedom Index shows that Chile's economic freedom score is 75.5, making the 7th. freest in the 2015 economic freedom index survey³. Chile enjoys the highest degree of economic freedom due to a pro-free trade policy, independent and competent judiciary (property rights and contracts are strongly respected), the reduction of corruption and the control of government spending (Heritage Foundation, 2015, pp. 161-162).

The improved Chile's accountability system is also justified by the Transparency International's 2014 Corruption Index, which shows that several countries in the Caribbean and Latin America, including Chile (ranked number 21) scored roughly equal to the United States of America. The Corruption Index shows that United States of America is the 17th. least corrupt country in the world. Denmark, New Zealand, and Finland were the less

² Transparency International's Corruption Perception Index 2014 available at http://www.transparency.org/news/pressrelease/corruption_perceptions_index_2014_united_states_scores_well_but_lags_many_o.

³ Heritage Foundation's Economic Freedom Index available at <http://www.heritage.org/index/country/chile>.

corrupt countries in the world, with scores of 92, 91 and 89 respectively (Transparency International, 2014). In the future, gaining experience from Chile's governance to achieve fair standards of equity and quality of services provided to the community is important.

Complex and large commercial and non-commercial companies operate through the agency system whereby ownership rests in one person or group of persons who delegate authority to another person or group of persons (Sapovadia, 2007; Ingley and Van der Walt, 2004). In the private sector, where the principal-agent model is dominant, the agency system has caused conflicts of interest between managers, owners and other stakeholder groups (Sikka et al., 1998; Herrbach 2001). However, the concept has now been adopted in the public sector as good governance with the name of NPM, showing the relationship between the government and agencies that deliver services on behalf of the government. Good governance ensures that corporate boards of directors are responsible and accountable for the pursuit of companies' goals related with its own wealth, and at the same time ensures that the company conforms to the standards, procedures, law and regulations (Sapovadia, 2007; Ingley and Van der Walt, 2004).

Auditing VFM is one of important tools to ensure the correlation between the money spent and the service delivered. Good governance has implications for financial stability as it determines the strength of the organization and its ability to survive to economic shocks (Sapovadia, 2007; Lashgari, 2004). This is supported by the fact that when East Asia started to suffer the consequences of the financial crisis in 1998, the president of World Bank, James Wofensohn, announced that "the World Bank will not extend any credit facilities to the country who do not comply with the international corporate governance norms, as corporate governance brings financial and economic stability" (Sapovadia and Patel, 2013, p. 14). The statement shows that the quality of good governance strengthens the faith of different stakeholders. Proper implementation of good governance provides a greater chance for organization success. However, the question of what are good governance norms and to what extent do they influence financial and economic stability, and whether the same outcome can be achieved by proper use of independent public financial watchdogs, needs to be addressed.

In their Global Investor opinion survey, McKinsey (2002) found out that corporate governance and financial disclosure are the major factors influencing investment decisions. On the other hand, the professional ethical code of conduct requires auditors to be independent with a high degree of integrity and objectivity in order to increase credibility vis-à-vis the users of financial information. International accounting and auditing standards, therefore, support the principle of good governance. This principle aims at improving transparency and comparability of financial reporting between countries. However, apart from the fact that credibility of reports is important, the value in terms of quality of services and equity is the most important, which in turn justifies that the dissertation pays attention to this aspect.

Harris and Marxen (1997), Wolfe et al. (1999), Best et al. (2001), Kassim and Hanafi (2008), and Adeyemi and Uadiale (2011) revealed that auditors' expectation gaps were mainly determined by inappropriate performance of auditors and that the conflict between users of financial information and auditors was mostly based on the issue of knowing precisely auditors' tasks. Adeyemi and Uadiale (2011) emphasize that in most cases the difference in expectations was growing regarding the duties that auditors should play in the detection of fraud and errors. On the other hand, the expectation difference was due to the way auditors have consistently been auditing and reporting. The public is skeptical in the sense that they feel like auditors never change their ways of doing things. Sweeney (1997), Knechel (2001), Porter (1993) and Hussein (2003) argued that if the level of knowledge to users of financial information increased, the expectation gap would decrease. The increase of expectation gap in relation to fraud detection has also been argued by Ong-Siong (2004) and supported by Whitley (2006). These authors concluded that the detection of fraud and illegal acts is a responsibility of an auditor. On the other hand, Haque (2002) argues that increasing skepticism illustrated citizens' loss of trust and confidence on the quality, fairness and assurance of getting public services. Pollard (2006) suggested that auditors should make their opinion on financial statements for a reasonable period of time and disseminate their findings shortly to enable quick administrative actions to be taken in case of any violation. However, how do we measure a reasonable time-span? All the authors have been focusing on auditors' expectation gaps and failed to address the very important

question of the usefulness of public financial watchdogs in examining the quality of services delivered to the public in terms of efficiency and effectiveness.

In the public sector, Controller and Auditor Generals (CAGs) are responsible to ensure a proper utilization of public funds. One of the duties of CAGs is to ensure VFM, i.e., that there is a correlation between input and output, meaning that the amount of public resources has been appropriately utilized to deliver proper public services. The integrity, objectivity and autonomy of CAGs are important in the execution of professional duties. The dissertation will therefore question the degree of integrity, objectivity and autonomous of CAGs in the NPM doctrine. In the case of Tanzania, CAGs are appointed by the President of the United Republic of Tanzania.

The degree of autonomy, scope of professional duties and accountability of CAGs Office for Tanzania, put forward some questions that need to be addressed. In practice, public financial watchdogs are within the structure of the government. The government appoints them and they are held responsible to the government (Bowerman, 1996; Lonsdale, 2000). The relevant question is when and how are they responsible and obliged to account to the public, taking into account that citizens are both the ultimate owners of public resources and the users of services? To what extent auditing contributes to the accountability of agencies and appointing authorities needs to be addressed as well (see Performance management and VFM, pp. 176-179, and accountability and answerability, pp. 181-185).

Many studies have been conducted in the area of good governance and public reforms. Many of them have been looking at NPM and the use of agencies (see, for a non-exhaustive list, Majone, 1997, 2001, 2002; Turnbull, 2011; Pollitt and Bouckaert, 2011; Arthur and Busenitz, 2003; Hilb, 2012; Lapsley, 2008; Hughes, 2003; Okaehalam and Akimboade, 2003; Koppel, 2005; Hood, 2006). Different scholars have come up with criticisms and different views on ongoing public reforms and the increasingly global use of the NPM doctrine. NPM is adopted globally as one tool to achieve good governance in public management. Although many scholars have criticized its assumptions and the use of agencies, the use of NPM is globally mushrooming. The Audit for Social Change workshop (UN, 2005) recommended that audits must be more result-oriented, particularly in the evaluation of the amount of public resources utilized in relation to the quality of services

delivered. In order to strengthen auditors' capability to achieve this goal, studies have to be undertaken to establish the appropriate evaluation mechanism. The recommendation is fundamentally important for this dissertation because it is a multi-disciplinary study that tries to interlink corporate, management and regulators' contexts into a social context where effective delivery of services to the public is the key area under scrutiny. In connection to that, the study examines the ownership, principality, agencies and public financial watchdogs in terms of the level of autonomy, control, and assurance in relation to transparency, accountability and responsibility in achieving VFM. The dissertation examines the position and the roles performed by auditors to provide assurance to the public on the effective utilization of resources by the government and agencies in order to deliver services to public.

There are a number of reasons that have driven the researcher to analyze public reforms in Tanzania. To begin with, I am aware that both developed and developing countries have adopted the NPM model. Economically, politically, sociologically, culturally and at the level of the legal framework countries are very different, which has an implication on the implementation of the new public reforms' strategy, particularly in the regulatory framework and the structural set up of agencies. However, the use of NPM and agencification is a global influence whereby, irrespective of differences among countries around the world, the model has been increasingly used at the global level. In addition to that, the objectives and the expected outcome of NPM is fairly the same across the planet. In fact, NPM's objectives, expected outcomes and implications do not distinguish developed from developing countries.

Secondly, like other countries, Tanzania has been influenced by the global economic pressure to implement NPM in public reforms. I wanted therefore to establish the characteristics of Tanzania's agencification and accountability framework, and whether the characteristics have any contribution to the success or failure in the utilization of public funds to deliver goods and services. Thirdly, there are a number of studies on different issues such as liberalization, endogenous institutions, and growth. Therefore, this dissertation is not new in terms of analyzing the performance of agencies in providing services to the public on the global context basis.

Fourthly, I was impressed by observations and conclusions made by Rocha and Araújo (2007) who mentioned four reasons that make public administration an interesting study: regulatory agencies do not work; privatization increased economic monopolies; the decrease of public expenditure represented what the authors called “proletarianization” of the middle class that lives outside the state; and the increase of party clientelism. On the other hand Bertelli (2005) argued that policies, contracts and incentives were designed to meet the expectations of the principals. As a way to replace what the authors refer as the “usual in house bureaucracy”, governments decided to use several types of agencies to provide goods and services to the public (Bertelli, 2005; Magone, 2011). I would like to test whether the aforementioned observations have implications in VFM on what concerns the delivery of traditional public services in Tanzania. The motivation to study the Tanzanian case came from the fact that despite the adoption of NPM, the implementation of performance-based management, and the existence of public financial watchdog institutions, specifically the office of the CAG and the Prevention and Combating Corruption Bureau (PCCB), the level of perception of fraud, irregularities, corruption and inefficient use of resources in the public sector was growing. Different local television programs, radios, and newspapers were continuously reporting on inefficiencies in the public sector.

Fifthly, the fact that there is no single study that specifically explores the usefulness of public financial watchdogs, and a study that finds the position of the public in the adoption of the NPM doctrine specifically in Tanzania, provides an opportunity to analyze and establish the outcome and implications of public reforms in the country. The aforementioned reasons make Tanzania’s public administration an interesting case study.

The dissertation critically examines the position, independence and reliability of watchdogs on ensuring fairness between delegating authorities, service providers and service users. The purpose is to establish the protection of the interests of services’ users. For the purpose of this dissertation, services’ users are the general public who, irrespective of being the owners of public funds, seem to be marginalized in the relationship.

This dissertation focused on regulatory agencies. By being the independent bodies charged by the legislature to regulate, supervise and enforce compliance to efficiency and

transparency standards in specific sectors, regulatory agencies have greater influence into public services' delivery. The choice to study regulatory agencies does not ignore the role of operational agencies. Operational agencies play a vital role in the provision of services to the public. Since they are public agencies they are expected to ensure that both public and private companies deliver public goods and services to the public at affordable prices and good quality standards. Public companies include public operational enterprises that sell goods and services to the public in a commercial way. However, privatization has resulted to a number of private companies being sub-contracted by governments to provide public goods or/and services at competitive prices. Generally, operational agencies work under the regulation, supervision, monitoring, evaluation and control of regulatory agencies.

I am aware that there are other important sectors such as education, communication, tourism, natural resources, etc. However, this dissertation has chosen to examine how public financial watchdog institutions play a key role in achieving good governance and to what extent are citizens engaged in decision-making and in performing oversight functions, focusing on public reforms on the energy and health sectors. The two sectors have been chosen because of their sensitivity and because governments across the world have given priority to these sectors. According to the European Environment Agency (EEA, 2010), energy is not only a driving force for economic development in the modern world, but it is also fundamentally needed by the society. Furthermore, the effects of energy in terms of production, consumption and its impact in the environment have a substantial impact in human wellbeing. On the other hand, the health sector is vital because everybody in the society is exposed to risks and uncertainties of getting sick or facing injuries, accidents, etc. Generally, everybody needs energy and health services. Given the exceptional importance of both sectors and their impact to societies, the two sectors have been purposely chosen for the analysis undertaken in the dissertation.

4. Research assumptions

The NPM doctrine and agencification have been hailed by a number of scholars as a new paradigm (Osborne and Gaebler, 1992; Borins, 1994; Hughes, 1998). The model has been viewed as a solution to effectiveness and efficiency problems in the public sector. The World Bank, IMF and OECD have been advocating the use of NPM in public reforms

across the world (Yamamoto, 2003). In addition to that, many researchers have extended the scope of NPM by including privatization and downsizing. In their study on how the entrepreneurial spirit transforms the public sector, Osborne and Gaebler (1992) argued that in order to solve problems facing public administration, governments should decentralize both the decision-making machinery and the provision of services. Following Osborne and Gaebler (1992), the separation of service delivery and compliance functions from policy-making functions would minimize management complexities and enhance public sector efficiency. They also argued that in order to achieve efficiency in public management, governments should provide high level of both flexibility and autonomy to regulatory and operating agencies. Moreover, states should retain monitoring and supervisory roles. The state should lay down performance contracts and ensure that all agencies carry out their duties as per the contract, and are held responsible and accountable for their performance. It is unfortunate that the authors did not clearly provide the level of autonomy and flexibility that they considered to be acceptable. Moreover, the implication of higher autonomy and flexibility, such as the possibility of agencies to misuse their autonomy and flexibility, was not detailed.

On the other hand, NPM is indoctrinated by results. Result-based management integrates the planning system, monitoring system, and the evaluation and feedback system (Verhoest et al., 2004; Sulle, 2011). In the implementation of NPM, the link between the government and agencies should be based on performance indicators prepared by the government. In order to achieve efficiency and accountability, NPM has categorized performance-based management into two aspects: firstly, the government should set performance indicators to be achieved by the agency; secondly, the government should give autonomy to the agency. The former aspect is regarded as “making managers manage and the later as letting manager manage” (Norman, 2001, p. 65).

The adoption of NPM in public reform can be summarized as, firstly, the delegation of policy implementation to professional bureaucrats. In this aspect the government takes the role as a strategic leader. Secondly, it involves setting goals by identifying performance indicators as required by performance-based management. According to the NPM model, it is the duty of the government to clearly define the goals and formulate the measurable targets to be achieved by the agency. Thirdly, it is important to clearly define in the contract

the responsibility of the government and that of the agency. In this case the government is required to provide resources to the agency for the later to fulfill its responsibility (Tiili, 2007; Sulle, 2011). Fourthly, in order to constantly improve agencies' performance, NPM demands for rewards and punishments. In this case the government is required to reward good performing agencies and punish poor performers. Both rewarding and punishments are to be defined by the government. The question regarding the integrity of monitoring and evaluation mechanisms is an area of interest of this dissertation. The criteria to measure performance and the extent to which good or poor performing are being rewarded or punished, respectively, needs to be studied.

VFM balances between resource utilization and the service provided in terms of quality and equity. VFM audit is the evaluation of the "three Es", namely economy, efficiency and effectiveness (INTOSAI, 1992; Power, 1997; NBAA, 2002). It involves greater deal of evaluation and judgment in each stage of implementation (Sutherland, 1980). Barnett et al. (2010) argue that VFM audit should take into account performance management systems and processing in an organization. According to Barnett et al. (2010), the concept of VFM has been underestimated. VFM audit is beyond examining the compliance to established control procedures and assessments of financial information; it is also beyond fraud and corruptions assessment. Therefore, the design of the appropriate mechanisms that can realistically and effectively evaluate performance management systems and processing in an organization to ensure quality, equity and efficiency is vital. Independence, objectivity and integrity of auditors are essential in assessing VFM.

The dissertation is based on the assumption that like the principal-agent theory in the private sector, the universal application of NPM and agencification can effectively deliver efficiency in the management of public resources through higher accountability and transparency standards. In the public sector, financial watchdog institutions attained a high level of autonomy not only to detect fraud related to financial misstatements, but also to examine and to evaluate performance indicators and contracts between the government and agencies. Therefore, VFM on the utilization of public funds in delivering services to the public who are not only service users but also owners of public funds is achieved. The arguments will furthermore be justified from empirical data drawn from respondents in the analysis of the Tanzanian case.

5. The structure of the thesis

This thesis comprises five chapters. It begins with the introduction, which contains the background, statement of the problem, justification of choice, research assumptions, and the objectives of the study. In addition to that, the introduction presents the structure of the study.

Chapter one is the conceptual framework, which presents theoretical literature on public reforms and good governance. The chapter consists of several concepts, which are relevant to the context of the study. The detailed definitions of concepts used in public reforms including agencification, VFM, VFM audit, and fraud have been presented in this chapter. In addition to that, the chapter embarks on the theoretical framework including the principal-agent and NPM theories and their relevance to this study. It also provides the view on how different scholars depicted the position and roles of public financial watchdogs in agencification in the adoption of the NPM doctrine. In addition to that, issues of delegation, autonomy, accountability, and transparency in public management have been covered.

Chapter two addresses the methodological aspects of the study. The chapter provides the dissertation's methodological framework, the research method coherence model, and the research philosophy. Qualitative research design and case study research strategy are presented in connection with adopted procedures and methods of data collection including in-depth interviews, documentary review and questionnaires. It also provides the scope, sample population and the unit of data analysis. The chapter also covers both validity and ethical considerations.

Chapter three presents the empirical study on public management reforms, the case study of Tanzania in which the adoption of NPM and agencification has been presented. The chapter presents regulatory agencies' legal framework, structure and autonomy, and the accountability framework in Tanzania's agencification system, specifically in the health and energy sectors. Chapter four covers the analysis and findings from primary data obtained from questionnaires, in-depth interviews and documentary review. It includes data presentation, data analysis and interpretation of findings. Chapter five includes discussion

and findings, and ends up by presenting the main findings. Conclusions as part of the main findings, implications and the contribution of the dissertation, recommendations for future research, and the limitations of the study are presented at the end of the thesis.

CHAPTER I – CONCEPTUAL FRAMEWORK

This chapter encompasses the review of existing literature on public sector management reforms. It covers good governance in the management of public resources, especially public sector reforms and the adoption of the NPM doctrine in achieving VFM. It also operationalizes several concepts including agencification, accountability, responsibility, transparency, fraud, and VFM audit. It further provides a critical discussion of diverse arguments and suggestions given by scholars in what concerns challenges facing the management of public resources.

1. Public reforms and good governance

Public sector management has been going through a challenging period across the globe. Globalization, liberalization and intensive application of information technology have influenced the change to a public management paradigm (Renukumar, 2010). Studies show that regardless that many countries, particularly developing countries, implemented deregulation and reforms, economic resources are largely controlled by the state (Okeahalam, 2004). The question as to what extent public reforms have implications to good governance is a paradox. Kaufmann et al. (1999) provided fundamental indicators of governance as “graft”⁴, rule of law, and government effectiveness. In addition to that, voice and accountability, political instability, violence, and the regulatory burden were regarded as other governance weaknesses. According to the Office of the High Commissioner for Human Rights (OHCHR) (2012), the term good governance has been used flexibly, it has no single definition. The World Bank (1992) defined governance as a method through which power is exercised in the management of countries’ political, social and economic resources. The exercise comprises the mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their

⁴ “Graft” is one of the governance clusters that measure perceptions of corruption. It can be easily described using the conventional definition of corruption: the exercise of public power for private gain (Kaufmann et al., 1999, p. 8).

obligations and mediate their differences (UNDP, 1997). Governance is the process whereby society or organizations make important decisions, determining whom they involve and how they render account (Canada Institute of Governance, 2002, cit. in Renukumar, 2010). The UNDP (1997) and the Canada Institute of Governance's definitions clearly present the three key actors in governance: the state, which is responsible for creating favorable political, legal and economic environment; the civil society that mobilizes people's participation in several decision-making and implementation processes; and the market, which is about creating opportunities for people, as "most states now recognize that the private sector is the primary source of opportunities for productive employment" (UNDP, 1997, p. 18).

Therefore, political parties, the executive, the legislature, courts, media, the private sector, social organs and civil society are important stakeholders in governance. According to the United Nations Development Programme (UNDP, 2000) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, n.d.), good governance includes eight characteristics: accountability, transparency, responsibility, effectiveness and efficiency, respect for the rule of law, participation, equity and inclusiveness, and consensus orientation. The World Bank (1989) provided a number of reasons towards good governance. One of the reasons was to respond to economic challenges and to promote sustainable development in the world, especially to a worsened economic performance in the sub-Saharan region (pp. xi-xii). Another reason was the failure of public institutions. According to the World Bank (1989), one of the important strategies towards achieving good governance is institutional reforms designed to bring efficiency into the public sector. States should design appropriate mechanisms, for instance, mechanisms that clearly lay down the issues of accountability, transparency, and responsibility in the management of public resources.

Graham et al. (2003) categorized governance in four areas, namely: governance in the global space, in which issues which are outside the power and control of individual governments; governance in the national space; governance in the 'organizational space' (organizational governance), which involves activities of organizations (public and private) accountable to the board of directors; and community governance at the level of small communities, in which community activities may be formally or informally governed.

Governance is applied in any sector that has a process of decision-making and implementation irrespective of being formal or informal (Graham et al., 2003). Governance includes many actors such as governments, associations, NGOs, cooperatives, research institutions, media, international donors, multinational corporations, religious leaders, political parties, lobbyists, financial institutions, the military, etc. Any stakeholder who can play a role in decision-making or influences decision-making and the implementation process is an actor of governance. According to the UNDP (2000), with the exception of the government and the military, all other actors of governance fall into civil society.

The United Nations provides eight main characteristics of good governance: participatory oriented, consensus, transparency, accountability, responsiveness, equability and inclusiveness, effectiveness and efficiency, and adherence to the rules (Renukumar, 2010). The characteristics were summarized by the UNDP (1997) into five principles of good governance, namely: legitimacy and voice, direction, performance, accountability, and fairness. Good governance should take minorities into account by ensuring that the voices of the vulnerable are taken in to account in the decision and implementation processes. In addition to the minimization of corruption, good governance should encompass a responsive mechanism to both the present and the future needs of the society. In supporting the principles of good governance, this dissertation intended to produce evidence on how public financial watchdog institutions play a key role in achieving good governance and to what extent are citizens engaged in decision-making and in performing oversight functions.

The concept of good governance has continuously been misused, as it has become an attraction and hunting instrument for politicians to describe a number of political and economic institutions' outcome (United Nations University, 2012). Some of the weaknesses of the concept have been identified as follows: it covers an ambiguous and endless definition, therefore it lacks parsimony; the concept lacks differentiation in the sense that it does not clearly provide the difference between different phenomena, for instance: political governance, social governance, economic governance, open governance, environmental governance, development governance, or conflict management governance (UNDP, 1997, p. 2). According to the United Nations University (UNU) (2012, p. 17) “‘good governance’ lacks theoretical utility. It confuses, rather than aids, in the formulation

of theory and the related project of hypothesis testing, not least because the concept is so fluid that analysts can easily define it in the way that best fits their data.”

Mhilu (2004) defined good governance as the highest (perceived) state of development in the management of affairs of an organization. With good governance, participation of the owners in the organization’s decision-making process is important towards improving efficiency in terms of equity, accountability, transparency and productivity. Thus, a critical analysis of the involvement of citizens in decision-making through civil based organizations, specifically NGOs and CSOs is one of the concerns of this dissertation. Governance is distinguished from government in the sense that “the term governance denotes the system which “provid[es] direction to society. It is thus distinct from government (i.e. formal authoritative institutions and organizations and processes of the public sector) and is a generic rather than a temporal term” (Moon, 2002, p. 385). In the 1970s, one normally referred “public administration”. In the 1980s came the move to NPM, embraced by some and criticized by others (Ferlie et al., 2005, p. 1). A new model was introduced as an array of change in public management (Moon, 2002; Ferlie et al., 2005). It has been argued that NPM need to be clearly interpreted, filtered and adjusted according to different organizational environments (Peters, 1996; Christensen and Lægheid, 1999, 2001). According to Ferlie et al. (2005, p. 14), “the public management movement of the 1980s and 1990s was a reaction against those in public law and administration who put the focus on constitutional and institutional design of the machinery of government.”

Millet (1954) mentioned two problems in executive agencies: the politics of public administration, which lies on a constitutional and institutional political base of accountability; and the problem of management, which is more “prosaic matters of getting work done” (Millet, 1954, p. vii). According to Ferlie et al. (2005), the recent decade has experienced different kinds of anti-managerial reactions arising from different stakeholder groups. Stakeholder groups include lawyers, trade unions and professional organizations, particularly in the health and education sectors. Ferlie et al. (2005)’s argument supports many scholars’ argument about the expansion of the scope of public management in government as a problem instead of a solution (Martin, 1983; Kickert, 1997; Prothorough and Pick, 2002). On the other hand, Maor argued that “public management reforms in parliamentary countries produce more politicization in the form of interventions by

selecting politicians rather than the intended aim of improving public services quality by depoliticizing operational work in the government.” (Maor, 1999, p. 13) He noted that what were intended to be solutions to managerial problems in the public sector developed into solutions to political problems. Ferlie et al. (2005, p. 22) referred to Gregory’s (1995) production paradox argument that “the extension of production into realms in which both activities and results are not readily observable produces a number of unintended effects, such as blurring rather than intended classification of management responsibilities with executive governance.”

The unintended effects of public management reforms have been a reason of concern to many scholars. Hood (1999) and Thomson (1999) pointed out that more regulations, oversights and especially the process control have been the unintended outcome of public reforms which intended to free managers from political control. Politicians can make use of new public reforms as a way to strengthen their political power by addressing issues such as efficiency and accountability, as they sound good to the public (Christensen and Lægreid, 2001, 2007). Fredericksons (2003, p. 27) pointed out the vagueness of benchmarking in public management. He argued that benchmarking and comparative ratings developed in public management in the 1990s unintendedly promoted uniformity rather than radical innovations. According to Moon (2002, p. 388), new governance has been used mainly to signal departures from the direct provision of services by the public sector. In addressing management change, Moon (2002) categorized the management change according to authority, marketing and network modes in which actors are governments, profit and non-profit organizations. Tables 1, 2 and 3 show the stereotypical view of how governance has been changing.

Table 1: Stereotypical view of post-war governance

			Actors	
		Government	For- profit	Non-profit
	Authority	XXXXX		
Modes	Markets		XXXXX	
	Networks			XXXXX

Source: Moon (2002, p. 390).

Table 2: Stereotypical view of new governance by change in balance of responsibility among actors

		Actors		
		Government	For- profit	Non-profit
	Authority	XXX		
Modes	Markets		XXXXXX	
	Networks			XXXXXX

Source: Moon (2002, p. 391).

Table 3: Stereotypical view of new governance by change in modes of activities

		Actors		
		Government	For- profit	Non-profit
	Authority	XXX		
Modes	Markets	X	XXXX	X
	Networks	X	X	XXXX

Source: Moon (2002, p. 391).

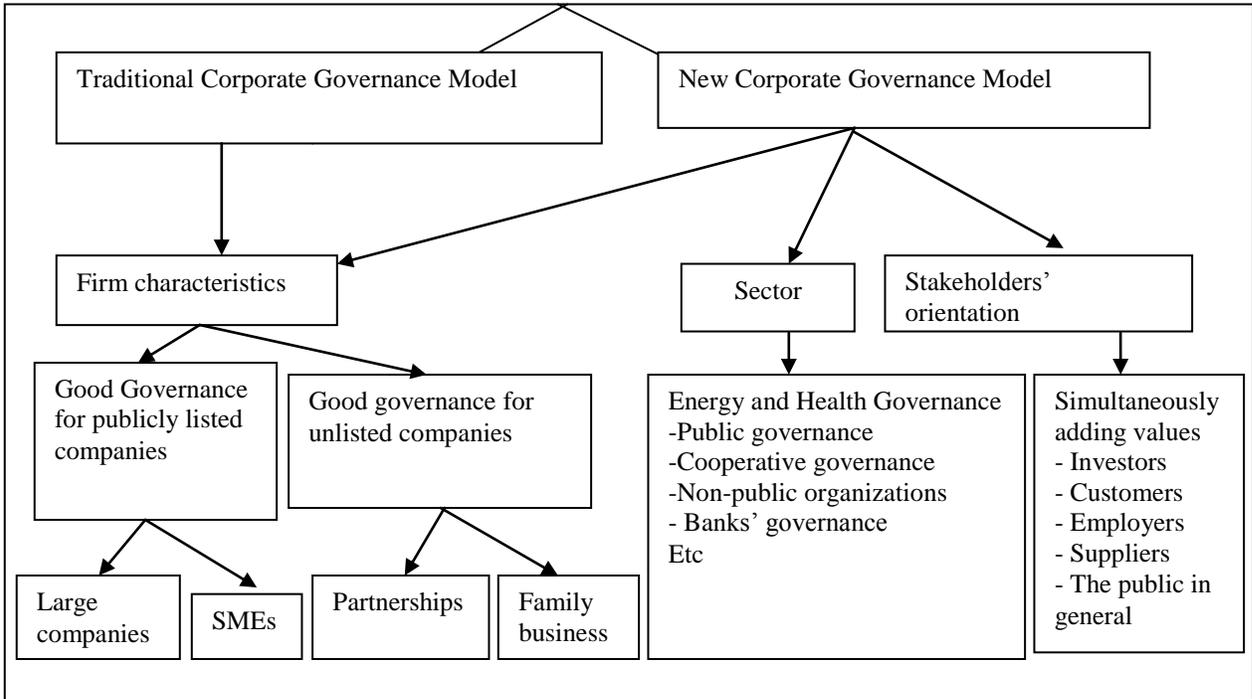
Table 1 indicates that initially governments were primarily associated with the mode of hierarchy (authority) premised on their constitutional, legislative, fiscal and organizational capacities. Profit organizations’ actors were mainly associated with market activities, notwithstanding within frameworks determined by the government. Non-profit organizations, on the other hand, were in most cases associated with networked activities held together by the glues of trust and community-based value and in some cases by public funds (Moon, 2002).

Tables 2 and 3 present stereotypes of regime of new governance showing changes in the balance of responsibilities among actors within the mode that they were previously associated. Throughout the years, the responsibility and performance of governments have been reduced in terms of tasks, “hollowing-out” the government. The change in the balance of responsibilities among actors has been signaled by the expanding role of non-governmental actors in the performance of public policies. There could be increased governance roles for non-profit organizations as they receive additional public funding to undertake activities from which governments have withdrawn direct responsibility (Moon, 2002, p. 390). However, the extent to which new governance is effective and efficient to address quality and equitable services to the public was not well explained (Moon, 2002).

Figure 1 (below) emphasizes the difference between traditional corporate management thinking and the modern model of cooperate governance thinking: institutions, which are

service providers, have been taken into account. However, the extent to which each institution uses public resources for the benefit of the public was not clearly explained, for “(c)itizens’ expectations and demands of governments are growing, not diminishing: they expect openness, higher levels of service quality delivery, solutions to more complex problems, and the maintenance of existing social entitlements” OECD (2005, p. 13). From that point of view, there is a need to explore and produce evidence on the usefulness of the SAIs in assuring VFM in agencification and accountability structures, which is the focus of this dissertation.

Figure 1: Traditional and new corporate governance models

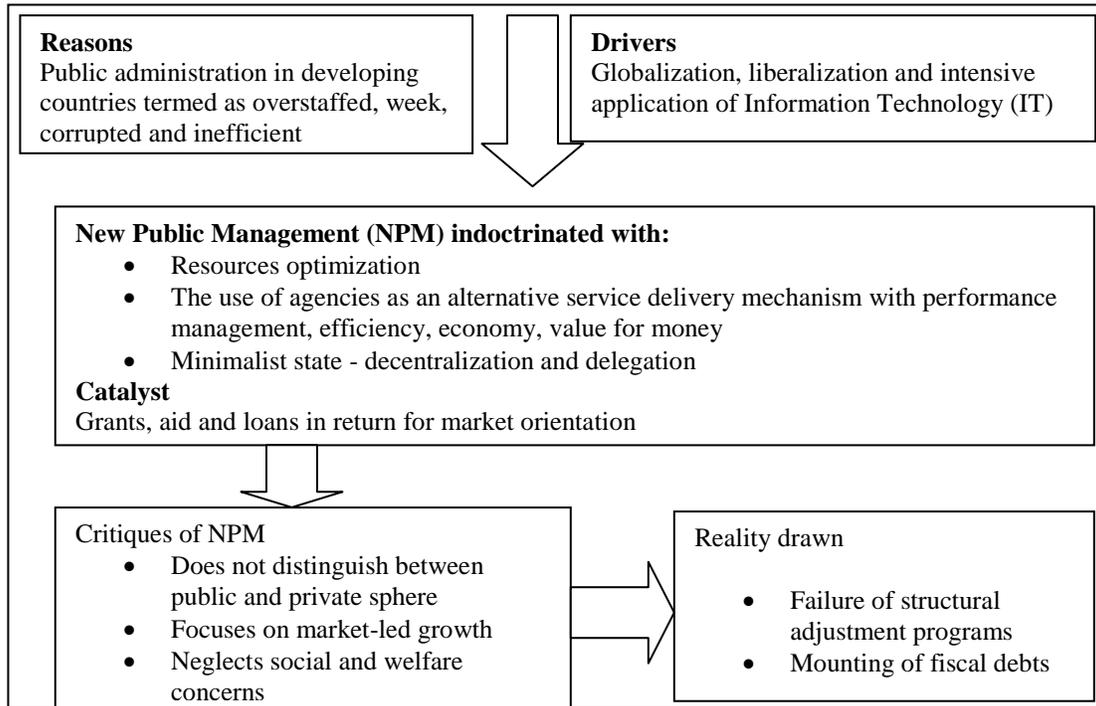


Source: Hilb (2012, p. 9).

Tritt raised a very important question: should donors’ specific interests control the creation and administration of trusts? He argued that it is important to “return to the principles of trusts that focus on the process for achieving the settlor’s goals and a methodology for fostering integrity in the trustee’s stewardship of trust property.” (Tritt, 2011, p. 2579) His argument supports Majone’s (2001) view that fiduciary principles and duties are essential for accountability in the agency relationship. Turnbull (2011) argues that managers have been using their power to corrupt and make things work according their interests. That

means laws, regulations, corporate governance code of ethics and any regulatory standards can be manipulated to meet the interests of the few who have power in their hands. Accordingly, the World Bank found that corruption was the single greatest obstacle to economic growth and development (World Bank, 2005, 2012). It was also found that bribery and corruption exist not only in large corporations but also in small and medium companies (Okeahalam, 2004). The question is how good governance can be achieved given perceived levels of corruption? Turnbull (2011) supports the view that many current practices in several countries are unethical. Thus, the promotion of ethics and integrity among management members is important and necessary for the achievement of good governance.

Figure 2: Genesis of good governance (from public administrating to NPM)



Source: Modified from Renukumar (2010, p. 5).

2. Agencification

Caers et al. (2006) argued that in order to explain the concept of agency it is important to start with a definition of the principal-agent relationship. A principal-agent relationship can be defined as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some

decision making authority to the agent.” (Jensen and Meckling, 1976, p. 308) When the contract between the principal and the agent is outcome-based, the agent is more likely to behave in the interest of the principal. Similarly, when the principal has information to verify the agent’s behavior, the agent is more likely to behave in the interest of the principal (Eisenhardt, 1989, p. 60). It is a relationship that exists between the owners and management where an auditor is considered to be the independent contractor for the supervision of fairness. On the other hand, Jacobsson and Sundström (2007, p. 5) defined ‘agencies’ as public organizations legally subordinated to the government but structurally disaggregated from the core executive. They enjoy considerable policy and managerial autonomy. Pollitt and Bouckaert (2004) provided three central elements that form the core of the agency system: structural separation, in which several specific tasks are created together with the organization to implement the specified tasks; managerial autonomy, in which agencies are given authority to make decisions as well as to monitor and to report; and managerial accountability, where delegates are responsible and accountable over resources as prescribed in the contract between the agency and the ministry.

Agencification in the public sector is an idea borrowed from private sector management. The foundation of the concept rest on ideas such as decentralization, contract arrangement, and result-based management. It involves the separation between policy-formulators and policy-implementers. Pollitt et al. (2004) defined agencification as a process whereby new agencies are created or whereby existing agencies are given more autonomy. Agencies are designed for a number of reasons including strengthening and clarifying responsibility and accountability lines, adopting a professional administration and a service-oriented administration closer to the public, and improving efficiency (OECD, 2005; Jacobsson and Sundström, 2007). According to Majone (2000), agencies are part of the government as they work on behalf of the government. Statutorily, they have authority to take final and binding decisions that can affect rights and obligations of individuals. Agencies are usually more informed about not only the tasks and responsibilities assigned to them but also about their own actions and preferences. Since agencies have more information than the principal, it is possible that agencies do not comply with the preferences of the principal, which in turn can trigger agency problems (Majone, 2000).

Agencies in the NPM doctrine act in the same manner as in the principal-agent theory, where the link between the agencies and the government is based on performance (Caulfield, 2002). According to Jacobsson and Sundström (2007, p. 5), “agencification allows for politicians to steer both more and less. By hiving off ‘smaller’, recurrent and technical matters into executive agencies (and thereby steer less) politicians will have more time for ‘big’ and ‘important’ matters (and thereby steer more).” That is, agencies have a role to strengthen politicians’ ability to steer the administration. Majone (1997, p. 157) noted that “the chief executives of the regulatory agencies have a well defined agenda and their success is measured by the amount of the agenda they accomplish”. According to OECD (2005), organizational change can be used to address a problem without guaranteeing that anything else will be done. In most cases, re-organization is used as a substitute for making hard choices about management priorities. The OECD (2005, p. 108) stressed that “creating an agency and labeling its work a priority does not automatically mean it will be treated as such”. This supports Majone’s (1997, p. 155) view that in creating agencies, governments will not only frame a suitable system of incentives, but also find it in their interest to create special mechanisms to monitor the behavior of their agents. Regarding the balance between agencies’ autonomy and control, and mentioning New Zealand’s example of separated organizations for policy, delivery, and regulation (OECD, 2005, p. 111), it was noted that many governments around the world were trying different organizational reforms to find the best institutional features that fit their own needs, but with the idea that some important parts of core government should be at arm’s length of the state.

The relevant questions are: how can institutions set a balance between autonomy and control? What are the criteria to measure the balance? Many scholars argue that agencies have minimum autonomy, while others argue that they have too much autonomy. The OECD (2005) stressed that in 2005 agencies in the Swedish central government accounted for more than 50 percent of the public spending. The figures were as high as 75 up to 80 percent in New Zealand and UK. This is the evidence that agencies are using a large proportion of public expenditures. The question on the correlation between the amounts spent and the services delivered needs to be given special attention. According to Majone (2000) there two major forms used by government to control agencies: the first is oversight,

which includes monitoring, hearing, investigation, budgetary review and sanctions; the second is setting-up rules and procedures that must be followed by agencies.

3. Principal-agent theory: challenges and implications to management

In the private sector, investors employ professional managers to work on their behalf. Because of the separation between ownership and management, investors normally place trust on management. Professional managers design the company's plan, they set strategies, they have implementation functions, and they report results and the financial position to the owners. Reports are in the form of financial statements (the stewardship accounting). For assurance purposes, the owners are required by international accounting and auditing standards to appoint auditors to examine the financial statement and to deliver a report with auditors' opinion on the performance of the company (ISA 200). The principal-agent theory is well suited for the private sector where ownership and control are clearly defined. Unlike in the public sector where it is difficult to measure input and output levels in terms of the quality of services and fairness, input and output levels in terms of sales and profits are easily predictable in the private sector.

In his study on the agency model and the growth of regulatory institutions in the European Union, Majone (1997, 2002) found that in many governments the regulatory state is characterized by pluralism, diffusion of power, and extensive delegation of tasks to non-majoritarian institutions (independent regulatory agencies). Such a non-majoritarian strategy attempts to restrain the majority rule by placing public authority in the hands of officials who have limited or no direct accountability to either political majorities or minorities (Majone, 1997, p. 160). However, as in many countries, he noted that in Britain many regulatory powers were still given directly to the government rather than to agencies whose operation depend on previous decisions of a minister. Apart from the fact that there has been a move to a regulatory state model of governance, in which regulatory agencies are increasingly becoming the main rule-making body, there are many challenges facing the NPM model that stands as an obstacle to an efficient management of public resources.

The diversity of stakeholders is a challenge to NPM in the public sector (Arthur and Busenitz, 2003). The interest of key players in the system differs. Even in the private sector, for instance, the interests of investors are to maximize their return from investments.

Besides profit maximization, the management and employees have their own interests, such as policies and programmes that create an employee-friendly work environment, incentives and other fringe benefits (Eisenhardt, 1989). If conflict of interests between stakeholders exist in the private sector, what is the magnitude of conflict of interests in the public sector, where the diversity of stakeholder groups is more complex? Osborne and Gaebler (1992) argued that the differences between the public and private sectors are so fundamental that the government cannot be run like an ordinary business. Similarly, Berman (1998, p. x) commented that business techniques couldn't be applied to public organizations in the same manner as in the private business setting. Osborne and Gaebler (1992, p. 306) argued that in order to balance efficiency and effectiveness of market mechanisms in the public sector, the warmth and caring of families and neighborhoods and communities are needed. Osborne and Gaebler's considered agencification as a formulation of market-oriented government, which needs to take into account communities' needs. Being independent assurers, auditors are paid audit fees based on the agreement stipulated in the letter of engagement. Normally the audit fee is paid depending on the nature of the audit and the time involved in undertaking the assignments (ISA 200). Rahmina and Agoes (2014) noted that the amount of audit fee paid by audited client could vary depending on the complexity of services, the risk assignment, the level of expertise required, the cost structure of the public auditing firm, and other professional considerations.

Despite auditors can perform duties other than auditing (notably, financial advisory services, tax consultancy services, and preparation of books of accounts), their income relies extensively on audit fees paid by clients. Therefore, excessive reliance on clients' fees is likely to jeopardize auditors' independence. According to Francis and Simon (1987) and Beatty (1993), there is a positive association between the audit fee, the audit effort and the likelihood of receiving a modified audit opinion. For instance, if auditors feel that the fee paid by the client is more important than their responsibilities to shareholders they may not perform the audit with the shareholders' interest in mind. That means that the higher the fee the client pays the more likely the auditor can shirk his/her responsibilities and perform the audit without independence. Indeed, the "audit fee has positive and significant influence on audit quality" (Rahmina and Agoes, 2014, p. 330).

According to the international professional practices framework (IPPF), auditors are required to comply with a high degree of ethics (IPPF, 2012). IPPF provides the ethical requirements of independence, integrity, confidentiality, and objectivity (IPPF, 2012). However, the standards do not provide the way auditors can withstand political intimidation that can be exerted by politicians, particularly in the public sector. Issues regarding the independence of public financial watchdogs are even worse in the public sector and like other regulatory and operational agencies that can easily be influenced by governments, auditors (as public financial watchdogs) are working under the influence of the governments (Lapsley, 2008).

The principal-agent theory faces a number of failures (Arthur and Busenitz, 2003; Hilb, 2012). First and foremost, it starts from an unrealistic assumption that earnings and stock prices cannot be manipulated. The second weakness is that it ignores the intrinsic motivation of public servants and exclusively focuses on extrinsic motivations. Thirdly the theory has taken into account the interests of investors and top management while ignoring the interests of other stakeholders. The principal-agent model does not critically justify the needs of other stakeholders, particularly employees, customers, or the environment⁵, only the needs of top executives are taken into account (Hilb, 2012). The model ignores the perspective of corporate governance as “ultimately the outcome of the interaction among multiple stakeholders” (Hilb, 2012, p. 7). It lies on the assumption of asymmetrically distributed information. Agents usually have more information than their principals about the details of the task assigned to them and about their own preferences, abilities and actions. Therefore, there is a possibility that agents “can take advantage of the high cost of measuring their characteristics and performance to engage in opportunistic behavior.” (Majone, 1997, p. 154). Finally, the theory does not account for the key differences across countries. Majone (2001) argues that the principal-agent theory does not provide modes that satisfactorily analyze the relationship between the delegating authority and the independent agency. Referring to the European Union (EU) governance, Majone argues that the theory does not satisfactorily demonstrate the treaty-based independence of the Commission in initiating legislation and monitoring compliance with EU law by member

⁵ “Environment” refers to the natural environment, pointing at the heritage of future generations (Hilb, 2012, p. 3).

states (Majone, 2001, p. 104). According to Majone (1997, p. 153), “*whether at national level or supra-national level, the logistic of delegation is essentially the same*”, therefore the challenges of the principal-agent model noticed in the EU affect other delegations.

In order to establish the governance structure, it is necessary to go beyond the principal-agent theory (Majone, 2001). Although economists have broadly taken the principal-agent relationship into account, the literature is actually focusing on cases where an individual action can be observed and monitored on the basis of written binding contracts. However, using a binding contract to enforce a credible commitment is not a feasible strategy in the social and political setting (Majone, 2001, p. 109). Agencies are required to be both independent and accountable. Majone believes that the “delegation of powers to a politically independent agency is an important means whereby governments can commit themselves to the regulatory strategies that would not be credible in the absence of such delegation.” (Majone, 1997, p. 163) However, questions such as how agencies can be independent and simultaneously accountable to the principals, and how the limits of political independence of regulators are to be defined, are still a paradox (Majone, 2001, 2002; Moon, 2002). Another challenge of the principal-agent theory is that the model does not pay attention to problems that do not naturally fit with the principal-agent model (Majone, 2001). The fiduciary theory is likely more significant to create a balance in the new institutional framework which is increasingly adopted by many governments. It is, therefore, duty of the government to establish the appropriate mechanisms, including rules and regulations, and to ensure that expert agencies enforce the rules. However, the most important issue is not, strictly speaking, deregulation but, rather, how to achieve certain regulatory objectives through less burdensome methods (Majone, 1997, p. 143). Therefore, the implications of public interventions need to be carefully taken into consideration. On the other hand, Majone (2001) argued that both fiduciary principles and duties are essential instruments for achieving independence and accountability at the same time.

Majone (1997) provided the major distinctive features of the new governance model that emerged in Europe in the 1970s: deregulation, liberalization, privatization, and welfare reform. Deregulation is generally considered to be one of the most distinctive characteristics of the new governance model. During the 1970s there was an impressive growth of regulatory policy-making both at the national and the international levels. In that

period, traditional methods of regulation and control were breaking down under the pressure of powerful technological, economic and ideological forces, and were dismantled or radically transformed (Majone, 1997, p. 143). Independence and credibility of the agency are important at all levels, including for policy-makers, national statistics and authorities that provide information to the public. Therefore, since public financial watchdogs are responsible to the governments and to the public and auditors should be independent so that their reports provide unbiased information. Majone's studies (1997, 2001 and 2002) were, nevertheless, focusing on regulatory authorities as agents of governments specifically in the EU context. They do not provide an insight of operating institutions that provide services. The level to which the government influences agencies and the extent to which the same positively or negatively affects the optimization of VFM needs to be examined (see figures 8 and 13).

4. New Public Management theories (NPM): challenges and implications to management

According to Des Gasper (2002), NPM emerged in the 1980s predominantly in New Zealand, Australia, Britain and the United States of America. In the 1990s the NPM ideology widely spread around OECD countries and thereafter to developing countries. Hood (1991, 1995) addressed the concept of NPM, emphasizing the use of private sector managerial thinking to change the old style of public management. The Audit Commission (1990) provided that politicians should play a strategic role, deciding on broad policies and setting targets for managers, rather than being involved in day-to-day operations. In supporting this view, Walsh (1995, p. xx) argued that the central feature of NPM is the separation of politics and management. Hood (1991, p. 5-6) argued that NPM is a mixture of economic organization theory ('new institutional economics') and management theory (business-type 'managerialism') whereby economic organization theory includes public choice, transactions cost and principal-agent theories.

New institutional economics generated a set of administrative reforms build on ideas of user choice, contestability, transparency and close concentration on incentives structures. On the other hand, business-type managerialism generated a set of administrative reform based on private sector management ideas paramount over technical experts requiring high

discretionary power ('free to manage'). Hood's view was supported by Kettl (1997), who argued that the NPM doctrine emerged from a mixture of different theories. Des Gasper (2002) noted that NPM's ideas that try to achieve cost minimization in public management are experiencing failures, because "NPM has now lost much of its gloss, as experience of the massive transaction costs of radical reforms and of their often unfulfilled prerequisites mounts." (Des Gasper, 2002, p. 17). The spread of NPM, which is referred by Des Gasper as "spreading like religion", was also facilitated by its strategic promotion whereby NPM was considered a superior and modern style of management (Des Gasper, 2002). During its formulation, whoever questioned the impact of NPM was considered to be reactionary, unknowledgeable and outdated. Pollitt (1993, p. 2-3) stated that the NPM doctrine is a visionary ideology of public management characterized by managers being given the right to manage, a labor force disciplined to productivity, the use of 'ever-more-sophisticated' technologies, a continuous increase of efficiency, and a clear implementation of professional management role. It is a management technique indoctrinated with structures, organization and managerial change in the public sector by bringing a body of managerial thinking based on ideas drawn from the private sector. The concept emphasizes on the shift from traditional public administration to modern public management (Pollitt, 1993; Des Gasper, 2002).

Another focus is that of the explicitly standards and the measurement of performance, as argued by Osborne *et al.* (1995). Like Boyne (1999) viewed on NPM a doctrine that emphasizes on output control, Pollitt *et al.* (1998) argued that NPM shifted from centralization to disaggregation and decentralization of public services. Similarly, Walsh (1995) regarded NPM as a shift from non-competitive to the promotion of competition in the provision of public services. On the other hand, the emphasis of the nature of the NPM model indoctrinated by the emphasis on private sector style of management and its superiority was also argued by Wilcox and Harrow (1992). Metcalfe and Richard (1990) pointed out the promotion of discipline and parsimony in resource allocation as a means to bring efficient standards to public management. Peters (1996) argued that the old public administration is a political civil service while NPM is about political and accountable management. Unlike old public administration, which was hierarchical and rule-based, NPM was based on contracts instead of emphasizing on rules. Old public administration

was focusing on permanence and stability, whereby NPM anchored on contract management. Public administration was seen as institutionalized services while NPM requires only a small policy and strategic center to deliver complex public goods and services. Different from old public administration, which was fully based on internal regulations and equality of outcome, NPM puts the emphasis on a shift from input controls and bureaucratic procedures to rules relying on output controls measured by quantitative performance indicators (Philip and Daganda, 2013, p. 12).

Grants, aid and loans have been used as a motivation for countries that implemented market-oriented reforms (Renukumar, 2010; Des Gasper, 2002). According to Christensen and Læg Reid (2001, 2007), NPM is characterized by private sector's managerial thinking with active discretionary organization control by individuals who are free to manage under stipulated performance standards, emphasizing on achieving efficiency by controlling output through contracts, decentralization, delegation and the adoption of the private sector way of thinking. With NPM superior administrative control could be achieved if performance indicators are well formulated, rigidly and extensively implemented to monitor the output.

Caulfield (2002) highlighted that NPM's structure disaggregation has created a fundamental question of who is to be held responsible and accountable for the decisions and actions in the public setting. Hughes (2003) argued that NPM has created implementation problems, such as the lack of ownership of reforms and staff motivation. Besides, Christensen and Læg Reid (2001) viewed NPM as a theoretical model which, apart from addressing change in public sector management so as to improve the performance of the public sector for the interest of the public, it is build on the maximization of self-interests of few groups. According to Box et al. (2001), NPM has been ignoring the role of the public participation in policy-making. It has also failed to address important issues of quality, equity and efficiency of services delivered to the citizens (Box et al., 2001). According to Denhardt and Denhardt (2000, p. 549), "the primary role of the public servant is to help citizens articulate and meet their shared and interests rather than to attempt to control or steer society." The authors' arguments imply that the public has become politically and morally weak in the NPM stakeholder relationship. This is consistent with Des Gasper's idea that "we require as one element a public and development management

vision that embodies the themes that ‘public is more than ‘State’ and ‘the public is more than the monied; that ‘development; means improvements for ordinary and disadvantaged people, and that accountability is to the broad public, not only to chefs or the market’ (Des Gasper, 2002, p. 44).

Apart from the fact that NPM is viewed through different dimensions, such as design, implementation and impact, Lapsley (2008) examined NPM in terms of the management process, mechanisms of change and constrains, as shown in the tables below. The adoption of NPM in the management of public resources raised questions such as how the public interest is protected in agencification and how can the public hold agencies responsible for failure to deliver the services, considering that agencies are not appointed by the public rather by the government. The two questions have motivated this dissertation to analyze accountability, responsibility and answerability in the agencification framework.

Table 4: Dimensions of New Public Management (NPM)

Management Process	Mechanism of change	Constrains
General Management	Structural reforms	Audit societies
Entrepreneurships	Performance management	Professional boundaries
Transparency and accountability	Incentives and motivations	Social institutions

Source: Adapted from Lapsley (2008, p. 78).

Table 5: Future proposition of the NPM

Management process	Mechanism of change	Constrains
The collision of values from general management component of NPM will continue for the foreseeable future	Ongoing structural change to public services for the foreseeable future: structures will hardly settle	NPM will assume audit mentality in the future: managers will increasingly seek to make their actions auditable, verifiable
There will be continuing advocacy on entrepreneurial behavior	Performance measurement will continue to be the area of heavy emphasis by key NPM players, public service organizations, auditing bodies, governments, and researchers. Public performance measurement problems will not be resolved in future	NPM will not penetrate the activities and actions of well organized professional groups in the public service
The burden of expectations of public managers will be too great: they will all need care and consideration to continue to operate effectively	Continuous use of financial incentives and rewards will result in dysfunctional consequences for public service employees for the foreseeable future	NPM pressure will be circumvented by continued legitimating behavior.

Source: Adapted from Lapsley (2008, p. 92).

5. Accountability, transparency, delegation and autonomy in NPM

Historically, the concept of accountability was related to accounting (Bovens, 2006, p. 6). Nowadays, accountability has moved beyond accounting and bookkeeping. Accountability has become one important symbol of good governance in both the private and the public sector (Dubnick, 2002; Bovens, 2005; Ferlie et al., 2005). In its earliest stage, accountability was for junior staff and subordinates who were accountable to their superiors. However, today, the authorities are required to be accountable to the general public. Public accountability is both an instrument and goal and that, as an instrument, accountability can enhance the effectiveness and efficiency of public governance (Bovens, 2006, p. 7). It is used as a symbol of equity, transparency, democracy, efficiency and integrity (Dubnick, 2002; Ferlie et al., 2005).

To what extent are public servants accountable to the public needs to be examined. Ferlie et al. (2005) argued that public accountability is not only related to the political context, but also must take the social context in consideration. Accountability is associated with specific set of social relations that can be empirically studied. It is about “the need to give an account of one’s actions” (Gregory, 1995, p. 3). In the social context, accountability is defined as a social relationship in which an actor is obliged to explain and justify his or her conducts to others (the accountability forum) (McCandess, 2001; Pollitt, 2003; Ferlie et al., 2005; Bovens, 2010). The definition presents a number of variables such as the actor, which means an individual, for instance an official or civil servant, an organization such as an agency, or any other public institution endowed with authority to manage on behalf of the principal. Apart from the fact that accountability differs depending on organizations, all decision-makers in the government, private sector, and civil society organizations should be accountable to their institutional stakeholders and to the public (UNDP, 1997; Graham et al., 2003). Besides, transparency is important to achieve accountability. It is built on openness, which is about free flow of information. Transparent institutions are accessible to stakeholders (UNDP, 1997; Graham et al., 2003). Ferlie et al. (2005) argued that democracy would always remain weak if political leaders are not held responsible and accountable for their decisions and actions and, more importantly, for the use of public funds.

According to Blagescu et al. (2005, pp. 23-24) the Global Accountability Project (GAP) framework identifies four core dimensions that make organizations more accountable to stakeholders: transparency, participation, evaluation, and complaint and response. Transparency requires the provision of accessible and timely information to stakeholders and the disclosure of organizational procedures, structures, and processes. Participation requires active engagement of both internal and external stakeholders in the decisions and activities that affect them. Evaluation involves a monitoring and reviewing progress of organizations against their goals and objectives. Complaint and response mechanisms require organizations to develop channels that enable stakeholders to file complaints on issues of non-compliance or against decisions and actions, and ensure such complaints are properly reviewed and acted upon. In order to be accountable, organizations must integrate the four dimensions into their policies, procedures and practices at all levels and stages of decision-making and implementation in the relationship with both internal and external stakeholders.

Arguing on the failures of accountability, Koppell (2005, p. 95) warned “the lack of specificity regarding the meaning of accountability – or failure to articulate a choice – can undermine an organization’s performance.” According to Koppell, organizations striving to achieve conflicting expectations are likely to be dysfunctional, therefore “pleasing no one while trying to please everyone”. However, for some authors accountability has been misused. It has been used to evocate several political words that are mostly used in patching up rambling arguments only to show an image of integrity, trustworthiness, justice and fidelity, and to gain support from the public (Ferlie et al., 2005). Apart from the fact that NPM require managers to be transparent and accountable, there is a high degree of confidentiality in the public sector that might jeopardize transparency. In the global economic context, transparency is “the literal value of accountability” (Koppell, 2005, p. 96) and the most important instrument for assessing organizational performance. Transparency and accountability are crucial to achieve better governance, however, the concepts are more often preached than practiced (Hood, 2006; Gomez, Friedman and Shapiro, 2004). Many failures to meet the public’s expectations are caused by the lack of coordination between the government and service users (Taylor, 1996). There are many initiatives made by the public, particularly in developing countries, particularly to design,

implement, monitor and evaluate a number of programs for society development. However, very often they have not been successful. Governments are urged, in collaboration with the community, to transparently establish and develop programs and projects that will improve citizens' welfare. The involvement of the community is important for three reasons: firstly, the community can provide governments with better information about local conditions; secondly, the community can facilitate the mobilization of local resources; thirdly, the community can extend the reach of government and other external agencies at a low cost (Taylor, 1996, pp. 14-15).

Heald (2006) distinguishes between transparency and accountability by looking at legitimacy and trust. Both transparency and accountability are important in the management of public resources as they exert pressure to public sector's managers (Hood, 2006). Majone (1997, p. 160) considers delegation in public management as a non-majoritarian strategy by placing public authority in the hands of officials who have limited or no direct accountability to their political principals. The delegation of authority is a conditional grant of authority from the principal to an agent that empowers the latter to act on behalf of the former (Hawkins et al., 2006, p. 7). The preferences of principals and agents are important determinants of outcomes in the principal-agent doctrine (Pollitt et al., 2004). Sulle (2010) defines autonomy as "the decision-making competences of an agency, or the extent to which the agency can decide for itself matters it finds important for achieving its goals" (p. 347). Public organizations' autonomy is a multi-dimensional concept (Bach et al., 2010, p. 2). However, whether it is full autonomy, policy, managerial, legal, financial, strategic or operational autonomy in order to achieve efficiency in public management, the level of autonomy has to be clearly stated (Pollitt, 2005; Verhoest et al., 2004; Sulle, 2010). Theoretically, agencies are viewed as organizations operating with a high level of autonomy. However, in many countries, agencies have some autonomy for decision-making issues related with management policy, but they are not totally independent (Pollitt et al., 2004; Sulle, 2010).

Verhoest et al. (2004) divided the concept of autonomy in two categories: i) autonomy as the level of decision-making leverage of the agency, which includes management and agency policy; ii) autonomy as the exemption of constraints on the current use of the agency's decision-making competencies, referring to structural, financial, legal and

operational constraints. According to Verhoest et al. (2004, p. 104-105) the former category of autonomy is about discretion, or the extent to which the agency can decide itself about issues as long as it finds important to do so, and the latter is about the level of independence of the agency vis-à-vis the government in using delegated decision-making competencies. Sulle (2010) found that the relationship between the agency and parent ministries is moderated by performance contracts, since “when agencies gain more freedom to manage, a price they have to pay is sharper performance accountability based on the performance contract.” (Sulle, 2010, p. 347)

The statement addresses the question of whether the reference to the performance contract is a good indicator of agencies’ accountability. What if the contract is weak in terms of unrealistic determination of the output level? Is the public aware of the contractual agreement between the agent and the government? (See performance management and VFM audit, pp. 176-179). It is argued that control is the term referring to the mechanism used by the government to intentionally influence the action of the agencies so that the objectives of the government are achieved (Van Thiel and Pollitt, 2007; Sulle, 2010). In the NPM context, control is the management process that includes setting goals for the agency, monitoring, measuring performance and performance evaluation, which in turn results in rewarding good performers and punishing poor performers (Verhoest et al., 2004; Sulle, 2010). However, the empirical justification of the criteria and the basis for setting performance indicators is still a paradox.

6. Legitimacy in NPM

Recently there has been a growing debate around the concept of legitimacy. It is therefore important to see what lies behind this concept in relation to accountability in the management of public resources. Biela (2014) argued that regulatory agencies are more and more relevant in many sectors of today’s politics. However, their increasing importance is in conflict with the restricted democratic control due to their independence, representing a challenge for their legitimacy (Biela, 2014, p. 2). Maggetti concluded that the regulatory state suffers from legitimacy problems, including the trade-off concerning the simultaneous delivery of autonomy, performance, and accountability (Maggetti, 2010).

Democratic political systems cannot survive without mechanisms for securing their legitimacy (Abels, 2007, p. 105). Abels pointed out two routes to achieve legitimacy: first, focusing on the input side of the policy processes. This pertains to participation, particularly enabling an access to the policy process and to influence policy-making; secondly, output legitimacy, which is built on a concept of policy-making as problem-solving in the interest of the general public. Input and output legitimacy are closely interlinked. Input legitimacy is based on the responsiveness to citizens' preferences (that is government *by* the people) while output legitimacy requires acting in the public interest (that is the government *for* the people) (Scharpf 1999, p. 6).

Legitimacy and accountability are concepts that can be applied at many levels (individual, groups, organizations, international domain, societies and so on) (Brown and Jagadananda, 2007, p. 7). Maggett (2010) presented two alternative sources of legitimacy: first, the positive evaluation of regulatory performance by citizens (what Majone refers to non-majoritarian legitimacy); and the existing approaches to ensuring agency accountability (the procedural component). According to Majone (2005) generally the political "principle" can transfer his power to the independent delegate but not his legitimacy, and for that reason regulatory agencies must rely on external sources of legitimacy. That means that in order for regulatory agencies to compensate this loss (the lack of legitimacy from their appointing authorities) additional legitimacy procedures are required so as to ensure the "social sustainability" of regulatory governance by regulatory agencies. For that reason, regulatory agencies' legitimacy can be determined by how they operate more lawfully, openly, transparently, and fairly. Agencies need to ensure that they are more proficient in producing qualitatively better policy output than democratic institutions (Maggetti, 2010).

There are four types of legitimacy: first, legal legitimacy which emerges from the compliance with legal and regulatory requirements; second, normative legitimacy which can be grounded on widely held social values, norms and standards. That means organizations such as regulatory agencies, CSOs and NGOs are assessed as meeting norms and standards; third, pragmatic legitimacy which may emerge from the instrumental value they provide to several stakeholders, either directly in terms of specific output or more generally in terms of conditions that meets interest; fourth, cognitive legitimacy in which

for instance organizations such as NGOs and CSOs are perceived as legitimate when their activities and goals are widely seen as appropriate, proper, and making sense to broad sectors of the society (Brown and Jagadananda, 2007, p. 7).

It is suggested that the legitimacy dilemma can be solved by enhancing accountability of regulatory agencies (Filinders and Buller, 2006). Thus, the link between accountability and legitimacy can be formulated in procedural terms. That is to say, even though actors disagree with the decision, they should accept it as legitimacy especially if the decision was taken in a way considered fair, for instance, if the decision was made from an open and inclusive or participatory political process based on openness, transparency, equal access and deliberations (Maggetti, 2010).

CSOs and NGOs are now considered as important organizations, which can play an important role in ensuring accountability. However, in order to fulfill this role these organizations must grapple with clarifying their role legitimacy as social and political actors and their accountability to key stakeholders that ensure that they contribute to delivery of public goods (Brown and Jagadananda, (2007, p. 4). A better understanding of NGOs and CSOs' legitimacy and accountability can help them to obtain support from the government and the public. For Pratt (2009), NGOs and CSOs' legitimacy is related to the organization having some form of acceptance by others stakeholders. It can specifically include constituency (for instance through memberships), means of validating the work of NGOs and CSOs through participatory means of evaluation, participation in governance and or other feedback mechanisms.

7. Value for Money audit in the NPM doctrine

Performance audit (VFM) is a type of audit that is essentially useful in the public sector. One of the differences between VFM and other audits is that VFM audit tries to clear public suspicions as regards on how the government is performing economically, efficiently and effectively. VFM audit refers to the broad-based audit approach, which aims at reviewing and reporting on accountability and responsibility relationships by examining the underlying activities, and operating and internal control systems employed by the management in fulfilling its fiduciary responsibility to the users (NBAA, 2002, p. 286).

According to Kalubanga and Kakwezi (2013), VFM audit seeks a double role: firstly, it provides organizations and stakeholders with information and assurance about the quality of public resources' management and, secondly, it assists public sector managers by identifying and promoting better management practices. Garner (1984) provided two reasons for undertaking VFM audit: firstly, VFM is an indispensable tool of good management, and secondly, because the public demands it. Central to the concept of VFM in the public sector is the idea that public resources should be put to the best possible use, that is to say, ministries, independent government departments, agencies, and the entire public sector institutions should be scrutinized by standards of efficient and effective management of resources entrusted to them (Kalubanga and Kakwezi, 2013, p. 116). Power (1997) argued that the principles of VFM are at tension as they stem from different logics of evaluation. He argued that efficiency stems from accountancy and business studies. According to Elliot (2002, p. 499), "(w)ithin this logic outcomes get defined as intended outputs or 'measures of the measurable'."

Similarly, effectiveness refers to both the intended and unintended effects of activities conducted in a multi-dimensional context, many of which are not open to precise quantification (Elliot, 2002, pp. 499-500). On the other hand, Lonsdale documented that "unlike the regular audit of sets of financial statements, value for money (VFM) work is usually undertaken on discrete subjects on an ad hoc basis, with results often appearing in a published report containing recommendations for improvements in practices or procedures." (Lonsdale, 2000, p. 73) In his study on the audit trail of the Auditor General in Canada, Sutherland (1980) argued that the Auditor General's VFM campaign has taken the Office of the Auditor General (OAG) over the line between audits and trespassed on government policy. VFM audit programs require power to be provided by the Acts of VFM audit to enable the Controller and the Auditor General to execute their duties independently. In Canada, for instance, the power of the Act (the Auditor General Act of 1977, amended in 1995) has resulted in the creation of the new central agency known as the Office of Comptroller General who is responsible for ensuring that each government program is reviewed according to VFM standards (Sutherland, 1980; Office of the Auditor General of Canada (OAG), (2000). In addition to that, the Office of the Comptroller

General was established in order to strengthen financial management and internal audit (OECD, 2005, p. 98).

VFM audit should not be taken as an objective review technique, as it involves greater deal of evaluation and judgment at each stage. In Sutherland's opinion, it is not appropriate that VFM audit reports are reviewed externally by an appointed office without an electoral base. He further argued that governments require some form of legitimation to govern quite outside normal conceptions of parliamentary democracy. However, the author did not suggest any form of legitimacy that can help the governments to effectively achieve VFM. Normally the National Audit in the UK (NAO) examines the 3Es of public spending under the 1983 National Audit Act. According to NAO (2010), there are a number of stakeholders, including donors and multilateral agencies, that use VFM as part of the appraisal and evaluation procedures (Walton and Mcloughlin, 2011, p. 14) The United States Agency for International Development (USAID), the Millennium Challenge Commission, the Economic Rate of Return (ERR) analysis, and the Danish International Development Agency (DANIDA) were pointed as examples (Barnett, et al, 2010).

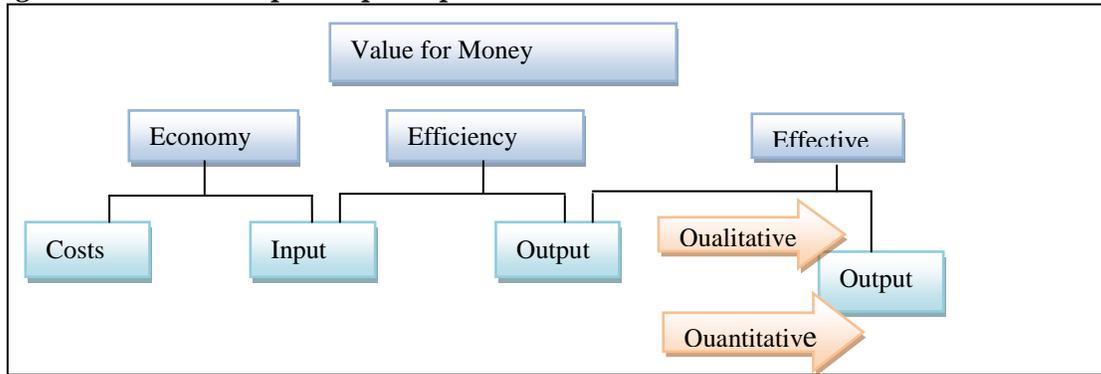
Barnett et al. (2010) categorized VFM in two forms: the first is the analysis of performance management systems done by independent agencies such as NAO and the Audit Commission. This entails an examination of the system and provides judgment based on the performance of key functional areas. The conclusion and judgment on whether VFM has been achieved is based on evidence collected by the use of external benchmarks such as the trend analysis and acceptable good practice. The second VFM key functional area is the economic appraisal that entails using an appraisal process (usually formalized in a procedural template) to decide whether to invest in a proposed project (Barnett et al., 2010, p. 5). However, in practice, auditors have been focusing only on the audit of performance management (Barnett, 2010). Bowerman concluded that VFM work needs to "rediscover its accountability roots, (...) [to] be clear that its first duty is to the public and [to recognize] that added value to the public comes from knowing that the auditors are doing their jobs as watchdogs and not as consultants." (Bowerman, 1996, p. 209).

Similarly, the mechanism to assess fraud in the process of evaluating VFM seems to be not clear (Bowerman, 1996). Likewise, the implementation of international standards to bring

efficiency is questionable, as different countries face different challenges depending on economic, cultural, social and environmental factors (Bowerman, 1996; Büthe and Walter, 2011). According to Büthe and Walter (2011, p. 12), global rule-making by technical experts is highly political, even if politicians may be hidden beneath a veneer of technical rhetoric. Such rule-making typically has important distributional implications, giving rise to winners and losers. They also found that even though rule-making has shifted to the international level, domestic institutions remain crucial because they form the institutional backbone of global regulators, as they seek to promote and defend (at the international level) the regulatory preferences of domestic stakeholders to minimize domestic switching costs (2011, p. 12). They argued that “the delegation of regulatory authority from governments to a single international private-sector body that, for its area of expertise, is viewed by both public and private actors as the obvious forum for global regulations.” (Büthe and Walter, 2011, p. 5).

Figure 3 (below) depicts the principles of VFM as defined by different authors. “Economy” (spend less) is concerned with the acquisition of resources in the appropriate quality and quantity at minimum cost (Kalubanga and Kakwezi, 2013). Auditors are required to examine several indicators, such as poor quality of output due to low quality of inputs, suspension/delay in implementing decisions, and unnecessary delays or failure to make payments to the financial obligations due without justified reasons (NBAA, 2002). The evaluation of effectiveness is the qualitative and quantitative measure of the deviation from expected goals. Auditors assess the performance in regard to management goals. In assessing effectiveness, auditors are required to examine indicators such as unjustified excessive spending in a given period (NBAA, 2002). Efficiency measures productivity by relating the input against the output. Indicators such as resources for unplanned activities and the existence of sound and appropriate systems of evaluation and monitoring are essential for evaluating effectiveness (NBAA, 2002). However, these are just indicators that guide the auditors’ examination exercise. Therefore, professional judgment is required for an effective evaluation.

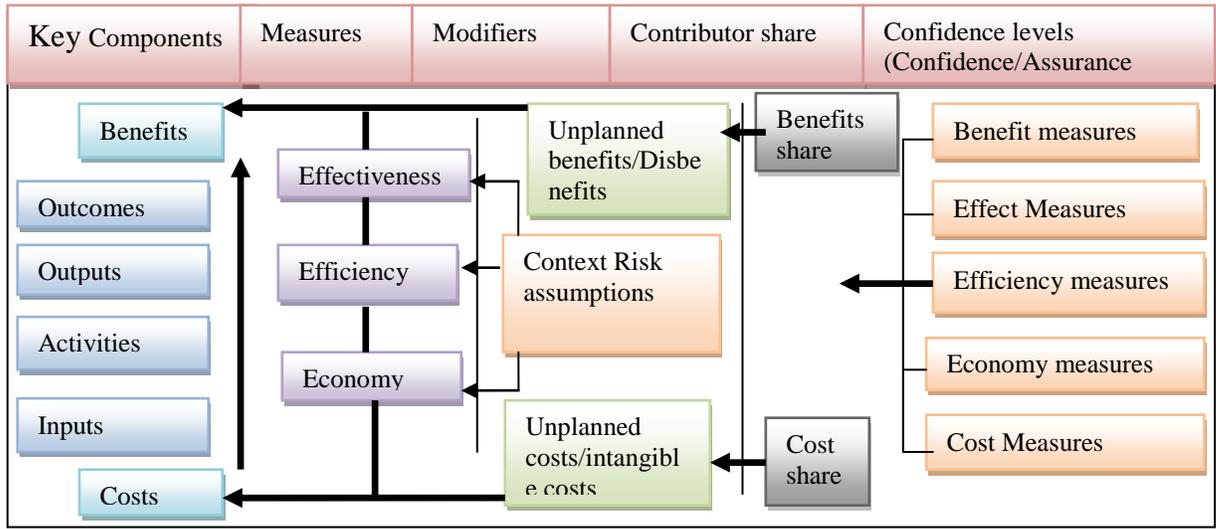
Figure 3: VFM concept and principles



Source: Adapted from Barnett et al. (2010, p. 6).

Figure 4 (below) shows how resources can be utilized to deliver output by identifying activities and expected outcomes, as well as benefits and costs, taking into account risk assumptions and mitigating factors. In analyzing VFM, the framework provides key components, measures, modifiers, contributor share, and confidence levels. The key components show the relationship between costs in terms of resources and benefits in terms of outcome. Measures as a component indicate that VFM cannot be optimized unless the process to measure the 3Es is strengthened. In order to achieve VFM in the public sector, organizations' management should aim at achieving economy (spend less), efficiency (spend well) and effectiveness (spend wisely) (Kalubanga and Kakwezi, 2013, p. 116). In order to achieve an optimal VFM, the balance of the 3Es is required, not the absolute level of each of them (Barnett et al, 2010). As indicated in the framework, the modifier indicates that the optimal balance of the 3Es needs to acknowledge some intangible costs and benefits that influence judgments on VFM. It is argued, therefore, "that at the end of any programme, VFM judgments made at the outset would need to consider not only performance against plan but unplanned costs and benefits" (Barnett et al., 2010, p. 9). On the other hand, the contributor share indicates that there are significant challenges in determining how to attribute costs and benefits when making VFM judgments (Barnett et al, 2010). Therefore, data quality in terms of relevance, reliability and robustness is essential. Lastly, the framework presents the confidence level in which the level assurance is measured.

Figure 4: Value for Money Conceptual framework



Source: Adapted from Barnett et al. (2010 p. 8).

8. VFM audit in public and private sector and the challenges and opportunities in NPM

The NBAA (2002) pointed out a number of differences between VFM audit in public and private sectors: VFM is a statutory requirement in the public sector where the Controller and Auditor General (CAG) is required to provide assurance on appropriate utilization of public resources. Besides, even although VFM is significant in both the private and public sector, it is the public sector that has taken the lead because of the special need for public sector organizations to demonstrate their accountability for economy, efficiency and effectiveness in the use of public resources (Kalubanga and Kakwezi, 2013, p. 115). Another difference is that in the public sector the focus is not profit-orientation, the goal is to provide satisfaction in the supply of public resources. VFM audit can be viewed as an attempt to control and limit the waste of government assets.

Unlike in the public sector, the private sector has a strict control and well-defined system of performance, monitoring and evaluation. By considering the differences in terms of goals, framework, performance evaluation, monitoring and control, I am wondering how is it possible that private sector management ideas effectively achieve VFM in the public sector. Different studies have pointed out a number of challenges facing VFM audit (Sutherland, 1980; Power, 1997; NBAA, 2002; Elliott, 2002; Bronchi, 2003; Barnett, 2010). One of the

major challenges is the pre-specification of the output level in terms of quality and quantity to justify public spending. Studies show that, differently from the private sector where expectations and projections can be easily measured, it is difficult to measure the output level in the public sector. Public managers face more stakeholders (not just customers and shareholders) than private-sector managers, with a more contradictory set of demands for activities in which they ought to excel, and more complex set of obstacles that must be overcome to improve and create value (Behn, 2003; Kolthoff et al., 2007, p. 422). Another major constraint is the shortage of VFM analysts (Kalubanga and Kakwezi, 2013).

In order to achieve VFM, legal backing-up is required. However, the implementation of international standards of accounting and auditing developed and regulated by international agencies is a challenge to individual countries' VFM audit (Büthe and Walter, 2011). The implementation of global rules is driven by a number of factors. The first is economic benefits of common rules for global markets. The second is the fact that government regulators lack both the expertise and resources to deal with complex regulatory tasks. Elliot (2002) argued that in reality VFM audit prevents professionals from evaluating their practices. In his view "(i)t confuses outputs with outcomes and fails to empirically validate the former as indicators of effectiveness in particular context of action." (Elliott, 2002, p. 499) Kalubanga and Kakwezi (2013) argued that as a result of the confusion in distinguishing between effectiveness and efficiency, determining whether VFM is achieved or not remains complex and entails a huge challenge. The public and private sector differ to the extent that they value equity as an important goal. Different from the private sector (profit oriented) organizations with very little commitment to equity, public organizations have great commitment to equity. They must provide services to all citizens, regardless of their ability to pay for them, and must ensure equal access to services (Berman, 1998; Kolthoff et al., 2007).

On the other hand Berman (1998, p. 272) argued that effective productivity⁶ improvement requires ethical behavior, ethical attitude, ethical dialogue, and organizational policies and practices consistent with furthering ethics (see also Kolthoff et al., 2007, p. 17). Another

⁶ According to Berman and Van Wart (1999), productivity refers to a set of management practices and analytical techniques that aim at increasing the effective and efficient use of resources to produce outcomes.

challenge is the scope of VFM audit. VFM audit is a comprehensive examination of the use of resources and benefits within the wide parameters of audit. Therefore, the scope of VFM is wide as it means attesting both financial and non-financial information and the performance generally (NBAA, 2002). The scope must address the input in terms of both human, financial, material and management resources. According to the NBAA, any meaningful assessment of VFM must consider both quantitative and qualitative aspects of the issue at stake (NBAA, 2002, p. 289).

Arguing on the impact of VFM audit, Elliott suggested that “VFM audit drains too much trust out of the system where it counts, at the level of the work place.” (Elliott, 2002, p. 500) That means that there is a possibility for agencies to ignore the interests of the central government, communities, and other stakeholders if accountability for the quality of public services is considered weak. According to Elliott (2002, p. 500), “(i)f, on the other hand, accountability is too strong in its drive to render performance increasingly transparent to the public gaze, trust in practitioners is drained away and they, in turn, come to mistrust the integrity of the auditors.” Referring to VFM auditing in the education sector in relation to the prevailing technology of audit, Elliott argued that VFM audit is intolerant to time and insensitive to the context and thereby renders much evidence about the real impact of invisible practices.

Elliott supports Power’s (1997) view that we need to give space in the accountability system for developing a form of performance evaluation that is more sensitive “to the complexities of connecting processes causally to outcome.” (Elliott, 2002, p. 501). The shift from external to internal auditing and evaluation processes should not be misunderstood as a move towards greater professional autonomy and a higher trust form of accountability. Mechanisms for scrutinizing and evaluate the regulatory compliance need to interpret accountability and responsibility. In addition to that, Power (1997) stresses that VFM audit can perform self-audit as well as external audit. In supporting Power’s view, Elliott gave an example of the UK education system in which he noted the transmission from what he calls heavy “touch” external audit system to light “touch” inspection of internal audit. However the extent to which VFM can form self-audit as well as external audit, and whether VFM is effective enough to abandon the use of external audit, is subject to research. According to Power (1997), while VFM audit claims to judge effectiveness, it

tends to emphasize on efficiency and economy. Elliott (2002, p. 500) pointed out that VFM confuses effectiveness with efficiency. In his opinion, VFM needs to be viewed in the context that seeks to replace inefficient bureaucratic management of the public sector with the idea borrowed from the private sector under NPM. VFM audit is a cost-effective means of ‘driving up standards’ in public services (Power, 1997).

There has been increasing evidence of VFM’s counterproductive effects, since “VFM may shape performance in a way that raise ‘standards’, as these are defined by specifications of measurable output, but in doing so it brings into effect outcomes that threaten to undermine the actual quality of public service delivery.” (Elliott, 2002, p. 500). Andersen (2000) concluded that in the UK public-private partnership projects decreased operating costs by 17 percent. In Elliott’s opinion (2002), the solution to the problems of accountability and efficiency is not to expand the model of accountability imported from the private sector. He concluded that “the solution is to develop a new model of professional accountability that invests conditional trust in practitioners and is underpinned by a different logic of evaluatory practice.” Elliot (2002, p. 504).

On the other hand, Kalubanga and Kakwezi (2013, p. 123) are aware that the literature and developed knowledge on VFM audit is still limited, and that studies carried out on this subject have substantial limitations. Importantly, there are no effective VFM auditing methodologies and frameworks in developing countries. Future research in the area should focus on designing and developing VFM auditing methodologies and frameworks since these have limited results so far. Another relevant question is whether the NPM model addresses social needs of the huge diversity of stakeholders in the public sector. Is there an opportunity to develop a new model of professional accountability that devotes conditional trust in practitioners and is underpinned by a different logic of evaluatory practice, as suggested by Elliot? How will the new model balance quality, efficiency and equity in public management? Lane (1995, p. 200) argued that the public administration framework could not easily be replaced by the NPM approach, as the former has qualities not covered by the latter.

9. Fraud and its impact to VFM (fraud prevention, detection and control)

Fraud is a broad legal concept (ISA 240, p. 157). Therefore, only frauds related to material misstatement and misuse of public resources, which are the concern of auditors, will be examined in this dissertation. However, it should be born in mind that the presence of material misstatement in financial reports of any organization does not imply that all material misstatements are caused by frauds, as some might be caused by errors, and therefore, errors have also been defined. According to the international standards of Auditing ISA 40, fraud is defined as an intentional act done by one or more members of the management staff, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

Unlike fraud, ISA 240 defines error to mean an unintentional misstatement in financial statements. Errors can be a mistake in gathering or processing data from which financial statements are prepared, an incorrect accounting estimate arising from oversight or misinterpretation of facts, or a mistake in the application of accounting principles relating to measurement, recognition, classification, presentation, or disclosure. Differently from errors, fraud is an intentional misstatement. It is a deliberate concealment of facts by somebody for his/her own interest at the expense of others. Therefore, the key distinguishing factor between fraud and error is whether the underlying action that results in misstatement of financial statements is intentional or unintentional (ISA 240).

ISA 240 provides two types of intentional misstatement: the first are misstatements resulting from fraudulent financial reporting, which involves intentional misrepresentation, misstatement or omission of data from financial reports for the purpose of misleading the reader and creating the false impression of the organization's financial strength. This type of fraud can be identified by the following indicators: 1) manipulation, falsification (including forgery) or change of accounting records or supporting documents from which financial reports were prepared; 2) misrepresentation in, or intentional omission from, financial statements of events, transactions or other significant information; and 3) intentional misinterpretation and misapplication of accounting principles relating to the amounts, classification, manner of presentation or disclosure. The second type is misstatements resulting from misuse or misappropriation of assets. One of the indicators for

intentional misappropriation of assets is stealing tangible or intangible assets of the organization, such as using clients/employers' name without acknowledgement to get personal advantage, using employer's time for personal monetary or non-monetary benefits without compensating for the time lost. Another misappropriation is embezzling receipts, where fake receipts can be created indicating the payment of services that were never delivered, or false receipts indicating fewer amounts than actually received by the entity. Causing an organization to make payments for goods and services not received is regarded as misappropriation.

Corruption and violation of integrity in public management was back on the public agenda in many European countries. Bovens (1996) observed a number of violations, for instance, agency heads subcontracting with firms they were personally involved in (through stocks, board membership or personal relations), gifts, trips and others perks, private enterprises of civil servants, contracting-out of municipal catering services (to an allegedly criminal organization), the sale of a municipal camping site to (former) municipal officials, extra bonuses and salary packages for top civil servants and agency heads (Bovens, 1996, p. 128). On the other hand, Frederickson (1999, p. 301) acknowledged that "in democratic settings government agencies and their officials in bureaucratic hierarchies are more ethical than self-interested individuals or firms in competitive markets." The relevant questions are the following: who is responsibility to prevent, detect and control fraud in the public sector? What control mechanisms are in place to ensure that neither employees, members of the management staff nor the delegating authorities are involved in misconduct? To what extent the above-mentioned misconducts exist in the public sector? To what extent do these practices have an impact in the delivery of services to the public? What is the role and scope of auditors regarding fraudulent issues? And how does NPM address fraud issues in the public sector?

ISA 240 identifies three motivating factors to commit fraud. The first is management under pressure. In this context, it is easier for the management to engage in fraudulent financial reporting. Pressure can come from both the outside and the inside. For instance, the management may be trying to achieve higher (perhaps unrealistic) targets so as to impress the owner(s). The management might strive to achieve unrealistic targets due to the fact that in the principal-agent relationship the consequences for the management from failing to

meet targets and the final goal can probably be significant (ISA 240, p. 167). The second motivation is the ambition for higher lifestyle standards. The third motivation is the possibility for controls' override by the management staff. Internal control is always designed by the management to ensure that assets are safeguarded. However, senior management often encourages weak control systems so that they can be easily overridden to opportunistically meet desired financial targets (Basilico, et al., 2012, p. 150). On the other hand, ISA 240 states that the management is charged with the responsibility to prevent, detect and control fraudulent practices. It is one of the major fiduciary responsibilities of the board to protect the assets of the company. As provided in the auditing guidance, the auditor's responsibility is to properly plan, perform and evaluate the audit work so as to have a reasonable expectation of detecting material misstatements in the financial statement (CFACG, 1992). According to ISA 240, the primary responsibility for the prevention and detection of fraud and errors rests with both the management of the organization and those charged with governance. However, their responsibilities may be different from organization to organization and from country to country. Appropriate controls to prevent and detect fraud within the organization have to be established. In addition to that, ISA 240 states that the management is responsible to ensure integrity in the organization's procurement procedures, accounting and financial reporting systems, including controls for monitoring risk, financial controls and compliance with both the code of ethics and the law.

According to the CFACG (1992), the very nature of fraud makes it difficult to be detected by auditors. For instance, it is difficult for auditors to detect frauds especially if it is the outcome of collusion between employee(s) and member(s) of the management staff. Therefore, auditors cannot guarantee the detection of fraud. However, a high level of safeguards against several categories of frauds can be attempted through more intensive audit. If this is to be done, it should be recognized that it involves costs. Hilb (2005) believes that the external auditor is the only institution with the ability to provide an objective view of the financial condition of the company. In order to ensure the independence of external auditors, both the auditors and the auditing firm should be changed periodically. The task of the internal auditors is to establish a financial supervision that is as independent and objective as possible for the audit committee and the Board

(Basilico, et al., 2012, p. 155). On the other hand, ISA 240 warns that the risk of not detecting a material misstatement resulting from fraud is normally higher than the risk of not detecting a material misstatement resulting from errors. In fact, fraud may involve sophisticated schemes designed to conceal it, such as forgery, deliberate failure to record transactions and even intentional misrepresentations made to the auditor. Such attempts of concealment may be even more difficult to detect when they are enforced through collusion. These circumstances may render audit procedures that are effective for detecting errors ineffective for detecting fraud (NBAA, 2002).

According to the CFACG (1992, par. 5.3), the regulatory framework in which auditors operate is not well designed to provide the objectivity that shareholders and the public expect from auditors. Firstly, although shareholders formally appoint auditors, and audit is carried out in their interest, shareholders have no effective say in audit negotiation and have no direct link with auditors. Therefore, auditors do have to work closely with those in the management who prepared the financial reports that they are auditing. Secondly, audit firms are in competition with each other. They wish to maximize their businesses with organizations, of which auditing may only be a part. To the extent that audit firms compete on price and meeting the needs of their clients, this may be at the expense of meeting the needs of the owners. Thirdly, companies too are subject to competitive pressure. They wish to minimize their audit costs and they are likely to have a clear view as to the figures they wish to see published in order to meet their shareholders' expectations. Fourthly, the lack of understanding of the nature and the extent of the auditors' role (expectations gap) is also a problem.

The CFACG (1992) declared that an independent-minded audit committee is needed. Audit committees provide a forum for auditors to discuss any concern about their roles and scope of audits. The audit committee can help auditors to deal with sensitive issues such as decisions on frauds involving senior management staff. There are a number of contradictions here: how much is auditors' independence and to what level can they ensure VFM in the utilization of public resources by the government and the agencies? Do auditors examine frauds committed by low-level employees but not those committed by top managers? What if some members who appointed the audit committee are involved? To what extent do public financial watchdogs protect the interests of the public? To what

extent should the public trust auditors give that their autonomy and independence are limited? (See the discussion on the SAI, accountability, and fraud and its impact to VFM, pp. 176-190). Like other professional activities, auditing has been changing in terms of standards, regulatory framework and examination procedures. In its early days, the primary goal of independent audit was the detection of fraud and error. Currently, the primary goal is to determine whether financial statements provide a true and fair picture of what was audited.

Many studies have been carried over in several countries about the perception on auditors' responsibilities in fraud prevention and detection (for instance, Gay et al. (1997) in Australia, Fadzly and Ahmad (2004) in Malaysia, Humphrey et al. (1993) in UK, Dixon et al. (2006) in Egypt, and Oyinlola (2010) in Nigeria). They found that many users of financial reports believe that auditors have a responsibility for detecting fraud and illegal acts. In addition to that, the public is continuously regarding auditors as responsible for reporting to a third party if they suspect that directors are involved in fraud or in other illegal acts (ISA 240). However, it should be born in mind that the primary responsibility of fraud and error detection and prevention belongs to the management and to those charged with governance. Furthermore, auditors are responsible to plan and to undertake an audit in such a way that there is a reasonable expectation of detecting material misstatements arising from fraud, and that in planning and implementation an audit programme auditors should be aware of the possibility of fraud.

However the examination of financial statements does not guarantee the detection of all material irregularities because it only involves a sample testing of transactions and balances. It is possible, therefore, that any fraud or error may not have been a part of the records examined. In particular, the perpetrators of fraudulent acts are likely to have taken steps (such as forgery or collusion) to conceal the evidence of their acts from auditors. Therefore, the question of whether fraud is detected or not depends on auditors' compliance to auditing standards and the adequacy of auditing procedures implemented before and during the exercise under examination. International standards of auditing provide that auditors cannot obtain absolute assurance that material misstatements (including errors and frauds) will be detected. This is due to the limitations of an audit exercise.

Even though the audit is properly planned and performed in accordance with ISAs, there is an unavoidable risk that some material misstatements of financial statements will not be detected. ISA 240 lays down some examples for not achieving absolute assurance by auditors: the reasonability of auditors' professional judgment⁷; accounting presentations are based on complex estimates that might involve uncertainty; fraudulently prepared financial statements are difficult to detect, especially if there is collusion; and limitations of internal control and the fact that much of the evidence available to auditors are persuasive rather than conclusive in nature. It is persuasive in the sense that the evidence intends to draw a reasonable and not an exact opinion on financial statements. Furthermore, audit evidence is gathered on a test basis, where the sample may or may not be representative. Evidence is obtained from documents that could be forged. Audited personnel may not always tell the truth. Thus, auditors' judgment is based on sufficiency and appropriateness of the audit evidence, where sufficiency measures the quantity of audit evidence and appropriateness measures quality, relevance and reliability. On the other hand, audit evidence is not conclusive in the sense that auditors do not examine all the information available and, therefore, they do not give an absolute opinion. ISA 500 stipulates that auditors should obtain sufficient and appropriate audit evidence to be able to draw a reasonable conclusion.

The above-mentioned facts indicate that the examination of financial information by auditors does not guarantee all material misstatements to be detected. Thus, if auditors cannot guarantee material misstatements in the financial statement, why should users trust auditors? Are auditors limited to their procedures and not to the assessment of whether agencies fulfilled substantive expectations (demand/needs)? On the other hand, the *Fédération des Experts Comptables Européens* (FEE) (2007) categorized the general limitations of an audit in two broad categories: general limitations arising from issues not under the direct control of the auditors, and general limitations arising from constraints on issues over which auditors exercise control. ISA 260 states that when auditors identified something materially misstated resulting from errors they should communicate the misstatement to the appropriate level of management on a timely basis and consider the need to report to those charged with governance. According to ISA 240, issues to be

⁷ Auditors' assurance cannot be specified in any quantitative sense by standards, but is a matter of subjective professional judgment (FEE, 2007).

communicated include uncorrected misstatements aggregated by auditors during the audit that were determined by management to be immaterial. Other fraud related issues to be discussed with those charged of the organization's governance may include: indicators of payments without appropriate approval and authorization, and indicators of authorized transactions that appear to be outside the budget or outside the normal course of the activities of the organization; actions by the management that may be indicative of fraudulent financial reporting; concerns about the nature, extent and frequency of management's assessments of controls to prevent and detect fraud and the risk that financial reports may be misstated; and auditors' evaluation of the internal control system of the organization (financial and administrative controls), including questions regarding the competence and integrity of management. However, if fraud has been identified by auditors, whether it results in material misstatement or not, auditors should communicate these issues to the appropriate level of management on a timely basis, and consider the need to report such matters to those charged with governance, in accordance with ISA 260.

The majority of the public believes that auditors have a role to detect and report on all illegal acts committed in the organization (Al-Alimi and Katdare, 2013, p. 7). However, according to ISA, this is not necessarily the case (ISA 200). The examination by auditors may result in the detection of illegal acts, but it cannot be relied upon because the determination of whether an act is illegal or not involves legal issues beyond auditors' competence, and the fact that illegal acts may pertain to aspects of the entity's operations generally unrelated to financial statements. It should also be noted that the management might conceal illegal acts. Besides, there are limitations to the auditing process that may permit illegal acts to remain undiscovered. The size, complexity, and ownership of the entity have a significant influence on the consideration of relevant fraud and illegal acts, since

the public sector auditor's responsibilities relating to fraud may be a result of law, regulation or other authority applicable to public sector entities or separately covered by the auditor's mandate. Consequently, the public sector auditor's responsibilities may not be limited to consideration of risks of material misstatement of the financial statements, but may also include a broader responsibility to consider risks of fraud. (ISA 260, p. 330, par. A6).

Auditors are not, however, responsible for searching for illegal acts that are not expected to result in material misstatements (ISA 240).

Conclusion

The literature review in this chapter provided an overview of research on public reforms, particularly the impact of agencification on accountability and VFM. Secondary information provided a clear understanding of the challenges facing the management of public resources. It also addressed many critical arguments on NPM, agencification, VFM audit and the impact of fraud on the quality, equity and efficiency of services provided to the public. Furthermore, the literature provided guidance and insights to the gathering of empirical data and the kind of data required in primary data collection. The critical analysis of the literature, including the analysis of the principal-agent theory and the adoption of the NPM doctrine in the management of the public sector, helped to refine the research questions of the dissertation.

CHAPTER II – RESEARCH METHODOLOGY

This chapter covers the strategy used for data collection. It specifically provides the research philosophy, research design, the units of analysis, the scope of the dissertation, sample population, sampling technique and the instruments adopted for data collection and analysis. The chapter is concluded by validity and ethical considerations.

1. Methodological framework

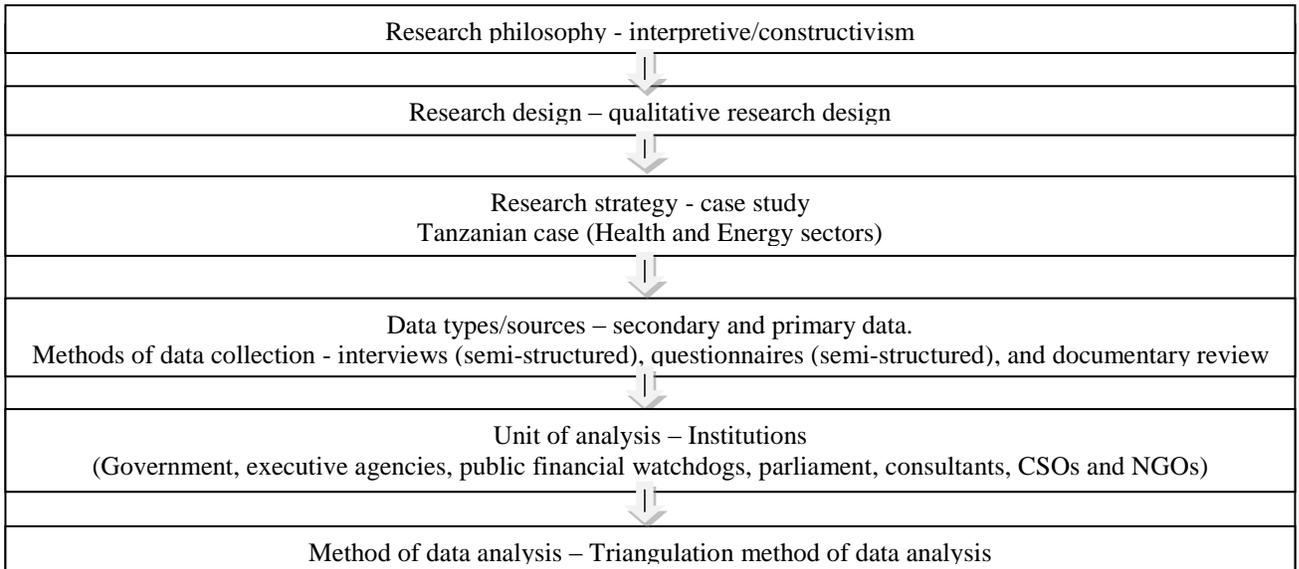
The methodology of this research aims at exploring the usefulness of public financial watchdogs in assuring VFM in public resources according to the NPM doctrine. In order to achieve the intended objectives, research questions have been designed to achieve the following goals: to observe public financial watchdogs' responsibilities in ensuring VFM; to measure accountability, transparency and responsibility in public management; to evaluate whether innovations in NPM improve efficiency on the utilization of public resources to deliver equitable, good quality and efficient services to the public; and to find the position of the public in the NPM doctrine and the agencification process.

In order to measure public financial watchdogs' responsibility in the context of VFM in Tanzania, indicators of public financial watchdogs' institutions have been constructed along the following key attributes: the role of supreme audit institutions, the independence from the government, the credibility of audit opinion (audit findings), human and financial resources' capacity, the availability, adequacy and accessibility of data from the auditees, their mandate towards the enforcement of audit recommendations, and the involvement of civil society organizations (CSOs) and non-governmental organizations (NGOs) in performing oversight functions. On the other hand, it is intend to measure accountability, transparency and responsibility of agencies along the following key elements: the autonomy of agencies, whether agencies reveal their performance, whether they face consequences for poor performance, whether they follow the rules, and whether they fulfill their responsibilities. In order to evaluate to what extent innovations in NPM improve

efficiency on the utilization of public resources to deliver equitable, good quality and efficient services to the public, the dissertation will focus on the implementation of Performance Management System (PMS), the setting of performance objectives/performance indicators (SMART), and performance, monitoring and evaluation mechanisms (M&E). Lastly, the position of the public in the agencification process will be measured by the involvement of the public in decision-making, openness (access to financial information and auditors' findings), and the actions that citizens can take if agencies do not deliver good quality, equitable and efficient services.

Therefore, the following questions have guided the dissertation: how is Tanzania's agencification and accountability framework characterized? What is the degree of control and autonomy of agencies? How do agencies' structures characterize? Do appointing authorities influence executive agencies? What is the level of public financial watchdogs' autonomy in their relationship with the government? Are executive agencies an answer to improved performance of the public sector and public management standards? What are the challenges facing auditors when executing their professional responsibilities? What factors are likely to hinder the achievement of VFM in the public sector?

Figure 5: The research methodology coherence model for the dissertation



Source: Researcher's own construction.

With the exception of two central questions, six questions are sub-questions. In a qualitative study, the inquirer designs research questions, not objectives (i.e. specific goals for the research). These research questions assume two forms: a central question and associated sub-questions (Miles and Huberman, 1994; Creswell, 2013). According to Creswell (2013), the researcher can ask one or two central questions followed by five to seven sub-questions. He argues that several sub-questions are important as they narrow the focus of the study but leave open the questioning. Miles and Huberman (1994) explained the limits of research questions. They recommended that the researcher designs no more than a dozen qualitative research questions (central and sub-questions). From that point of view, I consider that the eight research questions are within the required limits of qualitative research question. How is Tanzania's agencification and accountability framework characterized, and how do agencies' structures characterize are the central questions of this dissertation.

2. Research philosophy

The understanding of the research philosophy is significant because it assists the researcher to evaluate different methodologies of data collection, and adopt the ones suitable for the research. Researchers can, therefore, avoid the use of inappropriate methodologies and, thus, they can minimize unnecessary work of indentifying the limitations of the methods adopted (Easterby-Smith et al., 1997). The methodology of this dissertation therefore begins by the critical evaluation of different philosophies to examine the ones suitable for study. The philosophy and methods of data collection depend on the context, the nature of the questions to be investigated, researchers' experience, goals of the study, and researchers' personal beliefs (Denzin and Lincoln, 1998). According to Shih (1998), there are four areas of consideration when deciding on research methods: the philosophical paradigm and the goals of the research; the nature of the research and the interest of the study; the level and the nature of research questions; and issues related to research environment and the efficient use of resources. On the other hand, in order to effectively achieve the goals of the study, Proctor (1998) emphasized on the significance of consistency and the linkage between the goals of the research, research questions, research methods, and the philosophy of the researcher.

According to Crossan (2003), there are two major philosophical paradigms of research, namely positivism and post-positivism. The former adopts clear quantitative investigation while the latter aims at a qualitative in-depth description and exploration of a phenomenon. Jones (2009) categorized two schools of thoughts: the modernist perspective, within which functionalism, positivism, objectivism, and conventionalism are included; and the post-modernist perspective, in which interpretivism, subjectivism, and phenomenological/constructivism are included. Research paradigms have been explained by Guba and Lincoln (1994) and Guo and Sheffield (2006), who gave a detailed account of positivist, interpretivism, constructivism, and critical pluralism. Guba and Lincoln (1994) pointed out areas of consideration when deciding on research philosophy issues. They noted that the adoption of a research paradigm depends on the aim of the research, on research assumptions, the researcher's stance, values and types of reasoning, research methods and the type of analysis, and the research plan. Guba and Lincoln (1994) and Guo and Sheffield's (2006) explanations are summarized in the table below (see next page).

After a critical examination of different methodological approaches, the study decided to adopt the qualitative interpretative/constructivist design. I believe that the interpretativist/constructivist design can be useful to explore the details of NPM in relation to VFM from a qualitative perspective. Hawe (2003) argued that most characteristics of interpretivism are similar to constructivism, meaning that the two paradigms amount to the same thing. For instance, both theories believe that meanings are constantly being created, changed, modified and developed through interaction. They assume that knowledge and meaning are constructed from peoples' experiences. According to Mertens (1998), both interpretivism and constructivism are guided by the assumption that knowledge is socially constructed by people are actively involved in the research process, and that researcher should attempt to understand the complex world of lived experience from the point of view of those who live in it. Interpretative research design allows the study of real-life examples by exposing the social meaning of reality as understood by stakeholders (Leblanc and Thomson, 2012). Since meaning is constructed by people as they engage with the world they are interpreting (Crotty, 1998) it is believed that the interpretativism/constructivism design can be useful to explore stakeholders' views on the implementation of NPM and how PMS has improved public services' quality, equity, efficiency and accountability.

Figure 6: Research paradigms and research methods

Research paradigm	Positivism	Interpretivism/Constructivism	Critical pluralism
Assumptions	Objective world which science can measure and ‘mirror’ with expert, privilege knowledge	Inter-subjective world which science can represent with concepts and indicators; social construction of reality	Material world of structure contradictions and /or exploitation which can be objectively known only by removing tacit ideological biases
Aim	To discover universal laws that can be used to predict human activities	To uncover social constructed meaning of reality as understood by individual or group	To uncover surface illusion so that people will be empowered to change their world
Stance of researcher	Stands aloof and apart from stakeholders and subject matter so that decision can be made objectively	Become fully involved with stakeholders and subject matter to achieve a full understanding of the stakeholders’ world	Involved with stakeholders so that surface illusion can be identified, but urges subject to change their world
Values	Value free; their influence is denied	Values included and made explicit	Value included and made explicit
Types of reasoning	Deductive	Inductive	Deductive and Inductive
Process plan	Rigorous, linear and rigid based on research hypothesis	Flexible and following the information provided by the research stakeholders	The impact for change guides the activities of the researcher
Typical research method and type of analysis	Experiments, questionnaires, secondary data analysis; quantitatively coded documents, statistical analysis	Ethnography, participant observation, interview, focus groups, conversational analysis, case studies	Field research, historical analysis, dialectical analysis, feminist studies, case studies of personal experience and injustice
Goodness or quality criteria	Conventional benchmark of “rigor”, internal and external validity, reliability and objectivity, technical excellence validity by objective truth	Trustworthiness and authenticity, fit with social norms; interpersonal consensus validated by rightness of advocacy (speech acts) and actions	Historical situatedness; erosion of ignorance and misapprehensions; sincerity or belief; action stimulus; personal commitment validity by truthfulness

Source: Adapted from Guo and Sheffield (2006, p. 3), with little modification.

By making use of the interpretivist approach, knowledge mapping about public sector management has been clearly addressed. The interaction between the researcher and stakeholders has helped to uncover stakeholder’s views on the implementation of NPM and the achievement of VFM in the public sector. Public management problems and implications are ready to be captured from people’s experiences, recognizing at the same time that the people are not that ignorant about public management. What is needed therefore is the “how”, the appropriate mechanism that can systematically be developed to bring change. Thus, fully involvement with stakeholders has achieved the goals of the study, especially to get a full understanding of the respondents’ view on the management of public resources (Guo and Sheffield, 2006). Furthermore, the understanding of the socially constructed meaning of reality as understood by individuals or groups is significant to

address issues that need changes in public management settings. Therefore, the interpretative paradigm seems to be more appropriate to this dissertation.

3. Research design

This dissertation design is meant to explore the usefulness and functioning of public financial watchdogs as a result of NPM in Tanzania. The focus is on the utilization of public resources to achieve VFM in the agencification setting. Both published and unpublished materials related to public management, agencification and VFM drawn from different sources were analyzed. It is a three-year study divided into three major stages: stage 1 involves contextualizing public reforms in which the theoretical background on public reforms and its implications to VFM have critically been studied; stage 2 includes a critical examination of the principal-agent and NPM theories, and the analysis of empirical literature on agencification for Tanzania; stage 3 comprises the fieldwork during which primary data was collected and analyzed qualitatively.

In undertaking this study, a qualitative research approach has been preferred for a number of reasons. The purpose of this study is not generalization (Fischer et al., 2007), but rather to produce evidence on the impact of agencification on accountability and the role of public financial watchdogs in ensuring VFM. On the other hand, the method provides ground for obtaining sufficient and trustworthy information through the use of multiple methods of data collection. Apart from being cost-effective, greater achievement can be made from thoroughly reviewing a small sample (Saunders et al, 2000; Saunders et al., 2004; Neuman, 1994). Qualitative research is able to provide a more holistic picture of a phenomenon, which allows considering multiple factors (Kane and Burn, 2001; Williams et al., 2014).

However, the holistic approach to qualitative research faces some challenges when addressing questions around cause and effect. The method lacks the necessary control of variables that allows the researcher to determine with confidence cause and effect relationships (Williams et al., 2014, p. 69-70). Qualitative approach is preferred by interpretative studies for its ability to inductively and holistically understand human experience within a certain scenario (Guba and Lincoln, 1994; Mertens, 1998; Ha, 2011). Another reason is based on the belief that the research questions for this dissertation will provide better results if they are addressed qualitatively. This is due to the fact that an in-

depth understanding of social issues, including accountability and efficiency in public management, can be addressed qualitatively.

Qualitative research has the ability to describe in detail phenomena situated and embedded in local contexts, which enables the researcher to identify contextual and setting factors (Gephart, 2004; Fischer et al., 2007). Furthermore, as argued by Gephart (2004), qualitative research helps to humanize research by highlighting the interactions between actors in the social context. Qualitative approaches are responsive to local situations, institutions, and stakeholders' needs (Fischer et al. 2007). Thus, the approach provides an opportunity for interaction with government officials, agencies' CEOs, members of the parliament, academics, the civil society, NGOs and auditors, which is necessary for understanding the challenges facing the management of public resources.

Qualitative methods also facilitate an analytical approach to both simple and complex interlinking questions (Fraser and Cândido, 2001). For instance, Sulle (2010) adopted qualitative design when examining management change as a result of the agencification programme in Tanzania. He used both survey questionnaires and semi-structured interviews with purposely-selected senior officials from agencies and parent ministries. According to Sulle (2010), interviews were very useful as they helped him to understand issues not well attended in the survey. Similar to Sulle's study, this is a single case study. With some modifications, of course, this dissertation adopts Sulle's (2010) approach to primary data collection. For instance, in addition to the in-depth interview with purposely-selected respondents and the use of semi-structured questionnaires, documentary review was also used. Questionnaires have been chosen for the purpose of not only obtaining additional information but also for descriptive statistical data presentation and analysis. Unlike Sulle, who gathered primary data from agencies' CEOs and senior government officials (Sulle, 2010), this dissertation has extended the scope of primary data. Thus, in addition to senior officials from agencies and parent ministries in the energy and health sectors, senior officials from the office of the Controller and Auditor General, members of the parliament, consultants and members of the academic community, and civil society and NGOs' staff were included in the sample.

4. Research strategy

The dissertation adopted a single case (case study in which empirical cases for Tanzanian public sector reforms was analyzed). Researchers need to ensure that they have sufficient justification other than convenience or accessibility to guide the selection of cases (Silverman, 2000, p. 104). Following Silverman's view (2000), there are a number of reasons that have been considered in selecting this analysis of public reforms in Tanzania. To begin with, Tanzania is a developing country. Therefore, economically, politically, sociologically, culturally and at the level of the legal framework the country is different from many countries, which has an implication on the implementation of new public reforms' strategies, particularly in the regulatory framework and the structural set up of agencies. However, the use of NPM and agencification is a global influence whereby, irrespective of differences among countries, the model has been increasingly used (Pollitt, 1993; Lonsdale, 2000; World Bank, 2002; Moon, 2002; Des Gasper, 2002; Ferlie et al., 2005; Renukumar, 2010). In addition to that, the goals and the expected outcome of NPM is fairly the same across the planet. Importantly, empirical evidence shows that despite the adoption of NPM, the implementation of the performance-based management, and the existence of public financial watchdog institutions, there has been an increasing perception of fraud, irregularities, corruption and inefficiency in the use of public resources in Tanzania. This is one major reason that makes Tanzania's public administration an interesting case study.

Secondly, like other countries, Tanzania has been influenced by the global economic pressure to implement NPM in public reforms. I intended, therefore, to point out the characteristics of Tanzania's agencification and accountability framework in the implementation of the model, and whether the characteristics have any contribution to the success or failure in the utilization of public funds to deliver goods and services. This is in line with Bryman's (2008) argument that the aim of analysis of a case is to seek explanations for distinctive characteristics regarding the issue at stake.

Thirdly, the fact that there is no single study that specifically explores the usefulness of public financial watchdogs, a study that finds the position of the public in the adoption of the NPM doctrine specifically in Tanzania, provides an opportunity to analyze the outcome

and implications of public reforms in the country. Fourthly, I wanted to test how Tanzania's public financial watchdogs ensure the correlation between public expenditure and good quality, equitable and efficient services.

According to Yin (2009), case study is an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real life context, especially when the boundaries between phenomenon and context are not clearly evident. Therefore, "(i)t enables the researcher to gather data from a variety of sources and to converge the data to illuminate the case." (Baxter and Jack, 2008, p. 556). Case studies are vital not only in helping to strengthen skills of independent thinking and creativity, they can also help to motivate, build confidence and commitment (Des Gasper, 2002, p. 43).

Given that time, energy and financial resources are scarce, the intensive analysis of a few cases is more promising than the superficial statistical analysis of many cases (Lijphart, 1971, p. 685; Collier, 1993, p. 106). That means that the case study strategy provides researchers with the ability to conduct studies with limited resources. Collier (1993) argued that the case study method suffers from several limitations. On the one hand, if attention is not given to the process which leads to the generation of the data and outcomes, the case study could be meaningless (Denscombe, 2003, p. 31). On the other hand, unlike other qualitative research strategies, since the case study methodology focuses on a single unit and on a single instance, it faces the generalization restriction (Stake, 2005). One major disadvantage of using a case study is external validity. What case studies gain in internal validity they lose in external validity, because case studies, particularly single-case studies, have been facing criticisms that results cannot be generalized beyond the case at stake. However, despite the limitations of the case study methodology, even distinguished scholars have frequently used it. Despite the shortcomings of case studies, the method qualifies as a serious research tool, especially when the researcher has little control over the event, and when the focus is on a contemporary phenomenon within some real-life context (Yin, 1994, p. 1). Findings from a single case study should not be given much weight in the evaluation of hypothesis and theories (Lijphart, 1971, p. 691). Moreover, Yin (2003) argued that case studies face the problem of insufficient accuracy and objectivity.

I am also aware that despite the appropriateness of a single case study strategy it is likely that findings in the case of Tanzania may not be enough to generalize the usefulness of public financial watchdogs and the performance of agencies in relation to VFM worldwide. However, the use of literature regarding public management and VFM, and the appropriate plan and procedures for data collection and analysis, will provide an understanding of how public reforms have improved quality, equity, efficiency and accountability in the provision of public services. Therefore, fieldwork was guided by a plan and a timetable, proper administration of interviews and questionnaires, and an organized systematic procedure for data transcription and analysis. Similarly, several propositions and perceptions regarding NPM and VFM in the literature were tested against the evidence collected from the fieldwork and documentary review (Popper, 1963).

5. Approach of the dissertation

The dissertation analyses both theoretical and empirical literature on public sector reforms in Tanzania. In addition to that, issues, propositions and arguments obtained from the literature were tested through primary data obtained from empirical analysis. The use of both primary and secondary data was crucial for getting a wide range of information on governance in the public sector, agencification, and the role of public financial watchdogs in assuring VFM.

5.1. Secondary research

The dissertation begins by exploring secondary data as a way to broadly understand stakeholders' perceptions on accountability in the management of public resources according to NPM. I believe that both theoretical and empirical literature are essential as they provide a detailed understanding of the issue at stake, and that theoretical and empirical data are part of secondary information. Secondary data analysis involves the analysis of data collected by someone else (Boslaugh, 2007). Unlike primary data, which is collected from firsthand field experience, secondary data encompasses information gathered in the past (Boslaugh, 2007; Vartanian, 2011). The dissertation has used different sources of secondary data, including journals, articles and textbooks from library search and Internet search. Secondary data plays a crucial role in providing a guide to the kind of data to be collected during primary data collection (Velde et al, 2004; Boslaugh, 2007).

Thus, before collecting the first hand data, I analyzed the breadth of existing data in relation to the issue under research.

Regardless the usefulness of secondary data, users should bear in mind that data were not designed to answer their specific questions, and that some of secondary data may be generated from unreliable sources (Boslaugh, 2007). In consideration of Boslaugh's caution, only those publications, including articles, papers and journals on the principle-agent theory, NPM doctrine, agencification, VFM audit and those relevant to the goals of the dissertation, were used. Both published and unpublished materials are essential for widening knowledge on public management. Therefore, different documents including energy policies, health policies, legislations and regulations, standards on quality and performance management, and statistical information obtained from Tanzania were used. On the other hand, reports published by the United Nations and the World Bank on public management, donors' reports and National Audit Office's (NAO) reports provided information about key stakeholders in the agencification process, governments' revenues and expenditures in relation to the performance of public services, and problems facing public management in different countries.

Boslaugh (2007) argued that as long as the secondary data analyst is just a user (meaning that users did not participate in the planning and data collection process), the analyst is limited to know how serious the data collection exercise was carried out. I am aware of the significance and challenges of using secondary data. All secondary data were critically examined to establish the quality of data and their linkage to research questions and methodological requirements of the dissertation. Furthermore, in order to ensure the quality of secondary information, only secondary data from reliable sources were processed.

5.2. Primary research

Apart from the fact that secondary data provides sufficient theoretical and empirical information, primary data is essential as it provides evidence from respondents' experience. In order to achieve a wide range of information from practitioners and other experienced stakeholders in the management of public resources, interviews, documentary review and questionnaires were used. I decided to use interviews, documentary analysis and

questionnaires because they complement each other, and the use of different techniques was necessary to enhance the credibility of findings.

Interviews are a powerful data collection instrument in qualitative research due to its ability to clarify some questions and doubts that may perhaps not be clearly answered by documentary research and questionnaires. Thus, interviews were a major tool of primary data collection in the dissertation. Both interviews and questionnaires were semi-structured (organized in a way that combines a pre-determined set of open questions with the opportunity to explore particular issues). Semi-structured questions do not limit respondents to a set of pre-determined answers. Thus, it gives freedom to respondents to bring up their new ideas in addition to the pre-determined ones. In order to save time during the analysis, questions were designed so that respondents could easily understand them. They entailed several questions that have both structured and open-ended response categories. Interviews and questionnaires addressed four major issues: i) public financial watchdogs' responsibilities in assuring VFM; ii) accountability, transparency, and responsibility in public management; iii) efficiency in public spending in relation to quality, equity, and efficiency of services to the public; and iv) the position of the public in NPM and the agencification process. However, in order to get reliable information, respondents were purposively selected based on their knowledge, skills and experience on public sector reforms, NPM, agencification and VFM. One of the significances of interpretative design is that the aim of the inquiry is to uncover the social constructed meaning of reality as understood by more informed or experienced individuals or groups (Guba and Lincoln, 1994). Therefore, the use of experienced and well-informed respondents was essential to achieve the goals of the dissertation.

The unit of analysis of the dissertation encompasses institutions (including governments and executive agencies), professionals (including public financial watchdogs and consultants/academic community), and community representatives (including the parliament, NGOs and CSOs) (see table 2 for more details). Respondents from the aforementioned groups of stakeholders were purposively selected by their positions, knowledge and experience. Besides, having worked closely with several government officials and academic institutions in Tanzania, I personally know many agencies' chief executives, auditors, members of parliaments, and government officials.

6. Techniques for primary data collection

6.1. Interviews

Qualitative research relies extensively on in-depth interviews. Cannell and Axeirod considered an interview as “a conversation with purpose” (Cannell and Axeirod, 1956, p. 149). Depending on research questions to be investigated and the scope of investigation, interviews are an attractive proposition for researchers. Besides basic technical skills and researchers’ ability to conduct a conversation, a notepad and a portable tape-recorder, interviews do not require other technical stuff (Denscombe, 2003, p. 163). One of the strengths of this technique is that it allows the use of other techniques, such as questionnaires, which is important to get additional information to strengthen the findings. Interviews allow both facilitation of multi-voice reconstruction (researchers’ personal interaction and cooperation with respondents quickly yields a wider variety of data from a diversity of respondents), and participation of the researcher in the investigation (Guba and Lincoln, 1994). Patton (2002) grouped interviews into three major categories: the general interview guide approach, the informal conversational interview, and the standardized, open-ended interview.

Phenomenological interviews allow the researcher to identify the essence of the phenomenon. They serve the specific purpose of exploring and gathering data from different aspects of interviewees’ experiences as they emerge in the conversation (Creswell, 1998; Patton, 1990; Marshall, 2006). It is the responsibility of the researcher to identify the essence of the phenomenon, thereafter, clustering the data around the themes that describe the “textures of the experience” (Creswell, 1998, p. 150). The dissertation adopted the phenomenological interview approach, in which a small number of purposely-selected elites were interviewed. Phenomenological interviews have been chosen because of its purpose of describing the meaning of the concept or phenomenon that several individuals share (Marshall, 2006, p. 104). That is to say that NPM and VFM are shared phenomenon across the globe. Phenomenological interviews allow an explicit focus on the researcher’s personal experience combined with those of the interviewees (Marshall, 2006, p. 105). Furthermore, qualitative in-depth interviews are usually much more like conversations with *a priori* established categories of response. In-depth interviews are based on the assumption

that “the participants’ perspective on the phenomenon of interest should unfold as the participants view it (the ‘emic’ perspective), not as researchers view it (the ‘etic’ perspective).” (Marshall, 2006, p. 101)

Regardless that in-depth interviews are time-consuming to analyze, the method makes it easy to access a wide range of information. In-depth interviews can yield a massive of data within a short period of time. It is an efficient method of finding out how people respond to several specific issues (Fisher, 2004). Marshall (2006) emphasized that interview is a systematic questioning of respondents who have knowledge about what is under research. Thus, successful interviews require appropriate planning. Furthermore, a degree of systematization is required at the analysis and interpretation stages, when the researcher is testing findings in a more focused and structured questioning. The success of in-depth interview depends on how respondents participate in the interview. The interviewer’s success will depend on how well he/she has anticipated and practiced his/her role in ethical issues (Marshall, 2006, p. 101). Rubin and Rubin (1995) argued that researchers should understand and ensure that participants’ views are treated as valuable and useful.

Respondents may be unwilling and perhaps uncomfortable to share all that the researcher expects to explore (Rubin and Rubin, 1995). There is a possibility that some respondents may not be aware of some of the issues that the researcher expects to address. These arguments justify that in addition to interviews the use of documentary review and questionnaires is crucial. Another challenge is that interviewer may not be able to ask questions that induce long answers, especially if the researcher lacks expertise and familiarity with local language (Marshall, 2006). The aforementioned facts indicate that there is a possibility that some useful information may not be explored. However, I tried to make use of interpersonal and communication skills in case something is not well understood. Regarding the quality of data, in undertaking in-depth interviews, “the subjective view is what matters” (Marshall, 2006, p. 102). That is to say, when the interview is used as a sole way of data collection, the researcher is responsible to demonstrate that the purpose of the study is to uncover and describe respondents’ perspective on a certain issue. Referring to Marshall’s (2006) position that researchers need to demonstrate whether interview data will be triangulated with data collected through other

methods, the dissertation combined interviews with other techniques including documentary review and questionnaires that were triangulated during data analysis.

In-depth qualitative interviews were semi-structured. A total of twenty purposively selected respondents were interviewed. This included senior officials from the government, agencies, public financial watchdogs (CAG's office), consultants/academic community, members of the parliament, CSOs and NGOs (see table 2 for more details). Semi-structured interviews have been chosen because this technique (enables the researcher to have a fairly clear focus on the issues at stake. Regardless that respondents have greater flexibility in responding to a given question, and that questions may not necessarily follow in the exact order as they were outlined, semi-structured interviews stand as a guide as long as the interviewer keeps a list of questions on a fairly specific topic (Rubin and Rubin, 1995). A semi-structured interview represents an opening-up of the interview method to understand how interviewees deploy a meaning in social life (May, 2011, p. 135). Semi-structured interview allows questions not included in the original guide. Regardless that all the outlined questions must be asked with fairly similar wording, semi-structured interviews give flexibility to the interviewer to ask questions depending on how respondents frame and understand the issues at stake (Bryman, 2008). Therefore, in order to ensure comparability of data drawn from the wide range of research participants, fairly similar worded questions were used in each interview.

I am aware of the difficulty to remember all the data from interviews. Therefore, depending on respondents' point of view, interviews were expected to be recorded. However, interviews were not tape-recorded, as participants were skeptical of being recorded because of confidentiality issues. In addition to note taking, an interview guide was used to control the interview process.

6.2. Questionnaires

As noted earlier, semi-structured questionnaires were used. In addition to interviews with purposively-selected senior officials, a total of 23 semi-structured questionnaires were sent to selected respondents (see table 2 for more details). The art of questionnaire design involves thinking ahead about the research problem, the meaning of the concepts and how data will be analyzed, implying that the construction of questionnaires should reflect both

theoretical thinking and an understanding of data analysis (De Vaus, 2002, p. 94). Thus, questionnaire(s) were organized in a way as to achieve the research goals. They aim at providing information on the stakeholder's experiences, attitudes and perceptions on agencification and the role of public financial watchdogs in assuring VFM. For the purpose of encouraging respondents to answer the questions and save their time, questions were designed in such a way that they are specific to the context, easily understood, and clearly linked to the goals of the dissertation. Similarly, in order to simplify the analysis, questions were grouped into three headings: part one covered the general background of public reforms aiming at a broader knowledge and understanding of NPM, agencification and VFM from the stakeholders' perspective; part two included questions that seek to explore agencies' performance and the role of public financial watchdogs in assuring VFM. Issues of autonomy, accountability, transparency, responsibility, quality, equity and efficiency of services were surveyed in this part; part three covered stakeholders' opinions regarding mechanisms that can improve accountability, transparency, quality, equity and efficiency in the utilization of public resources.

Questionnaires are an essential tool for data collection as they provide broad knowledge from a wide range of information from respondents (Fisher, 2004). Tom and Tina (2011) argued that questionnaires are used to gather the opinion of a larger group of people that would not be reached by if only interviews or focuses group were used. On the other hand, Velde et al. (2004, p. 112) argued that open-ended questions allow respondents to provide detailed information without being interrupted. However, respondents may be de-motivated by the length of open-ended questions. More time is needed to analyze data, as there is no specific format for respondents' answers. Nevertheless, semi-structured and open-ended questions provide much information and encourage the use of professional judgments. In this dissertation, semi-structured questions were designed in a way that can control respondents' freedom to provide detailed information. They included some questions with pre-determined answers, which respondents were supposed to choose, as well as some open-ended questions (Velde et al., 2004). Questions were designed in a way that they can be analyzed using the descriptive statistical method (May, 2011).

6.3. Documentary review

In addition to interviews and questionnaires, documentary review was used in the dissertation. Documentary review is an unobtrusive method, rich in portraying the values and beliefs of participants (Marshall, 2006, p. 107). Documents are essential sources of data to both qualitative and quantitative research. Documentary review is viewed as a method for describing and interpreting the artifacts of a society. The use of documents entails a specialized analytical approach called content analysis (word-based, not incidence rate count). Raw materials for content analysis may be any form of communication, usually written materials (for instance, pictures), political speeches and emails. One of the greatest strength of content analysis is its unobtrusive and nonreactive nature, i.e., it can be conducted without disturbing the setting (Marshall, 2006, p. 108). Therefore, it is the responsibility of the researcher to determine where the emphasis lies after data have been collected.

According to Bryman (2008), the term ‘document’ covers a wider range of sources. They include personal documents (such as letters, diaries, autobiographies and photographs), official documents from governments and other private operating sources, and multimedia (including newspapers, magazines and photos). Marshall (2006) mentioned the minutes of meetings, formal policy statements, announcements, letters and the like as significant documents in developing an understanding of the setting. Bryman (2008) argued that documents are useful evidence in social sciences’ research. However, it is important for researchers to ensure the relevance and authenticity of documents. Furthermore, documents must be credible, representative and clearly provide meaningful evidence. The decision to collect and analyze documents should be linked to research questions. The review of documents by the researcher must be done with skepticism that “historians apply as they search for truth in old text” (Marshall, 2006, p. 108).

Governments are major sources of information for social science research (Bryman, 2008). For instance, statistical information regarding the number of agencies in different sectors and the services they offer can be obtained from the government’s bureau of statistics. Furthermore, official documents (including policies, public management strategies, acts and regulations) are obtained from governments. In addition to government documents,

personal documents such as diaries and letters might be used. However, Scott (1990) pointed two major concerns regarding personal documents: factual accuracy, and whether they report the true feelings of the writer. The span of inferential reasoning is one potential weakness of documentary analysis, since “numbers do not speak for themselves” (Marshall, 2006, p. 108). Therefore, a cautious display of the logic of interpretation of artifacts is necessary. I expected that the combination of documentary analysis with in-depth interviews and questionnaires would generate credible interpretation on issues regarding NPM, agencification and VFM from the stakeholders’ perspective.

Referring to official documents, companies and organizations produce many documents, some of which are in the public domain, such as annual reports, mission statements, press releases, advertisements and those printed on organizations’ webpages. Other documents, such as newsletters, organization charts, minutes of the meetings, memos, internal and external correspondence manuals, policies, strategies etc., were categorized as documents that might not be found in the public domain (Bryman, 2008). The latter category is difficult to be accessed. Hence it forces researchers to rely on public domain material.

The dissertation intended to analyze documents, including newspapers, magazines, and television programs, as potential sources of data in social sciences’ research. The mass media can be examined quantitatively using the content analysis method, but also qualitatively based on their qualitative nature (Bryman, 2008). Virtual documents (documents that appear in the internet) were also used. Considering Scott’s (1990) argument that authenticity, credibility, representativeness and meaning should be observed when analyzing documents, and the fact that Internet is potentially a huge source of information to social sciences’ research (Bryman, 2008), special attention was given at documents drawn from the Internet. Thus, only information obtained from a credible source, such as government websites, websites of independent government agencies, and websites of international organizations such as the IMF, the UN and the World Bank were used.

7. Scope of the study, sample population and the unit of analysis

It is argued that “the population, as with any research, needs to be defined, and where probability sampling techniques are to be used, an adequate sampling frame needs to be

available” (May, 2011, p. 120). There are many agencies performing different functions in the Tanzanian public sector, including regulatory and operational agencies. However, the dissertation focused on public regulatory agencies, specifically in the energy and health sectors. Regulatory agencies are responsible for regulating any contradictory interests among stakeholders and for monitoring the sector’s activities. Some regulatory authorities have the responsibility to control the market and the way the market operates. Since they are public agencies they are expected to ensure that public and private companies deliver public goods and services to the public at affordable prices and good quality standards. Generally, apart from the vital role played by operational agencies, regulatory agencies have a greater impact in the functioning of operational agencies. In fact, operational agencies work under the regulation, supervision, monitoring, evaluation and control of regulatory agencies (OECD, 2002; Laking, 2005). According to OECD (2002), in every country there are public organizations performing operating tasks that do not fully possess the characteristics outlined by the tripod model. The dissertation was, therefore, limited to regulatory agencies in the health and energy sectors. The unit of analysis covers institutions in which respondents include agencies’ senior officials, government officials, public financial watchdogs (CAG’s office), consultants/academic community, members of the parliament, CSOs, and NGOs.

Referring to a situation where the population is so widely dispersed that cluster sampling would render inefficient, De Vaus argued that “there are often situations where probability sampling techniques are either impractical or unnecessary” (De Vaus, 2002, p. 88). In such situation, non-probability sampling is useful. I am aware that the sample population of the dissertation includes respondents from institutions whose populations are widely dispersed. Thus, judgmental sampling was considered useful, as suggested by De Vaus (2002). I am also aware that, due to its non-scientific nature, the credibility of the report regarding NPM, agencification, and the position of public financial watchdogs in attaining VFM may be low. This is due to the reason that non-scientific sampling may fail to offer the facts required in academic research, as suggested by Ritchie and Goeldner (1994) and Fischer et al. (2007). Furthermore, much time may be required for appropriate planning and data analysis. However, knowledge, experience and familiarization with reliable respondents, including agencies’ CEOs, government officials, public financial watchdogs, consultants,

members of the parliament, CSOs and NGOs (particularly in Tanzania), provided timely, reliable and quality information that has increased the credibility of the report. Moreover, sample population was selected carefully. This has minimized the waste of time during data collection, and ensured that reliable information is obtained. Similarly, thorough analysis of the information was made.

As noted earlier, purposive sampling was used in selecting respondents. The purposive sampling method fosters the use of professional judgment (Ritchie and Goeldner, 1994). Due to its judgmental characteristics, purposive sampling allows flexibility to researchers to identify and determine the sources that can provide sufficient, reliable and good quality information. The method gives more weight to the quality of sources of information than quantity, and it can supply a wide range of information from well-informed respondents such as politicians and trade unionist who are purposively selected (May, 2011). By considering the complexities of accountability frameworks in which public agencies operate, the number of the agencies and the diversity of their services, purposive sampling can help to make use of small samples to understand the entire public agency. In fact, “where non-probability sampling techniques are used, the size of the sample is less precise with the principle that the sample size should be large enough to gather the data that you require” (May, 2011, p. 102). Thus researchers are required to take into account the representativeness of different groups or subgroups within the target population. Similarly, Bryman (2008, p. 376) argued that with purposive sampling, sampling is conducted with reference to the goals of the research, so that units of analysis are selected in terms of criteria that allow research questions to be answered.

By considering Ritchie and Goeldner (1994), Bryman (2008) and May’s (2011) views, it has been decided that a total of twenty purposively selected respondents were interviewed and twenty-three questionnaires were supplied to purposively selected respondents. Selected group of individuals were interviewed on common topics, because group dynamics can provide valuable information (Fischer et al., 2007). I did not plan to collect data from the general public (for reasons of heterogeneity) to minimize the cumbersomeness of data collection-exercise and analysis and to avoid the complexity and difficulties of obtaining data from a large diversity of service users. Therefore, the dissertation focused on purposively identified professionals and institutions’ leaders,

including the government, agencies, public financial watchdogs, members of the parliament, CSOs and NGOs, whereby members of the parliament, NGOs and CSOs represent the general public (service users) (see table 2 for more details).

Figure 7: the unit of analysis: questionnaires and interviews with cross-sectional respondents

	Group of respondents	Questionnaires	Interviews
	A. The government and the executive agencies		
1	Executive agencies	5	4
2	Delegating authorities /government officials	5	4
	Sub total	10	8
	B. Professionals		
3	Public financial watchdogs (CAG)	5	4
4	Consultants /academic community	2	2
	Sub Total	7	6
	C. Community		
5	Members of the parliament, CSOs and NGOs	6	6
	Sub total	6	6
	Total number of respondents	23	20

7.1 Data analysis

After primary data collection, data were triangulated. According to Baxter and Jack (2008), triangulation allows the analysis of data obtained from multiple-methods of data collection. Thus, all the data gathered through interviews, questionnaires and documents were analyzed, crosschecked and linked for valid findings. There are different forms of triangulation: first, data triangulation, which entails gathering of data through several sampling strategies, different situations, and a variety of people; second, investigator triangulation, which involves the use of more than one researcher to gather and interpret data; third, theoretical triangulation, which uses more than one theoretical position in interpreting data; and fourth, methodological triangulation, which involves the use of more than one method of data gathering (Bryman, 2011, p. 1142).

I decided to use methodological triangulation for the following reasons: first, the dissertation is designed to use three methods of data collection (interviews, questionnaires and documentary review), therefore a multidimensional method is essential; second, methodological triangulation allows crosschecking of data from different methods of data collection, which enhances the validity of findings; and lastly, for the ability to provide a comprehensive perspective on a given situation and to generate new insights, the method has been appreciated by many scholars, including Denzin (1970), Thurmond (2001), Baxter

and Jack (2008), and Bryman (2011). With triangulation, it is possible that data can be drawn from a more diverse set of sources and this diversity ensures comprehensive analysis. For instance, Sulle (2010) adopted the triangulation approach for data analysis, and according to him it improved the validity of research findings. On the other hand, triangulation faces several criticisms, for instance it is argued that “triangulation assumes that sets of data deriving from different research methods can be unambiguously compared and regarded as equivalent in terms of their capacity to address a research question” (Bryman, 2011, p. 1143). According to Denzin (1970), such view fails to take account different social circumstances associated with the administration of different research methods, especially those associated with a between-methods approach⁸. However, Bryman (2011) acknowledged that regardless that triangulation faces several limitations, the significance of triangulation as a device for enhancing the credibility and persuasiveness of research findings is appreciated.

7.2. Validity considerations

Validity is another word for truth (Silverman, 2000, p. 175). Kumar (2005) noted that validity is a degree to which the researcher measures what was intended to be measured. Rubin and Rubin (1995, p. 90) argued that in order to increase credibility, researchers should ensure that core concepts and research issues consistently occur in a variety of cases and in different settings. The relevance, appropriateness and accuracy of data are essential to determine the quality of research findings. A proper demonstration of research methods and procedures is crucial for a reliable and valid conclusion. The goals of the dissertation are achieved by using appropriate research design, methods of data collection, and well-demonstrated procedures for data collection. The clarity of procedures and the reliability of data collection methods provide evidence that the findings and the conclusions of the dissertation are based on critical research of secondary and primary data. Furthermore, the quality of findings and conclusions is based on the analysis of the combination of theoretical perspectives of public reforms, empirical evidence on agencification in

⁸ An in-between approach involves the use of two or more methods of data collection. These methods must be, in any case, similar. One example is the use of structured interview and focus group. According to Bryman (2011, p. 1143), “the apparent failure of the findings deriving from the administration of a structured interview to converge with focus group data may have more to do with possibility that the former taps private view as opposed to the more general ones that might be voiced in the more public arena of the focus group.”

Tanzania, and primary data from reliable, experienced and wisely purposively identified respondents.

Focusing on the global context has implications as far as external validity threats are concerned, particularly the issue of generalization (Rubin and Rubin, 1995). The problem lies in the possibility that the sample may not be fully represented. Unlike quantitative research, qualitative study fosters the use of interviews in which the researcher is a primary actor for data collection and at the same time the agent of interpretation. This raises the issue of bias, particularly in sample selection, analysis and conclusion. However, fieldwork involved well-experienced respondents in terms of their positions and their involvement in relevant decision-making processes. Based on their experience, they were expected to provide their understanding of public management reforms and the implications of VFM in Tanzania. Furthermore, data analysis was done through interpreting and objectively explaining the meaning of data provided by respondents both in words and actions rather than speculation and subjectivity.

The quality of research is determined by whether researchers observe both internal and external validity threats (Maxwell, 1999, 2005; Patton, 2002; Onwuegbuzie and Leech, 2005; Onwuegbuzie and Johnson, 2006; West and Thoemmes, 2010). I intended to minimize the level of internal validity threats by being careful in selecting data from reliable sources, by using quality, factual and accurate information, and by ensuring that data obtained from different sources are properly recorded and documented. West and Thoemmes (2010) pointed out that the possible threat to internal validity depends on the research design, the methods of data collection, previous research and theories. The dissertation adopts a non-probability sampling method that requires the use of professional judgment. In Ritchie and Goeldner's (1994) view, the non-probability method makes it easy to control the study from the beginning to end. I am aware that judgmental sampling might be biased. Indeed, the method gives freedom to the researcher to choose only those elements which he/she believes that will be able to deliver the required data, and that researchers can deliberately include/exclude some of the elements in the sample (Ritchie and Goeldner, 1994). Furthermore, much time was required for appropriate planning and data analysis. However, my knowledge, experience and familiarization with respondents

(including government officials and agencies' Chief Executive Officers), provided reliable and valid information, which I believe will increase credibility of the report.

On the other hand, following the judgmental nature of this study, there is the possibility for readers of the dissertation to question the link between the theoretical and the empirical frameworks and the goals of the study. However, the dissertation adopted the qualitative research model linking the theoretical and empirical frameworks of this study with its research philosophy, research design and data collection techniques. In addition to interviews, questionnaires and documentary review were used. Each technique supplemented the information collected by other techniques. Hence, sufficient information regarding public reforms was acquired. Although it was difficult to get all respondents willing to participate in interviews since they were busy, and some were only available to a short interview time, more than 90% of the expected information was collected, which was enough to deliver a valid analytical report.

7.3. Ethical considerations

The consideration and compliance of ethics are essential in social sciences' research (Silverman, 2000; De Vaus, 2002; Bryman, 2008; May, 2011). Ethical responsibilities extend to several types of stakeholders, and they all might be affected by the research process or by its results (De Vaus, 2002, p. 59). De Vaus mentioned research stakeholders as: research participants, professional colleagues, sponsors and funders of the research, and the wider public. I therefore planned to balance ethical issues with technical and practical considerations by ensuring that the procedures for this dissertation are technically correct, practically efficient and ethically sound, as De Vaus (2002, p. 58) outlines. The researcher ensured that: first, the research design, sample population and data collection techniques are as vigorous as possible; second, the dissertation is designed in a way that achieves its intended goal; and, thirdly, the dissertation process does not entail any unethical procedure or activity, and that the study design and process takes into account the ethical guidelines as issued by the University Fernando Pessoa (UFP) ethics committee and other professional associations including the British Sociological Association (BSA), the Social Research Association (SRA), the American Sociological Association (ASA).

In his social research method book, Bryman referred to Diener and Crandal (1978) who divided ethical issues into four main categories: whether there is harm to participants; whether there is lack of informed consent; whether there is an invasion of privacy; and whether deception is involved (Bryman, 2008, p. 118). Similarly, De Vaus (2002, p. 59) argues that most professional codes of ethics stress the importance of the following five ethical responsibilities towards research participants: voluntary participation, informed consent, no harm, confidentiality, and privacy. In consideration of ethics and professional responsibilities, a letter authorizing fieldwork was obtained from UFP before the start of the fieldwork. The written permit played two significant roles: as an introduction to selected institutions for primary data collection, and as a request for institutions' authorization to get relevant information for the dissertation.

Creswell (2003) suggested that it is the duty of the researcher to develop the informed consent form for participants to sign before they engage in the study. As far as possible, participation in sociological research should be based on freely given informed consent. This implies a responsibility on the researcher to explain, as fully as possible, and in meaningful terms, what the research is about, who is undertaking and financing it, why it is being undertaken, and how it is going to be promoted (Bryman, 2008, p. 121). On the other hand, providing information about the study design, the hypothesis and theories being tested, can distort responses and undermine the validity of findings (De Vaus, 2002, p. 60). One solution is to provide basic information and to be willing to answer to further questions. However, both De Vaus (2002) and Bryman (2008) support the view that the signing of the consent form has advantages: firstly, the form gives respondents the opportunity to be fully informed of the nature of the research and the implication(s) of their participation at the outset; secondly, the consent form assures respondents that the information they provide is confidential; and thirdly, they give the researcher a signed record of consent in case any concerns are subsequently raised.

The researcher should prepare a consent form with the following details: the participation in the interview and the questionnaires is voluntary, respondents are free to refuse to answer any of the questions, they are free to withdraw from the interview at any time, and they will also be free to withdraw their data within two weeks of the interview (Creswell, 2003; Bryman, 2008). Gaining respondents' support is important to get relevant and

reliable information. Therefore, the consent form was given to every interviewee with a brief explanation on the purpose of the study, so they could decide to sign it voluntarily. One of the problems of asking people to sign the consent form is that it can make some participants more suspicious about the research (De Vaus, 2002, p. 61). In order to prevent this, the signing of the consent form was not being mandatory, as participants were given freedom to sign, and those unwilling to do it were requested for verbal consent. In this study, participants were not willing to sign consent forms; however, they provided a verbal consent. In order to protect the participants and avoid the impact of disclosure of the facts obtained from respondents, I assured respondents that their answers were upheld with utmost confidentiality. Thus, with the exception of analytical data produced in the research report, all information given by participants was treated confidentially.

Conclusion

This chapter presented the methodological aspects of the study. It provided the research method coherence model, which outlines the research philosophy in which the interpretativist/constructivist paradigm was adopted. Qualitative research design and case study research strategies have been presented in connection with procedures and multiple methods of data collection, including in-depth interviews, documentary review and questionnaires. The chapter also presented the scope, sample population and the unit of data analysis in which purposively selected experienced respondents from recognized institutions were involved. It finally addressed both validity and ethical considerations. Thus, the link between the research philosophy, design, strategy, and data collection techniques and procedures enabled the acquisition of sufficient and reliable data for analysis.

CHAPTER III – EMPIRICAL STUDY ON PUBLIC REFORMS: THE TANZANIAN CASE

1. General perspective of Tanzania’s public reforms

The United Republic of Tanzania is one of the developing countries in East Africa with an estimated population of 44.93 million (URT, 2013a). Others are Kenya, Uganda, Burundi and Rwanda (see maps 1, 2 and 3, at the end of this chapter). Like other countries, Tanzania has implemented a number of public reforms in responding to internal and external pressure. In 1967, the Arusha declaration introduced socialist reforms named “Ujamaa”⁹ which gave the government control of the commanding heights of the economy. The state provided free education, health care and other public services so as to create a well-educated and healthy socialist society. In the late 1980s it was found that the growth of the civil service was more in terms of employment than productivity, the quality of governance fell, the cost of public sector employment was no longer tenable, political interference increased and the civil service became a source of patronage and influence (Teskey and Hooper, 1999; Caulfield, 2002; Bana, 2009). During that period, regardless of the existence of public financial watchdogs, the outcome in terms of delivery of public services turned to be less important than political influence or self-enrichment, as civil servants ceased to be held accountable for non-compliance with financial and administrative regulations (Teskey and Hooper, 1999, 3). Thus, the public confidence level regarding the integrity and competence of the civil service became increasingly low.

In an attempt to address the disastrous state of national economy, in the 1980s the government of the United Republic of Tanzania attempted to redefine the boundaries of the state and give greater space to private sector institutions. In the early 1990s, Tanzania launched public sector reform programs including the Civil Service Reform Programme and the Financial Sector Reform. The government privatized para-state companies, which had in many cases become grossly inefficient and corrupted (Caulfield, 2002, p. 213). As

⁹ Ujamaa is the Tanzanian version of socialism (Sulle, 2011, p. 503).

part of the civil service reform programme, the executive agency programme was launched, and the Executive Agency Act No. 30 was enacted in 1997 (Caulfield, 2002; Sulle, 2010).

1.1. New public management and the use of regulatory agencies in Tanzania

Executive agencies in Tanzania are governed by the Executive Agency Act No. 30 of 1997. The Act provides a structural separation between parent ministries and agencies. The Executive Agency Act gives mandate to executive agencies to form their own organizational structure and management. In Tanzania executive agencies are managed by Chief Executive Officers (CEOs) appointed by the government through the ministries (Caulfield, 2002; Sulle, 2010). Although executive agencies are funded by the government through their parent ministries, they have their own separate budget. They have their own organizational structure and defined formal functions and responsibilities for specified policy management (Sulle, 2010). From August 2007 onwards, Tanzania had created 24 executive agencies that were performing different responsibilities in different ministries. All agencies were functioning at the arms' length of the government (Sulle, 2010, p. 348).

Tanzania's agencification model was broadly based on the UK's 'Next step' for executive agency program. The Tanzanian executive agency programme was sponsored by the UK's Department for International Development (DfID) (Caulfield, 2002, p. 209). Furthermore, the World Bank, the IMF, and some donor countries were involved in funding several aspects of this reform (Therkildsen, 2000; Caulfield, 2002; Sulle, 2010, 2011). The Tanzania's Public Service Reform Programme (PSRP) identified six main reforms: performance management; restructuring and private sector participation; executive agencies; management information systems; leadership, management and governance; and programme co-ordination, monitoring and evaluation (Teskey and Hooper, 1999). The core objective of launching the executive agency programme was to create a smaller, affordable, efficient and effective civil service (Ntumazima, 1998; Caulfield, 2002; Sulle, 2010). The first group of seven executive agencies was launched in 1999, and thereafter the number of agencies reached twenty-four in 2007 (Sulle, 2010, p. 348). Regardless that Tanzania adopted the UK's agencification model, there were some deviations from this model. For instance, Caulfield documented that "unlike UK's executive agencies, which have no statutory basis, the Tanzanian government decided to introduce umbrella legislation. The

Executive Agencies' Act 1997 was a single enabling act to codify the generic characteristics and status of agencies" (Caulfield, 2002, p. 213). Next steps agencies in the UK were created by executive decision. Their establishment began in early 1990s as part of Thatcher government's reforms. Differently from Tanzania, where the majority of the agencies were setting their own performance indicators (Sulle, 2010), Laking found that the UK gave Next Steps' chief executives performance goals and the power to manage people and budgets to achieve them (Laking, 2005, p.15).

Over the 1992-2000 period employment in the Tanzania's civil service fell by 27 percent (Caulfield, 2002, p. 213). In addition to the reduction of civil servants, their salaries increased by 75 percent (Therkildsen, 2000, p. 63). However, the extent to which the reduction of employment has improved efficiency in the utilization of public resources to achieve VFM was not detailed.

One major reason for public management reforms in the Tanzanian public sector was inefficiency as a result of poor performance of civil servants. According to McCourt and Solla (1999), in 1989 the World Bank review on public expenditure found that, apart from the increasing number of civil servants, performance was increasingly poor. The report provided that between 1970 and 1984 the increase in public service employment expenditure was almost twice of the rate of government revenues' increase (Caulfield, 2002, p. 213). As mentioned earlier, the more Tanzanian civil servants ceased to be held accountable for underperformance and non-compliance with financial and administrative regulations, the delivery of services was increasingly becoming less important than political influence or self-enrichment (Teskey and Hooper, 1999, 3). However, international donors also had strong influence on Tanzanian public sector reforms (URT, 1999, 2000). Indeed, Tanzania's budget is largely donor dependence, which in turn eased up reforms, since "when the agency idea was introduced in Tanzania under donor pressure, it was not totally rejected but it was couched into local institutional arrangements so that the conflict between new ideas and local values were taken care of through the logic of 'appropriateness'". (Sulle, 2010, p. 353) Consistently, Caulfield (2002, 2006) documented that the complexity about reforms resulted from donor's involvement in local reform programmes. She argued that like any other poor countries, Tanzania might have accepted the reform for the sake of getting donors' funds, and thus gave little attention to the impact of the reforms.

Apart from the increasing number of executive agencies, it has been noticed that citizens are skeptical about agencies' operation. One may argue that perhaps citizens were not fully involved in reforms, hence the government is paying the price of the lack of support from the public. The design of reforms was left to middle and junior staff, often in collaboration with donor-funded consultants. What is, however, more surprisingly is the argument that "not all top political leaders supported the agencification programme" (Sulle, 2010, p. 352). This can be one of the reasons why developing performance indicators and monitoring were left to agencies. Stressing on the public suspicion of agencies, Caulfield (2002) found that the user fee charged by agencies for services was negatively received by citizens. The question of why user fee was negatively perceived by citizens and the correlation between the quality of services in relation to user fee charged by agencies may perhaps be interesting. However, it is beyond the scope of this study. Caulfield (2002) stressed the legacy of '*Ujamaa*' as one of the likely reasons, meaning that citizens were used to traditional public management where the government used to provide goods and services for free. In line with Caulfield's view, Teskey and Hooper (1999) noted that since the socialist economy failed to deliver the expected outcome, public confidence regarding the integrity and competence of the civil service became increasingly low.

1.2. The general legal framework and structure in Tanzania's agencification

In the United Republic of Tanzania all executive agencies are established under the Executive Agency Act. No. 30 of 1997. Thus, Tanzania's executive agencies do not highly differ in autonomy and legal framework. They are easily distinguished from other organizations in the public sector. The Executive Agency Act No. 30 authorized agencies' CEOs to borrow for the agencies' operations subject to the approval by the permanent secretary in each respective ministry (Caulfield, 2002, p. 2010).

The agencification policy demands parent ministries to establish goals, formulate performance indicators and set the targets for agencies. Furthermore, the parent minister is required to monitor and evaluate agencies' performance in relation to performance indicators and the signed contract. The regulation requires the separation between policy-makers and those charged of implementing policies. Therefore, it gives freedom to agencies to operate without interferences from parent ministries. On the other hand, the

agencification policy demands all agencies to be responsible and accountable to the government through their parent ministry. Agencies are expected to be scrutinized by their results. That means that the amount of resources spent by the agency needs to be compared with the output produced.

Regardless that the roles, responsibility and the relationship between the principal (ministers) and the agent (executive agencies) are prescribed in the Act, this legislation pays more attention to permanent secretaries of parent ministries, agencies' CEOs and the Chief Secretary (as head of civil service), who must approve agencies' official mandate in the Framework Documents (Caulfield, 2002, p. 215). The centralizing management style is the most important problem facing agencification in Tanzania (Caulfield, 2002; Sulle, 2011, 2011). The legislation in Tanzania does not clearly enact a formal relationship between ministers, PSs and agencies' CEOs in ministries. Cooksey (2011, p. 53) concluded that "poor regulations is one of the main factors undermining the capacity of Tanzania's utilities and infrastructure para-states and agencies to provide satisfactory services at reasonable cost." He suggested that the solution must include the formulation of appropriate regulations and ensure compliance to the rules, as well as putting emphasis on good governance standards.

Contrary to the requirement of the Executive Agency Act, with the exception of the Tanzania National Roads Agency (TANROADS) whose performance indicators were found to be set by the parent ministry, agencies in Tanzania dominated the goal-setting process. According to Sulle, 83 percent of the agencies set their own performance goals (Sulle, 2010, p. 350). He emphasized that "in Tanzania, parent ministries are not generally involved in developing performance indicators for the agencies. As part of their annual business plans, agencies develop their own performance indicators and these business plans are discussed during the annual meetings of the Ministerial Advisory Boards (MABs)" (Sulle, 2011, p. 504). 50% of agencies were making their own annual performance evaluation (Sulle, 2011, p. 504). Sulle's observation was consistent with Ronsholt and Andrews (2004), who noted that agencies set their own performance indicators without getting approval from parent ministries. The authors' observations raise interesting questions: how could quality, equity, efficiency and accountability be evaluated where agencies set their own performance indicators and make their own self-assessment? How

far could citizens trust agencies and the government in a situation where agencies were developing their own goals and making their own performance evaluation? Where were public financial watchdogs and how do they examine the performance of agencies in such awkward situation? If ministers were generally not involved in setting performance indicators and were not undertaking effective performance evaluation, how could they impose punishments for poor performance or rewarding for good performance, as one of the requirement of the NPM doctrine? (See performance management and VFM, pp. 176-179).

1.3 Autonomy and control in Tanzania's agencification

Regardless that Tanzania has adopted the NPM model and that executive agencies are increasingly dominant, the country has not been able to implement the hybrid requirement of autonomy and control (Caulfield, 2002; Sulle, 2010, 2011). The adoption of NPM and agencification has been forced to accommodate to the traditional system of managing public sector (Caulfield, 2006). Apart the adoption of NPM, Tanzanian government officials kept their traditional culture and norms in public management. For instance, permanent secretaries retained power and control within ministries. She documented that

perhaps the biggest difficult for Tanzania's executive agencies is the wider political culture that experiences power as very much centralized to the president, where direct relations with the president and the chief secretary are what really count. In this environment the concept of ministerial responsibility remains undeveloped and the governance of the executive agencies remains weak. (Caulfield, 2002, p. 219)

Similarly, Bana and McCourt (2006) argued that the legal and constitutional framework of Tanzania is intensively conferring power to the government, particularly the President's and the Ministries' offices. Bana and McCourt view this as perhaps a result of socialism. McCourt and Solla (1999) argued that in a society that has some elements of socialism, punishing someone because of poor performance might be seen as something unusual. Therefore, it is likely that political leaders might find it difficult to enforce the rules due to the perception that punishing poor performers in such situation is risky.

Referring to Robert (2004, cited in Sulle, 2010, p. 352), who concluded that "no machinery of the government will make effective performance planning and management unless there are consistent political efforts", Sulle mentioned the lack of political will as one of the major problem in Tanzania, and that political leaders are not taking the leadership of

reform, rather they have placed trust to ministerial permanent secretaries (Sulle, 2010, p. 352). He stressed that there was no single evidence of permanent secretaries in all ministries accepting the role of strategic leaders. The question of why permanent secretaries seemed to be stronger and what are the implications of their decisions to the effective use of public resources needs to be addressed (see accountability and answerability, pp. 181-185, and challenges, pp.190-195). On the other hand, there was lack of involvement of citizens in the reform process. Thus, the implementation of reforms was facing a weak support from the public (Therkildsen 2000; Sulle, 2010). Both authors – Caulfield (2002) and Sulle (2010, 2011) – support the view that attracting political support is important to achieve political and economic goals because, as noted earlier, not all top political leaders support the adoption of NPM and agencification in Tanzania.

NPM requires executive agencies to enjoy enhanced managerial autonomy. This is, however, not the case in Tanzania, where agencies were found to have less managerial autonomy in areas such as human resources and some aspects of financial management. Sulle (2010, p. 351) found that executive agencies in Tanzania have low autonomy to set salaries and are not allowed to have their separate policies on employment, salary and staff promotion because they are still centralized by the Public Service Management and Employment Act. Agencies' staff needs must be approved by the Civil Service Department and the Treasury. The CEO of the agency has limited authority, for instance the authority to take disciplinary action to individual staff. They could, however, motivate staff only if the agency has generated enough internal revenue (Sulle, 2010, p. 349). Despite those agencies handled their own procurement processes they were limited to the procurement of expensive assets or capital expenditure such as the purchase of buildings and heavy machinery.

Some improvement on the operational autonomy of many agencies in Tanzania was noticed. In many respects, agencies were operating in a businesslike manner (Sulle, 2010, p. 351). Many agencies were free to use and reorganize their budget internally and they could utilize their budget according to their internal priorities. However, they were required to comply with procurement procedures as provided by the Public Sector Procurement Act of 2002. Agencies were also free to price some of the goods and services they provide. Sulle (2010, p. 350) noted that in the services that seemed to be sensitive, especially those

with political sensitiveness, the government interferes and influences pricing. For instance, agencies that offer sensitive products and services were identified as the Energy and Water Utility Regulatory Authority (EWURA) and the Tanzania Electrical, Mechanical and Services Agency (TEMESA), an agent which runs a number of ferries in many rivers in the country.

In Tanzania financial autonomy of agencies is low. For instance, the Executive Agency Act No. 30 allows agencies to take loans but in practice parent ministries do not allow agencies to borrow (Sulle, 2010). The government was continuously retaining its power over a number of aspects of the agencies' management, and thus agencies are generally less autonomous as they are controlled by parent ministries. At the end of the day, "agencies in Tanzania are not controlled in the way that NPM prescribes. The notion that agencies should be controlled on the basis of performance contract is not fully developed. The control is still hierarchical and the use of a result-based approach is quite remote." (Sulle, 2010, p. 351).

1.4 The Constitutional Mandate of the Controller and Auditor General (CAG) in Tanzania

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution of the United Republic of Tanzania headed by the Controller and Auditor General (CAG). Its mandate is enshrined under Article 143 of the Constitution of the United Republic of Tanzania. The powers and mandate of the CAG are clearly stipulated in Sections 11 and 12 of the Public Audit Act. The CAG is appointed under the Constitution by the President of the United Republic of Tanzania to carry out specific duties stated in Section 143 of the Tanzania Constitution (URT, 2008, 2014b). The powers, functions and responsibilities of the CAG are governed by the Constitution. The Constitution explicitly states the constitutional mandate, the powers, the functions and the responsibilities of the CAG, as well as the control of funds from the Consolidated Fund and auditing of the use of such funds. The Constitution further elaborates on the powers of the CAG, such as the unrestricted access of books of accounts and any other information that is the subject of audit. Moreover, the Constitution have all along provided for the independence of the CAG

so that he/she should not be subject to any order or direction from any government department or any person on any issue concerning such audit.

The first Act of Parliament was the Exchequer and Audit Ordinance, 1961, that came into force on the 1st July, 1961. This Act was repealed and replaced by the Public Finance Act, No 6 of 2001. In 2008 political willingness for an independent legislation governing auditing activities in the country emerged. This was in accordance with the Lima Declaration for Supreme Audit Institutions and the need to have one comprehensive law that governs auditing and at the same time guarantees the compliance to accountability systems in place (URT, 2014b). On the basis of this need, the Public Audit Act No. 11 of 2008 was enacted. All these laws include the powers, functions and responsibilities of the CAG. The laws gave mandate to the CAG to examine, inquire into and audit the accounts of all accounting officers and receivers of revenue on behalf of the National Assembly. In exercising this mandate, the CAG has powers to call upon any officer for any explanation and information. Also the CAG has powers to authorize any professional auditors or any other expert to carry out an investigation or audit of public accounts. The CAG has powers of disallowing any payments made illegally. The main difference between the Exchequer and Audit Ordinance and the Public Finance Act is that the former was based on regularity audit while the latter widened the scope of audit to include VFM audit. Public Audit Act of 2008 was necessary especially to widen the scope of audit functions by introducing other types of audits, including forensic audit and environmental audit.

For the purpose of ensuring VFM of any expenditure or use of resources of the entities, the CAG is mandated to enquire into, examine, investigate and report, insofar as he/she considers necessary, on the following aspects: public funds' spending and the use of resources by ministries, departments, agencies, local authorities and all public authorities. Section 5(c) of the Act provides the conduct of and the performance of functions by accounting officers, heads of departments and CEOs of all entities stipulated in the Act. Among others, the CAG is mandated to audit and report on the accounts, financial statements and financial management of the government of the United Republic of Tanzania, including ministries, independent departments, executive agencies, public authorities and other bodies and donor funded projects, local government authorities, the judiciary and the National Assembly (Mashauri, 2013). Furthermore, the Act has mandated

the CAG to undertake forensic audit¹⁰ in the event of suspected fraud, material irregularities or any misuse or mismanagement of public resources. The results of forensic audit are communicated to who requested the audit and to law enforcement bodies. The suspicion of fraud, material irregularities and misuse of funds that can foster the decision of the CAG to undertake forensic audit may be initiated by either the office of the CAG, the government, or other stakeholders, including public outcry (Mashauri, 2013, 10). According to the URT (2011a), the Tanzania's National Audit Office (NAO) started conducting forensic (fraud) audits in the late 2007 to combat fraudulent activities within government operations. The CAG conducted preventive forensic audit focusing on the internal control system with the aim of prevention of fraud and other kinds of irregularities and enhancing financial discipline.

1.5 Accountability, transparency and answerability in Tanzania's public sector

Regardless of the adoption of performance management system and the existence of public financial watchdogs, empirical evidence revealed that the Tanzania's agencification system is facing serious problems of performance accountability (Ntukumazina, 1998; Caulfield, 2002; Sulle, 2010, 2011). The majority of agencies were developing their own goals and doing their own self-monitoring and evaluation (Sulle, 2010, p. 352). According to Wang and Rakner (2005, p. 36) "government agencies, local government and parastatals are rarely accountable for mismanagement." It was also noted that "(t)here is inadequate transparency over how and why decisions are made, especially with regard to budget allocation. Information such as the budget guidelines does exist but is not always accessible or easy to follow. This hinders MPs' ability to understand the justification behind certain decisions." (Lawson and Rakner, 2005, p. 27). Uwazi (2010, p. 1) witnessed that Tanzania's budgetary process lacks adequate transparency, leaving citizens in the dark about how taxes and donor funds are used. The author suggested that public scrutiny of the budget process is an important element of checks and balances and that effective scrutiny requires timely access to sufficient budget information and the existence of channels of dialogue between citizens, elected representatives and civil servants.

¹⁰ Forensic auditing is the investigation of a fraud or presumptive fraud with a view of gathering evidence that could be presented in a court of law. Forensic audit can be either reactive or proactive (URT, 2011a, pp. 60-63).

On what concerns answerability, Lawson and Rakner documented that “(t)here is limited evidence of answerability, whereby decision-makers are obliged to justify their decisions publicly so as to substantiate that they are reasonable, rational and within their mandate.” (2005, p. 27) Considerable delays in receiving audit reports and tabling recommendations based on audit reports in the parliament were also reported. Delays prevented the parliament from gaining momentum and ensuring that recommendations are pursued. Yet, punishments for non-compliance were not enforced, and as a result the practice acted as a major disincentive to the work of the members of parliament (MP), the National Audit Office (NAO) and the Controller Auditor General (CAG) (Lawson and Rakner, 2005, p. 28). For instance, Uwazi (2010, p. 3) noted that in 2009-2010 the CAG identified Tanzanian Shillings 2.6 billions questionable payments among ministries, departments, agencies (MDAs) and regional secretariats, and Tanzanian Shillings 11.2 billion among local government authorities (LGAs). Uwazi (2010, p. 3) documented that “the CAG has noted that it is common for managers in the government not to respond to audit queries and has expressed disappointment about the speed at which financial management by public authorities is improving.” Others argue (National Audit Office of Tanzania – NAOT, 2009, p. 121) that ignoring CAG’s recommendations is the evidence of the lack of seriousness by ministries, departments, agencies, and other government authorities. This again raises the issue of accountability. Lawson and Rakner (2005) found that mechanisms to punish actions and decisions, particularly those implemented against the given mandate, were inadequate. Both formal and informal accountability mechanisms impeded the legislature’s ability to perform its oversight functions as an agent of ‘horizontal accountability’¹¹, and that the executive, the president and small number of senior officials closely control power.

Tanzania is still lagging behind in the implementation of result-based accountability. Thus, contrary to NPM requirements, rewards for good performing agencies and sanctions for poor performers were not emphasized (Sulle, 2010, p. 351). Sulle quoted a statement by one assistant director in the Ministry of Infrastructure who declared that “(w)e can only

¹¹ Horizontal accountability refers to intra-governmental control mechanisms between the legislature, the executive and the judiciary and between different sub-entities of the executive, including cabinet, line ministries and low-level administrative departments and agencies. In addition to courts and parliamentary oversight functions, this includes special institutions of restraint such as the auditor general, anti corruption commissions, human rights commissions, and the ombudsman (Lawson and Rakner, 2005, p. 10-11).

hold CEOs accountable if we have given him or her specified performance objectives and resources.” (Sulle, 2010, p. 351). The statement indicates that accountability can be achieved if the government decides so. It is not understood why agencies are not given specified performance objectives and, rather, they are left to develop their own performance objectives and do their own performance evaluation. Thus, “(i)n Tanzania, the creation of executive agencies has been about more than efficiency and effectiveness reforms in pursuit of better service delivery. It has also been about improving the salaries of senior civil servants and returning a profit to the government.” (Caulfield, 2002, p. 219) In her view, the creation of regulatory agencies strengthened bureaucrats. Thus, there is a need to enhance mechanisms of accountability so as to improve the performance of agencies and of the entire public sector (Caulfield, 2002, p. 211).

According to Pierre and Peter (2000), governments have a central role for making appropriate choices, formulating strategies and policies, and enjoying an administrative capacity to efficiently manage resources in the supply of services. In the UK goals and performance indicators were developed by the minister or the secretary of state (Christensen and Laegreid, 2007). Furthermore, CEOs from UK agencies answer to their ministers. However, in Tanzania, agencies’ CEOs answer to their permanent secretary and those agencies set their performance indicators (Caulfield, 2002, p. 215). Ministers in the UK chair Advisory Boards while in Tanzania ministers’ duty is to appoint each agency Advisory Board and CEO. However, the chairmanship of Advisory Boards rests on the Permanent Secretary, who is the most influential in deciding the appointment (Caulfield, 2002, p. 215).

Lawson and Rakner (2005) identified two main reasons why Tanzania’s governance and service provision were inefficient: first, many government officials were overriding some internal set of ethical or professional norms and, second, government officials faced external accountability mechanisms, either from within the bureaucracy, from elected officials, or from the society. The delivery of services was unsatisfactory and citizens were complaining through different official channels such as meetings, writing letters, or by visiting relevant officials. They reported, for instance, that citizens were complaining about lack of transparency and that officials were protecting each other. It was difficult even for elected representatives to get reliable information on malfeasance, as leaders were

protecting each other, dubious politicization remained in offices, and blameworthy staff was transferred instead of being sanctioned. They concluded that, “in principle, village assemblies can service as mechanism of accountability, but in practice its role seems restricted.” (Venugopal and Serdar, 2010, p. 221) In some cases complaints about poor services were satisfactorily addressed but in other cases nothing was done (Lawson and Rakner, 2005, p. 19). This raises some interesting questions, such as: in a situation where elected officials find it difficult to access information regarding the performance of the government and its agencies, how can transparency be achieved? When leaders protect each other, how can accountability and VFM be achieved? (See involvement of the public, pp. 196-199, and accountability and answerability, pp. 181-185).

1.6 Challenges facing Tanzania’s public sector accountability framework

In Tanzania, the management and control of public resources is largely centralized in parent ministers (Caulfield, 2002, p. 215). However, in practice ministers were just political actors; they were effectively excluded from all decisions and accountability issues. The impact of ministers’ low profile was heightened by the Executive Agency Act, which gave more power to permanent secretaries. As a result, the lack of political support has affected agencies’ operations. A number of reasons affected performance and accountability in Tanzania’s public sector: first, the lack of political will and commitment; second, the lack of common vision among policy-makers; third, the lack of strong public demand to push politicians to initiate efficiency-driven reforms that can provide better public services; fourth, a reform dominated by political-administrative elites whose motives the public is skeptical of; and fifth, economic factors on the reform are prone to donor-dependence (Sulle, 2010, p. 352). Agencies will not work if there is no political will to honor them or if the political costs of enforcement are substantial (Therkildsen, 2000, p. 69). Referring to the education sector, the author argued that primary education had remained a priority for the Tanzanian regime since independence and that, contrary to World Bank and IMF recommendations, Tanzania has continued to allocate more resources to primary education.

The lack of independence by oversight authorities was a challenge to accountability. Lawson and Rakner (2005) noted that the majority of MPs from the ruling party (Chama Cha Mapinduzi (CCM)) were not independent in their constitutional responsibilities. The

fear of not being selected and supported by the party as a candidate was perhaps the major worry of most MPs. Furthermore “(o)verall, the prevailing patterns of accountability add up to a weak structure of checks and balances and a structure of power dominated by the Presidency, Executives and the CCM party.” (Lawson and Rakner, 2005, p. 5) They noted that, regardless the parliament’s constitutional powers of scrutiny were dully respected, the legislature could not hold the government accountable. The ruling party was holding a large majority in the parliament and internal party discipline was well established. Evidence revealed that the ruling party could change the policy when it was likely to be unpopular (Lawson and Rakner, 2005, p. 5). In fact, the “Tanzania governance system as a whole need to move further away from the dominance of a single national party” (Venugopal and Serdar, 2010, p. 229). Regarding accountability mechanisms, “quite a lot of local governance and service provision in Tanzania is bad. However, at least some government officials were trying to serve the citizens at least some of the time, and with some success.” (Venugopal and Serdar, 2010, p. 17)

On the other hand, Lawson and Rakner (2005) found that CSOs and NGOs were not included in the accountability framework. This raises the issue of vertical accountability¹². Similarly, the Research on Poverty Alleviation (REPOA, 2007) reported that the laws in Tanzania do not require participation of NGOs, CSOs or community-based organizations in the decision-making procedure. Venugopal and Serdar (2010) warned that social accountability is weak in general. The lack of participation of civil society in the decision-making process and a history of upward accountability have limited NGOs, CSOs and the like to play their accountability role (REPOA, 2007; Haapanen, 2007; Venugopal and Serdar, 2010). Lawson and Rakner (2005) looked at the problem in respect to external accountability¹³. The majority of MPs admitted that donors were important to keep the government on track for the reason that donors are paradoxically in a better position. However, the majority of MPs remained skeptical with respect to donor agencies, as donors

¹² Vertical accountability refers to the methods through which the state is (or not) held accountable by non-state agents through the relationship between citizens and their political representatives (Lawson and Rakner, 2005, p. 10).

¹³ External accountability refers to the relationship between governments and international entities, including the Bretton Woods institutions, bilateral donors and international associations – such as the African Union, the New Partnership for Africa’s Development (NEPAD) or East African Community (Lawson and Rakner, 2005, p. 10-11).

seemed to have too much influence to the extent of being perceived to be ruling the country (Lawson and Rakner, 2005, p. 29).

In some cases the government was performing satisfactorily because services were delivered, the government machinery was respected, the majority of government officials were using much of their time to do their job and to serve citizens, and to some extent accountability structures were operating with a certain degree of answerability. However, these accountability signs only reflected the performance of one district of the Tanzania's Local Government Reform Program. It was, therefore, insufficient evidence to address accountability complexities in the Tanzania's agencification setting. If the government and their development partners are serious about the enhancement of democratic structures and decentralization, they should reconsider the current administration of social funds and several user committees and renegotiate aid packages that foster a depoliticized parallel structure. They also need to be more serious about the problems of inefficiency and corruption affecting public administration at all levels (Lange, 2008, p. 1141).

1.7 Performance Management and VFM audit in the Tanzania's agencification framework

The CAG started conducting performance audit in 2005, following the enactment of the Public Finance Act No. 6 of 2001 (URT, 2011a, pp. 14-15). The Act gave the CAG mandate to conduct VFM audit. In 2010, the CAG tabled the first VFM audit before the Parliament. The URT (2011a, p. 18) provided the following aims of undertaking performance audit: drawing attention to obstacles to an effective and efficient use of resources in the government sector; providing the parliament, MDAs, LGAs and public authorities with the basis for policy decisions concerning improved effectiveness; giving the parliament, MDAs, LGAs and public authorities information to enable them to implement proposals for increased effectiveness on the utilization of public resources; encouraging the public sector management to introduce processes for reporting on performance to in order to foster accountability.

As a way towards improving economy, efficiency and effectiveness in public service delivery, and consequently ensuring VFM, Tanzania introduced the Performance Management System (PMS) in ministries, independent departments, MDAs, and the entire

public sector institutions. The aim was to improve service delivery, policy management and regulatory functions through a more vigorous public service, and to achieve effectiveness and efficiency in public management (Bana, 2009; Issa, 2010). The PMS provided specific tools, such as strategic and operational planning, client service charter, service delivery, service survey, self-assessment programmes, performance budgets, the introduction of Open Performance Review and Appraisal System (OPRAS) and a comprehensive Monitoring and Evaluation (M&E) system (Bana, 2009, p. 6). All public institutions, including agencies, were required to plan, implement, monitor, evaluate, and report on performance, and finally carry out performance reviews. Ministries, independent departments and executive agencies had all the mechanisms to perform their functions.

Surprisingly, the implementation of performance management by ministries, independent departments and executive agencies was questionable (see performance management and VFM, pp. 176-179). Referring to the report of the World Bank (2008) on the implementation of the client charter, Bana documented a number of weaknesses: first, most of client charters were not operational in ministries, independent departments and MDAs; second, public campaigns to publicize them were inadequate; third, citizens were not using client charters to demand services; fourth, neither ministries, departments nor agencies monitored, revised and amended the impact of the client charter to trigger greater legitimacy, and thus, performance in the public sector continued to be weak (Bana, 2009, p. 14-17). Similarly, the strategic and operational plans of many MDAs were still poor, and MDAs faced the inability to draw up SMART objectives and outcome-oriented targets (Issa, 2010). On the other hand, the efficiency of public goods and services' supply was undermined by budgetary process weaknesses. Central ministry establishments were heavily over-financed compared to the services they provide. Furthermore, "spending on items such as vehicles, travel, workshops and seminars, and sitting allowances reduced the funds available for basic salaries and services." (Cooksey, 2011, p. 83). For the author, "available evidence suggests that procurement and contracting were sources of systematic looting and rent-seeking." (2011, p. 83) Routine small-scale corruption among service providers may frequently deprive the poor of their service entitlements.

In CAG's 2013 performance audit report, it was documented a "general perception of the wasteful spending by ministries, Departments and Agencies (MDAs) through procurement

works, goods and services.” (URT, 2013b, p. 1). About 50 percent of agencies were making self-evaluation of their performance, 38 percent were evaluated by parent ministries and that only 12 percent was evaluated by the office of the CAG (Sulle, 2010, p. 351). On the other hand, agencies were putting the emphasis on incentives to staff rather than output measurement. Although those agencies understood the need to focus on output and service delivery, creating effective measures was not an easy task and many agencies were struggling (Caulfield, 2002, pp. 217-218). These findings give rise to a number of questions: why did the CAG evaluate only 12 percent of agencies? If agencies are allowed to develop their performance indicators and make self-evaluation of their performance, how credible are their performance reports, and to what extent do citizens trust in their performance reports, taking into account that they might perhaps pursue self-interest? How are public interests protected? What are the distinguishing features between agencies that do their self-performance evaluation and those evaluated by the CAG? (See performance management and VFM, pp. 176-179, and challenges facing the SAI, pp. 185-188).

The Tanzania National Roads Agency (TANROADS) was the only agency whose performance indicators were set by the parent ministry. Sulle listed a number of reasons why TANROADS had annual performance contracts developed by the ministry. The first is the nature of the task (road work) undertaken by TANROADS that requires a large budget share in the ministry of infrastructure development. Therefore, the ministry keeps a close eye on it. The second reason is that road works are politically salient: since a problem with roads existed for a long time and was a reason of concern for the majority of the public, politicians picked up roads as one of the priorities of their political agenda, especially when campaigning for elections (Sulle, 2010, p. 350). Donors are also interested in the performance of TANROADS, as they supply 53 percent of its budget (Sulle, 2010, p. 350). This is consistent with Caulfield’s (2002) view that TANROADS was unique among the agencies in what concerns accountability and financial arrangements. However, the 2011 CAG’s report on the performance of TANROADS provided that “we conclude that road works in the country are not managed with due regard to control of time, cost and quality. This implies that the sample of ten roads built and selected for audit were not constructed in the most efficient, economical and effective way that best serve the public interest.” (URT, 2011a, p. 4)

Public pressure and demands can push politicians to efficiently implement reforms and VFM performance (Sozen and Shaw, 2002). Unfortunately, that was not the case in Tanzania. Venugopal and Yilmaz (2010) mentioned two major reasons that prevented the involvement of civic organizations: the lack of laws allowing civil society's participation in decision-making, and a history of upward accountability in the Tanzania's public sector (p. 229). Without neglecting the fundamental roles of civil society organizations (including pushing the government to deliver public services), is it necessary that governments must be pushed to fulfill their responsibilities? Lawson and Rakner (2005) documented that in Tanzania "civil society is respected (especially faith-based organizations) but is rather weak as source of 'societal accountability'." (2005, p. 5) Commenting on the role of the media on accountability in Tanzania, Lawson and Rakner (2005, p. 5) stressed that "the media is an exception, but is seen as a campaign tool more than as a natural check against state power".

According to Cooksey (2011), there was considerable comparative evidence that the state was extremely inefficient in providing goods and services, including social and economic infrastructure and utilities. Irrespective of a marginal improvement in the budgetary process, the process remained weak¹⁴ (Lawson and Rakner 2005). The large increase in the national budget over the last decade benefited the central government rather than the local government, senior officials than junior officials, and facilitated systematic waste and looting (Cooksey, 2011, p. 82). On the other hand, there was a big variation between the budget and the actual amount received by ministries (between 20 and 40 percent). A large share of donor aids (about 70 percent) was not passing through the government budget at all. Most government officials were, therefore, regarding budgeting as irrelevant except for salaries and debt payment purposes (Therkildsen, 2000, p. 68).

Arguing on the problem of administrative capacity, Caulfield stated that "a weak national audit environment compounds the problem of performance monitoring in Tanzania" (Caulfield, 2002, p. 217). The Executive Agency Act requires agencies' budgets to be

¹⁴ Lawson and Rakner (2005, p. 26) listed a number of reasons why the Tanzania's budgetary process is weak: it lacks formal mechanisms for participation, public expenditure proposals' scrutiny is still limited, a high level of flexibility in budget re-location during budget execution is noted, procurement processes and accounting systems, especially at local government levels, are weak, and the processes of following up recommendations of the Parliamentary Public Accounts Committee and Local Accounts Committee are inappropriate.

audited annually by external auditors but agencies were free to choose auditors. This flexibility was necessary in the Tanzania context for the CAG's office had, in some cases, a backlog of as much as five years of audit of line department accounts (Caulfield, 2005, p. 217). Using the Tanzanian Civil Aviation Authority (TCAA) as an example, this agency resorted to the service of the Tanzanian Audit Corporation, while most agencies left their reporting process unattended because they were unable to afford private auditors.

1.8 Challenges facing VFM audit in Tanzania's agencification framework

The office of the CAG has been facing a number of challenges in respect to VFM audit. For instance, the 2011 CAG's report highlighted a number of challenges facing performance audit, such as: availability and adequacy of data from the auditees; most of the data obtained from the auditees was not reliable and their quality was questionable; in many auditees, record-keeping and documentation were inadequate; and the authenticity of gathering information (URT, 2011a, p. 22; NAOT, 2012).

Uwazi suggested that "audit reports from the Controller and Auditor General (CAG) show how the government has failed to manage public resources well and taken little action to respond to audit queries" (Uwazi, 2010, p. 1). On the other hand, Wang and Rakner (2005) found that the Tanzanian Supreme Audit was facing a problem of capacity in terms of human and financial resources, information technology, and that the independence of the CAG was questionable. They also noted that there was a problem of limited access to relevant and timely information by the CAG. Mashauri (2013) presented the main challenges of the Tanzania's Controller and Auditor General: inadequate manpower; inadequate multidisciplinary skills, for instance recruitment was made by the President of Office Public Service Management (POPSM) without considering current developments within the audit career; the law does not allow the CAG to audit Public Private Partnerships; and that the law does not give the CAG mandate to access to financial information where the government has vested interests, for instance, extractive industries (mining, oil and gas). In his 2012 audit report, the CAG reported that "the audit of the four donor funded projects (...) was a challenging task to my Office due to the fact that there has been inadequate staff and lack of adequate financial resources. In this year's audit, my office had encountered similar scenario" (URT, 2012, p. 213).

Venugopal and Yilmaz, (2010, p. 227) argued that corruption continued to be an issue at all levels of the government. They acknowledged some improvement in the staffing of internal audit departments in local governments and that the follow-up of audit queries raised by external auditors. In order to strengthen performance in the Tanzania's public sector, the government should, among other things, plan the following tasks (Lawson and Rakner, 2005): first, strengthening and formalizing rules in order to control presidential powers, so as to safeguard the independence of the judiciary and the civil service and to clarify the role of each government authority; second, to open up space for new voices in the parliament and local governments and for the strengthening of opposition parties; third, to continue to strengthen the parliament and its committees through improved auditing, better timetabling of budget scrutiny and oversight, improved information flows, and training and research support; fourth, to continue the drive towards decentralization through accelerating the implementation of reforms programs; fifth to simultaneously improve transparency at all levels, by identifying innovative ways of enhancing the availability of information on the budget and results as well as improving access to decision-making process; and sixth, donor should play a more effective role in information dissemination, particularly to the parliament and to political parties, whilst also developing improved channels for dialogue with MPs and with government leaders, particularly at the local government authority's (LGA) level (Lawson and Rakner, 2005, p. 5-6).

Regardless that the Auditor General's reports continue to echo on the weakness of Tanzania's procurement process, this process had remained weak. The follow up on the recommendations of the Parliamentary Public Accounts Committee was not robust and collective actions were not systematically pursued. Section 42 (1) of the Tanzania' Executive Agency Act requires each agency to produce an audited annual report within two months of the end of the year containing evidence of the agency performance against key targets, a report of its operation, a copy of the annual performance agreement and any other information permanent secretaries may require. The requirement of the Act is closely related to that of the UK reporting model, as Caulfield puts it. Surprisingly, she documented that "at the time of our investigation only the TCAA had produced an annual report that included an audited account, when in fact at least four agencies and probably more should have reported" (Caulfield, 2002, p. 217). More disappointingly, she noted that

the annual performance report that she cited contained scant performance data and there was no copy of the agency performance agreement. In the absence of a copy of the agency performance contract, to what extent are evaluation reports credible? Comparing to the UK performance audit, Caulfield stressed that

the national Audit office in the UK for example, audits not only finances but also operation performance of executive agencies, and these are public documents. In Tanzania, this seems very unlike to happen in the current circumstances of undeveloped/weak performance monitoring and financial audit regime in parent and central ministries. (Caulfield, 2002, p. 217)

Weak internal controls, poor asset management, an inadequate internal audit function, lack of transparency in procurement process, an inadequate introduction of the computerized accounting system, and poor budget credibility are issues that cause a depletion of government resources and heighten vulnerability to fraud and corruption (Cooksey, 2011, p. 54). The same author (2011, p. 82) identified four types of rent-seeking activities of public and private actors that fed inefficiency: first, state predation (the theft of private resources by public officials); second, looting (the theft and waste of public resources by public officials); third, rent-seeking (the capture of public regulatory powers by private interests), and, fourth, patronage spending (diverting public spending to private goods and transfer to constituencies supporting the ruling coalition). He suggested that many of the abuse of state power which he described as ‘predation’ was legal but wasteful, and most of the practices were likely to be associated with illegal and corrupt behavior (Cooksey, 2011, p. 83). He gave an example: in Tanzania procurement of luxury vehicles for senior officials was in part motivated by the prospect of earning rents from over-invoicing. One would argue that the key issue was not whether activities were illegal or corrupt but whether they could be justified in terms of policy and development priorities. Similar findings were reported by Tilley who concluded that the power of the executive in making budget decisions was embedded in the dominance of the ministry of finance. Power remained in the hands of few senior policy-makers who were actively involved in policy formulation (2009, pp. 11-12). As a result, the allocation of public resources met their key interests (URT, 2011b, p. 9).

2 New Public Management in Tanzania’s energy sector

One of the major problems facing the United Republic of Tanzania is the lack of energy. The problem has seriously affected social-economic development and the environment.

More than 90 percent of Tanzania's population was using biomass¹⁵ as a source of energy (Mwasumbi and Tzoneva, 2007). Thus, only 10 percent of Tanzania's population was connected to national power grid, of which 1 percent covered rural areas connections. The majority of the citizens had no access to electricity, and those who could access found it unaffordable and unreliable. For instance, the cost of connecting electricity for those who could access was higher in terms of connection charges and time (long waiting period before being connected). For Mwasumbi and Tzoneva (2007, p. 3), "low purchasing power of most of Tanzanians prevent them from being able to purchase electric goods like electric cookers, refrigerators etc." Ghanadan (2004) reported that the average electricity tariff had increased almost nine folds since 1990 and kerosene retail prices had increased by more than four times. The same author argued that energy sector reforms were moving from the earlier paradigm where the provision of energy was considered as a public service for the majority to a new paradigm in which energy has become a market commodity allocated according to consumers' ability to pay.

Tanzania's energy sector has undergone a number of reforms, including the commercialization of tariff rates, the introduction of the Independent Power Producers (IPPs), contract management and privatization of non-core assets, restructuring of the Tanzania Electricity Supply Company (TANESCO), a regulatory mechanism (the formulation of the Energy and Water Regulatory Authority (EWURA)), and the formation of the Rural Energy Agency (REA) (Mwasumbi and Tzoneva, 2007; Ahlborg and Hammar, 2011; Kusekwa, 2011). However, apart from these reforms it was found that tariff rates were mounting every year.

Tanzania's energy sector faced the following challenges: low level of electricity use, for instance in 2004 and 2005 the contribution of energy sector to GDP continued to be 1.4 percent, and biomass remained a major source of energy to both rural and urban areas; low level of electricity access, as mentioned earlier only 10 percent had access to power; setting affordable tariffs; reforms demanded the increase of private sector's participation (profit

¹⁵ Biomass energy includes charcoal, firewood, and animal dungs (Mwasumbi and Tzoneva, 2007, p. 3). Biomass is divided into four major categories: woods, logging and agricultural residues; animal dungs; solid industrial wastes; and landfill biogas (Kusekwa, 2011, p. 51).

oriented) resulting in the rise of tariffs; and inadequate planning for calamities (Mwasumbi and Tzoneva (2007, p. 3). The energy balance of the country shows that biomass use accounts for 88 percent of energy consumption, particularly in rural areas (Magesa, 2007). The consumption of oil was 7 percent, gas 2 percent, electricity 1.4 percent, solar and wind energy 1.3 percent and others e.g. coal 0.3 percent. According to Lyimo (2006) Tanzania's energy policy largely focused on hydropower and thermal units. He noted that the plan anticipated increasing the electrification level from 10 percent to 15 percent by 2015.

Tanzania has abundant natural gas reserves in the costal basin estimated at more than 45 billion cubic meters. Significant gas discoveries have been made on the costal shores of Indian Ocean. Four discoveries of natural gas fields were already established in the vicinities of the Songo Songo island in 1974, Mnazi Bay in 1982, Mukuranga, 2007, and Kiliwani North in 2008 (Lyimo, 2006; Kusekwa, 2011). However, only two gas-fields, namely the Songo Songo and Mnazi Bay, were producing (Kusekwa, 2011, p. 44). According to Kusekwa, "Songo Songo gas-field was estimated at 810 billion standard cubic feet, while the proven, probable and possible reserves stood at 1.1 trillion standard cubic feet. Likewise, Mnazi gas reserves were estimated at 2.2 trillion standard cubic feet." (Kusekwa, 2011, p. 44). Despite Tanzania is rich in natural gas, gas contributed only 2 percent of the total energy, leaving almost 90 percent of the population relying on biomass. However, the reasons for this disproportional supply of energy sources lie beyond the scope of the dissertation.

In Tanzania, coal is found in Kiwira, Mchuchuma, and Ngaka. It is estimated that the country has more than 1, 200 million metric tons of coal (Kusekwa, 2011, p. 45). However, Kiwira coal mine, which was supplying between 4 to 6 MW of electricity to the national grid annually, was closed. Imported oil and related products are widely used in industrial and transportation sectors and for generating electricity in isolated grid-diesel power stations (Lyimo, 2006). Tanzania was spending up to 25 percent of foreign currency earnings on oil imports (Lyimo, 2006, p. 13). Ahlborg and Hammar (2011, p. 2492) documented that "most of the off-grid system are supplied by diesel generators which entails unreliable and costly electricity." Oil is imported from the Persian Gulf and the Mediterranean region. Oil and related by-products were imported and distributed by private companies regulated by the Energy and Water Regulatory Agency (EWURA). This agency

monitors performance and standards for quality, health, safety and environment, licensing, tariff review of electricity and price control (EWURA, 2013, 2014). The level of energy demand and supply is, however, an illustration of the low level of development in the industrial, transport and commercial sectors, and that both industry and urban-households depend mainly on energy electricity and oil products (Kusekwa, 2011, p. 46).

The major source of electricity is hydro/thermal electrical power. Thus, during drought seasons the whole country experiences energy problems (World Bank, 2000; Lyimo, 2006). In a time span of six years (1994-2000), Tanzania experienced three major shortages of electricity as a result of drought (World Bank, 2000; Mwasumbi and Tzoneva, 2007). In 2006, Tanzania suffered from an almost total black out for almost six months (Mwasumbi and Tzoneva, 2007, p. 3). Irrespective of Tanzania's energy sector reforms, the reliability of electricity in the country is questionable. However, the extent to which the reform has improved efficiency and quality of services needs to be scrutinized. Given the importance of energy to human life and to social-economic development, one would expect the price for energy to be low. However, contrary to that, irrespective of the reforms, tariffs were rising leaving many populations with no access to energy. Questions such as to what extent the shortage of energy (electricity and gas) fosters the use of charcoal and firewood (as an alternative source of energy), and to what level the later contribute to environmental destruction, such as deforestation, are beyond the scope of this dissertation. Furthermore, if Tanzania's energy sector reforms did not take into account citizens' levels of income, and that energy is essential for human life and social-economic development, what were the priorities of the reforms? Kusekwa (2011, p. 41) concluded that "(a)n increase in unsuitable use and excessive consumption of energy has been causing not only local pollution but also global environmental problems such as global warming and climate change."

2.1 Agencification in Tanzania's energy sector: energy regulatory agencies

Tanzania's energy sector is regulated by two regulatory agencies: the Energy and Water Regulatory Agency (EWURA), and the Rural Energy Agency (REA). However, the generation and supply of electricity is largely dominated by the government through Tanzania Electric Supply (TANESCO) (Mwasumbi and Tzoneva, 2007; REA, 2014; Ahlborg and Hammar, 2011). Mwasumbi and Tzoneva found that TANESCO was

responsible for about 98 percent of the total electricity supply in the country, and that this state-owned enterprise was responsible for the generation, transmission, marketing and distribution of electricity countrywide (Mwasumbi and Tzoneva, 2007, p. 1). Tanzania's economy was largely affected by power problems and there was a lot of inefficiency in terms of technical and financial performance. For instance, it was found that TANESCO was poor at debt collection, as thus a large amount of debts became uncollectable and were declared a loss. Furthermore, the government was reluctant to pay its energy consumption bills. Furthermore the government was not able to finance the expansion or refurbishment and to attract private sector investments into the power sector. In addition, the lack of maintenance of existing facilities was noticed, which in turn fed reliability problems. An inappropriate tariffing policy, often resulting from political interference, with tariffs below marginal costs and inadequate revenue collection mechanisms, and therefore credit unworthy business, were additional problems in the sector (Mwasumbi and Tzoneva, 2007, p. 2).

Following the increasing demand of energy in rural areas, the government formulated the Rural Energy Agency (REA). The aims were to support research and development in energy, to facilitate the provision of energy services in rural areas, to formulate the institutional and legal framework in order to promote the use of renewable energy and encourage private sector involvement in marketing renewable energy, and to deal with contract management and privatization of several states assets. Mwasumbi and Tzoneva (2007, p. 4) found a number of changes, such as the inclusion of the private sector in the energy sector. For instance, one Swiss company (Asea Brown Boverri – ABB) was given to run the countries gas turbines, which is located in Dar es Salaam, the Wood Pole Treatment Plant was sold to a private investor, a South Africa Company (NET Group Solutions (Pty)) was given a management support contract to manage TANESCO. Furthermore, in order to improve the level of accessibility of energy to users, the government allowed independent power producers (IPPs) to produce and sale energy to TANESCO (URT, 2003). A number of IPPs were given contract to sale electricity to TANESCO, including SONGAS, which was supplying 200MW, RDC (100MW), IPTL (100MW), Warstila (100MW) Aggreco (40MW). The introduction of IPPs was a solution to the dependence of hydropower, which had caused many energy problems (Mwasumbi and Tzoneva, 2007, p. 4).

Regardless Tanzania had been reforming the public sector, the majority of reform programs, particularly in the energy sector, were funded by donors through external agencies (Mwasumbi and Tzoneva, 2007). Ahlborg and Hammar (2011, p. 2499) pointed out that “the energy sector is top-down oriented and donor dependency creates problems in budgeting; the budget becomes more of a wish-list than a planning instrument.” That is to say, financial dependence resulted in the government losing financial autonomy. For instance, instead of allocating funds based on government priorities in the energy sector, funds were allocated based on donors’ interests. Likewise, international consultants play an important role both in the development of national strategies and on project planning (Ahlborg and Hammar, 2011, pp. 2494-2495). Thus, in the process of improving electrification, the government was highly influenced by donors, since the “(l)ack of financial autonomy has left Tanzania with little choice than to adopt conditionality advanced by the external agencies in order to get support from electrification and other microeconomic issues” Mwasumbi and Tzoneva (2007, p. 4). The authors argued that unless the government of Tanzania plays an active role, development goals will not be achieved.

2.2 Legal framework, structure and autonomy

The first national energy policy was enacted in 1992. Subsequently, various changes have been made, including the formulation of National Energy Policy (NEP) in 2003, the Rural Energy Act of 2005, the Electricity Act of 2008 and the formulation of guidelines for sustainable liquid biofuels’ development in 2009 (Kusekwa, 2011, pp. 46-47). Tanzania’s NEP incorporated a number of issues, including liberalization of the energy market and incentives for the private sector to invest in energy, as well as changing the role of the government from service provider to facilitator. The major objective of NEP was to ensure energy availability, sustainability, reliability and affordability to support national development goals. It also aimed at improving efficiency in energy production, transmission, procurement, distribution and end-user systems in an efficient, environmentally sound, sustainable and gender sensitized manner (Kusekwa, 2011, p. 47). Furthermore, NEP took into account the improvement of renewable energy as an alternative source of energy. It did not neglect Research and Development (R&D) and encouraged the use of alternative energies and supported fiscal, legal and financial incentives for

Renewable Energy Technology (RET). This new policy also encouraged public and private partnerships in energy investments. It is unfortunate, however, that despite the formulation of the National Energy Policy, the Rural Energy Act, the Electricity Act, and the guidelines for sustainable liquid biofuel's development, the adoption of electrification technologies in Tanzania's was facing a significant number of barriers, including: 1) the lack of planning at the government level; 2) financial and management problems in TANESCO; 3) political interference in decision-making, particularly in setting tariffs; 3) a weak customer base resulting from low purchasing power among many citizens; 4) the lack of critical analysis for decision-making, for instance instead of promoting and investing more in research and development both REA and TANESCO's decisions relied excessively on general economic indicators and broad energy consumption indicators (Ahlborg and Hammar, 2011, p. 2498).

In 2005, Tanzania formulated the Rural Energy Act. At the same time, the Rural Energy Agency (REA) and the Rural Energy Fund (REF) were formed. REA and REF are autonomous bodies established under the Rural Energy Act 8 of 2005. They carry out their functions at arm's length from the government, under the ministry of energy and minerals (MEM). The aims of establishing REA and REF were the following: to promote, stimulate, facilitate and improve energy access for social and economic use in rural areas; to utilize the REF to finance rural energy projects; to allocate resources to rural energy projects using transparent criteria; to facilitate stakeholders who are interested in rural electrification; and to provide subsidies to rural energy projects (Kusekwa, 2011, p. 47).

In order to achieve these goals, the Rural Energy Act provides several sources of funding, such as government budgetary allocation, contributions from international financial organizations and other development partners, levies of up to 5 percent on the commercial production of electricity from the national grid, levies of up to 5 percent on the production of electricity in specified isolated systems, interests or returns on investments, fees obtained from several programmes including seminars, publications, consultancy and any other services rendered by the Agency (Kusekwa, 2011, p. 48). The issue of accountability and the extent to which the utilization of the REF respects VFM is an area of interest (see performance management and VFM, pp. 164-165). Kusekwa (2011) noted that there were a number of small energy projects that were not connected to the national grid. They were supported by the REF, and a total of 46 MW and 8,400 new connections were expected.

However, the author did not explain the equivalence between energy supplied, the expected energy level and the number of connections in relation to the amount of public resources utilized by REA/REF. This issue was beyond the focus of this study.

In 2008, the Electricity Act was enacted. The Act was specifically for electric energy. It clearly defined the roles of the Energy and Water Regulatory Agency (EWURA) and that of the REA. The aim was to replace the existed electricity ordinance Cap. 131 of 1931, which was found to be incompatible with the requirements of energy reforms. Furthermore, the Electricity Act was established to facilitate the implementation of the 2003 NEP. In addition to legal and policy reforms in the energy sector, in 2009 Tanzania established the guidelines for sustainable liquid biofuels development (Kusekwa, 2011).

3 Health sector reforms: New Public Management in Tanzania's Health sector

Following the Arusha declaration in 1967, the state provided free health services for all. The declaration was highly facilitated by the enactment of the law that prohibited the provision of health services for profit. According to the ministry of health (MoH) (1998), an intensive, determined and promising health service development grew in the 1970s and the 1980s. Among others things, it emphasized on rural infrastructure development as a way to improve accessibility, quality and equity in health services. Unfortunately, the free health service policy and expected goals were not achieved in the late 1980s. One of the reasons for the failure was the economic crisis (the world economic recession) in the 1970s and early 1980s. Lack of sufficiency funds resulted in the deterioration of the efficiency and the quality of health service, the shortage of medicines, and the decay of existing infrastructures (MoH, 1998; Mtei and Mulligan, 2007). In the late 1980s the government reviewed health policies and institutions, changing from the free of charge policy to the cost sharing policy for primary health services.

According to the MoH (1994), public sector adjustment, including the new health reform, was approved for implementation during the period between 1994 and 2000. Following this reform, the ministry of health and social welfare (MOHSW) was responsible for developing policies and standards for health care entities and for overall technical leadership, guidance and advice on the implementation and monitoring of the strategic plan (URT, 2011b, p. 39). Before the 2000 health sector reforms, the health sector was operating as a semi-centralized

model of the national health system (NHS) whereby both central and local authorities were sharing the ownership and operation of the sector. During this period the major source of finance was mainly taxes collected under the control of local authorities. Immediately after the 2000 reform, there was an emergence of private players in the provision of health services. They included for-profit and not for profit private owned organizations. The emphasis was on insurance schemes and co-payments as supplement sources of finance to the sector. Dominick and Kurowski (2005) found that the Tanzania's health sector was highly under resourced. Likewise, Mtamakaya (2008, p. 36) noticed that the health sector's infrastructure was poorly developed and that the referral system and procedures were bypassed.

3.1 Agencification in the Tanzania's health sector: health sector regulatory agencies

According to the MoH (2000) and URT (2001), the structural adjustment from centralized to decentralized decision-making was one of the fundamental modifications of the 1994-2000 reforms. The goals were the following: first, to improve the health status and service users' satisfaction by increasing quality and effectiveness of services; second, to obtain greater equity by improving the access to health care services by disadvantaged groups; third, to obtain greater VFM from health spending by setting priorities and improving the distribution of resources to priority activities and at the same time optimizing the output from a given level of input (MoH, 1994; Munishi, 2003, 2001). The health sector reform aimed at the provision of accessible, equity, quality and cost effective services at the district level, the development and provision of back-up secondary tertiary services in a referral hospital system, the refining of managerial roles of central, regional and district health authorities, to address the challenges of human resources' development to ensure that trained and motivated staff are deployed at several levels, to ensure sustainable health care financing through public and private financial alternatives (including health insurance), to address the appropriate mix of public and private health care services and the development and integration of monitoring systems, and the restructuring of the relationship between the MOHSW and the donor to the sector (Munishi, 2003, pp. 116-118).

There are several regulatory agencies/institutions in the Tanzania's health sector that were created under different Acts. They include the Tanzania Food and Drugs Authority

(TFDA), under the TFDA Act No. 2003, which is responsible for the control of quality and safety of food, cosmetics, and medical devices; the Medical Stores Department (MSD), under the Act No. 1993, which is responsible for the procurement, storage, and distribution of essential drugs and medical equipment; the Government Chemistry Laboratory, under the Executive Agencies Act No. 30 of 1997, which offers specialist analytical services in foods and drugs quality control, forensic science services and chemicals management; the Muhimbili National Hospital (MNH), under the MNH Act No. 5 of 2000, which is the National Referral Hospital and University Teaching Hospital; the Muhimbili Orthopedic Institute (MOI), under Act. No 7 of 1996, with the main objective of providing primary, secondary and tertiary care of preventive and curative health services in the field of orthopedics, traumatology and neurosurgery; the Ocean Road Cancer Institute (ORCI), Tanzania Food and Nutrition Centre (TFNC), under Act No. 2 of 1996, which has several roles which all stem from the main task of controlling cancer in Tanzania; the National Institute for Medical Research (NIMR), under Act No. 23 of 1979, which was established for the need to generate scientific information required in the development of better methods and techniques of enhancing disease management, prevention and control (URT, 2012).

Generally, the Executive Agency Act. No 30 allowed the establishment of autonomous executive agencies in the health sector so as to regulate, support, supervise and review the functioning of health service providers, and assist the MOHSW by providing necessary information for planning and budgeting. Before health sector reforms, Tanzania's legislation did not allow the private sector to provide health services to the public. Following the reform, private organizations, including faith-based organizations and profit organizations, were allowed to partner with the government in providing health services. In addition to that, the client charter that forms the basis of the contract between the ministry and the agency was enacted. The charter provides both the role of the agency (to provide quality health services that meet clients' satisfaction) and the role of the ministry (to formulate policies, performance indicators and standards, and to supervise, monitor, and evaluate the performance of the agencies) (MoH, 1994).

Munishi (2003) noted that there had been significant gains from the health sector reform. However, constraints remained at the macro-policy and infrastructural levels, for instance

the slow progress of decentralization, the lack of community empowerment, the slow pace of reforms, and poor transportation and communication facilities, especially in remote areas (Munishi, 2003, p. 116, 2001). According to Mæstad (2006, p. 1) and Mtei and Mulligan (2007), weak productivity and performance of health facilities was among the problems facing the health sector in Tanzania. On the other hand, Frumence et al. (2013, p. 10), found out some benefits of the decentralization of health services, including: increasing autonomy in the mobilization of financial resources and on the power to decide on how to use them; an enhanced bottom-up approach to health planning by involving the community to identify their priorities; the enhancement of accountability of health workers to the authorities, for instance, the LGAs through district councils and community bodies; and the reduction of bureaucratic procedures by transferring more decision-making power to lower levels. The implementation of the reform was, nevertheless, constrained by several challenges, including the weak supervision of health services' performance, the lack of sufficient and technically qualified human resources, limited knowledge and skills in planning, inadequate financial resources, limited financial and administration autonomy granted to lower authorities, and the lack of mechanisms to attract more potential employees to work in rural areas.

The MoH (2003) reported that, following the reform, about 80% of the population had access to health services and over 90% of the population lived within 10 km. of health services. A total of 4,844 health facilities were available in the following categories: 2,877 facilities were owned by the government, 848 were voluntary (including religious institutions), 283 were owned by para-states, and 836 facilities were under private ownership (MoH, 2003, p. viii). However, regardless of the reform, the quality of health services did not meet minimal standard of quality services (MoH, 2003). USAID (2013) reported that limited and inconsistent communication between the public and private health sector was limiting effective service delivery coordination, and that weak delivery reporting from the private sector and lack of report-back from the public sector contributed to a weak dialog and distrust between public and private service providers (p. xvii). Mæstad noted that the number of workers in Tanzania's health sector was low both by international standards and relative to national staffing norms. He also noticed a high level of low motivation among health workers. There was a sharp decline especially in lower health

skilled workers between 1995 and 2002 and, if appropriate measures were not taken, the decrease of workers' health standards would continue (Mæstad, 2006, p. vi).

USAID (2007, p. 2) noted that per capital spending on health was very low, and that Tanzania's health sector was hugely relying on donors' funding. Despite the reform, non-compliance and an inefficient use of resources remained a problem. In the 2012 audit report, the CAG reported non-compliance to procurement regulations. For instance, a good number of medical items were procured from private suppliers without the approval of the Medical Store Department (MSD) (URT, 2012, p. 213). The reasons and the extent of non-compliance in the procurement system and the impact of non-compliance to VFM were not detailed, which is a further avenue for research. The government was increasingly committed to good governance standards in the health sector. However, evidence suggested that greater efforts were needed (USAID, 2007, p. 2). Regarding the health information system, USAID (2007, p. 2) reported a number of weaknesses, such as weak data quality and accuracy, and that data were not used timely and efficiently for decision-making. Ronsholt and Andrews (2005) noted that measuring performance indicators in the health sector was complex, costly and unrealistic. They argued that "outcome and impact indicators are difficult to translate and disaggregate into workable indicators at the Ministry or budgeting level" (p. 322). It was, therefore, difficult to monitor progress towards target through budget and financial statements. It is surprising how the CAG can undertake VFM audit when the outcomes and the impact are difficult to translate into workable indicators at the budget level (see challenges facing SAI, pp. 185-1188, and challenges facing VFM, pp. 190-195).

3.2 Legal framework, structure and autonomy

As noted earlier, in addition to the Tanzania's Executive Agency Act. No 30, the MOHSW has several executive agencies formed under different Acts (for instance, the TFDA Act. 2003, the MSD Act. 1993, and the MOI Act. No 7 of 1996). However, Goodman et al. (2007, p. 394) noted that, regardless of the presence of the TFDA, drug stores frequently infringed pharmaceutical regulations. They reported that "it is the norm to find that shops lack valid permits, their staff do not meet the qualification requirements, and they stock prescription-only medicines, unregistered products and unpackaged tablets." Goodman et

al. (2007, p. 401) argued that breaches were possibly caused by infrequent regulatory inspections, failure to implement heavy sanctions, successful concealment of regulatory violations, and the tacit permission of local regulatory staff. Referring to the 2007 Tanzania's health sector monitoring and evaluation (M&E) report, the MOHSW reported that "the M&E for decision-making is much weaker, not least because available information is not used appropriately." (MOHSW, 2008a, p. 70)

Structurally, Tanzania's health service is organized into three major levels: the national level, the regional level, and the district level. The national and regional levels are under the responsibility of the MOHSW. The district level, which includes wards and villages, is under local government authorities (LGAs) (MoH, 2003, USAID, 2007). The MOHSW owns and manages national, consultants/referral and regional hospitals, leaving district hospitals, health centers and other health services providing facilities at lower level under LGAs. However, despite the aim of decentralization, which was to enable the ministry to concentrate on major roles of policy formulation and facilitation, the MOHSW has remained the final decision-maker. The ministry holds responsibility for the administration and supervision of all national hospitals, all specialized hospitals, training institutions and executive agencies (MoH, 2003). The majority of decisions are still held at the top ministerial level. It is the ministry that appoints agencies' CEOs and all the board members with decision-making powers. The health sector reform requires the parent ministry to sign the contractual agreement with the agencies and hospitals. In order to measure the performance of health services, the MOHSW was required to ensure several control mechanisms, including performance indicators and the client charter for service providers (MoH, 2003, MOHSW, 2008b).

Another important aspect in the Tanzania health sector reform was financial decentralization. In addition to the funds allocated by the central government, the reform decentralized power to lower authority levels by extending authority to LGAs through district councils to levy local taxes to meet their obligations of providing health services to the community. The government mobilizes funds from several sources, including cost sharing, health insurance and from both national and international donors (MOHSW, 2008b). Whether funds have been economically, effectively and efficiently used to deliver good, equitable and efficient health services to the citizens, remains a paradox (see

performance management and VFM, pp. 176-179). It is a paradox to the extent that despite the implementation of result-based management in Tanzania's health sector, the literature shows that measuring performance indicators in the health sector is complex, costly and unrealistic. For instance, Ronsholt and Andrews (2005, p. 322) documented that "outcome and impact indicators are difficult to translate and disaggregate into workable indicators at the Ministry or budgeting level." According to the MOHSW (2008a, p. 70), the 2007 Tanzania's health sector monitoring and evaluation (M&E) report showed that the M&E for decision-making is much weaker. However, these arguments will be tested by primary data obtained from the empirical analysis.

Conclusion

This chapter presented the empirical study on public management reforms in Tanzania. It provided a critical analysis of the adoption of NPM and agencification. The chapter analyzed regulatory agencies' legal framework, structure and autonomy, and the accountability framework in Tanzania's agencification system, specifically in the health and energy sectors. Moreover, the chapter critically analyzed the autonomy, mandate and capacity of the CAG in assuring VFM. Additionally, the involvement of the citizens, specifically through NGOs and CSOs in the decision-making process and in performing oversight functions, was analyzed. The critical analysis of the Tanzanian case was necessary so that the combination of theoretical perspectives of public reforms, empirical evidence from the Tanzanian case, and primary data from reliable, experienced and wisely purposively identified respondents determine the validity of the dissertation.

Map 1: Tanzania in map of Africa

AFRICA



Produced by the Cartographic Research Lab
University of Alabama

Map 2: Map of Tanzania in the map of East Africa



Map 3: Map of Tanzanian regions



CHAPTER IV – ANALYSIS AND FINDINGS

1. Data presentation and analysis of findings

As noted in the methodology chapter, three research instruments were used for data collection: detailed semi-structured questionnaires, in-depth interviews and documentary analysis. Questionnaires entailed several questions that included both structured and open-ended response categories. Both interviews and questionnaires focused on four major issues: (1) public financial watchdogs' responsibilities in assuring VFM; (2) accountability, transparency, and responsibility in public management; (3) efficiency in public spending in relation to quality, equity, and efficiency of services to the public; and (4) the position of the public in NPM and agencification. The fieldwork was done from the 1st August 2014 until the 31st October 2014. A total of 23 questionnaires were administered. Questionnaires were given to respondents holding managerial positions in their organizations. Similarly, a total of 14 interviews were conducted in which 17 participants holding managerial positions were interviewed. Out of 14 interviews, 3 were attended by two participants at the same time.

2. Steps for data collection, preparation, processing and analysis

2.1. Identification of participants and their contacts

The fieldwork started by identifying the contacts of research participants. Thereafter a letter was submitted requesting primary data to each institution. Attached to the letters were the copies of a letter from the thesis' supervisor and a letter from the employer, the Institute of Finance Management (IFM), as required by the majority of institutions, especially ministries, the parliament, agencies, and the supreme audit institution (SAI). Several institutions presented a list of officials with their positions and experiences for administering questionnaires or making interviews. However, it was not the case in other institutions where the management identified specific officials to participate in the fieldwork.

i. Information gathering, field notes-taking and editing

Questionnaires were administered first, thereafter in-depth interviews followed. In order to obtain information from a wide range of respondents, it was decided that interviewed participants should be different from the ones who answered questionnaires. Interviews were conducted during official hours in participants' offices. Since participants were skeptical with tape recording of interviews, notes were handwritten. As the fieldwork continued, data was digested in order to reflect emerging concepts and themes. At the end of each interview, notes were examined to ensure that they make sense, especially in relation to the goals of the dissertation. Thereafter, they were recorded accurately in an organized bundle of papers. These notes were then transcribed into an electronic file for each individual interview.

ii. Data transcription and coding

All the interviews entered into electronic files were printed, re-read, and scrutinized while underlining important notes. Putting all the data in the electronic files made it easy to categorize the data through copy and paste. Since some of interview data were scattered and some attached to the topics that they were not related, it was necessary to ensure all the scattered data related to same categories were put together. Participants' answers were paraphrased and sorted into specific categories, and thereafter themes were created. Numeric data (categories) were coded (manually), and entered into a Microsoft Excel spreadsheet and later exported into the IBM SPSS statistics 22 for qualitative descriptive analysis. As a way to ensure that participants' opinions were accurate, and as a way to give them feedback and recognize their contributions, notes were sent to participants' emails. Participants were asked to feel free to add, omit or adjust whatever information which probably was not picked correctly, or in case of any additional information.

2.2 Data presentation and analysis of findings from questionnaires

The dissertation begins by analyzing data collected through questionnaires, followed by data collected through in-depth interviews and finally the documentary review. A total of 23 questionnaires were collected. It included five government officials, five agencies' officials, three SAI officials, four consultants/academics, and six public representatives (including two MPs, two NGOs' officials, and two CSOs' officials). Questions were

grouped into four parts: i) participants' ranks; the evaluation of executive agencies' autonomy and performance; ii) the evaluation of public financial watchdogs institutions (SAI)'s autonomy, mandate, capacity and performance; iii) accountability and VFM audit; and iv) the evaluation of the position of the public in stakeholders' relationship (the state, agencies and auditors). With the exception of few open questions, the major part of the questionnaire included questions with pre-determined alternative answers, which respondents had to choose by putting a tick. Questionnaires were analyzed using the descriptive statistical method, as suggested by May (2011). In order to minimize the number of tables included in this report, the results drawn from different tables were summarized into a few organized tables using Microsoft Word.

2.3 Guiding note to interpretative tasks

First, data were presented in a way to show the general perception of stakeholders on the matters investigated; therefore, the analysis was made to reflect the overall perception of research participants and not on specific individuals or groups of respondents (see tables 6 to 11). Second, with the exception of specific cases that require detailed description of percentages of either the agree category or the disagree category, the numbers (presented in percentage) is the addition of percentages in each category (the agree category or the disagree category). For instance, refer to table 6 item (a) on participants' perception on agencies' autonomy (set salaries and maintain a separate employment policy). A total of 30.4% agreed with the view that agencies set their salaries and maintain an autonomous employment policy. The total includes 4.3% of strongly agreed, 8.7% of agreed, and 17.4% of somehow agreed. Likewise, a total of 69.6% disagreed with the view, within which 26.1% strongly disagreed, 34.8% disagreed, and 8.7% somewhat disagreed. Results are presented as obtained from questionnaires in tables 6-11 as follows.

3. Autonomy and control in Tanzania's agencification

Pre-determined answers were constructed to questions regarding the perception on autonomy/independence of executive agencies. From each item, for instance items (a-h), respondents were asked to tick one of the possible answers within the following scale: strongly agree, agree, somewhat agree, somewhat disagree, disagree, and strongly disagree. The aim was to understand the perception on agencies' autonomy in relation to

employment policy, salaries, punishments and rewards, procurement, hiring and firing policies, budgeting, priorities on spending, and the autonomy to perform their functions.

The majority of respondents indicated that agencies have no autonomy to maintain their separate employment policy, hiring and firing policies, handle all procurements, budgeting and to ensure that enough funding is available, spending resources according to their priorities, and to perform without interference. A total of 69.6% respondents disagreed with the view that executive agencies set salaries and maintain a separate employment policy. 65.1% disagreed with the notion that the agencies handle all procurement. However, 78.3% agreed that agencies handle some procurement but are limited to purchase expensive items. As regards to hiring and firing, 78.3% of respondents disagreed that agencies are free to hire and fire. 73.8% disagreed that the ability to ensure enough funding is obtained. 69.5% disagreed that agencies spend resources according to their priorities. As regards to interference with agencies' performance, 73.9% of respondents disagreed that agencies perform without interference (see figure 8). However, 65.2% agreed that agencies have autonomy to punish and reward their staff (see table 6, below).

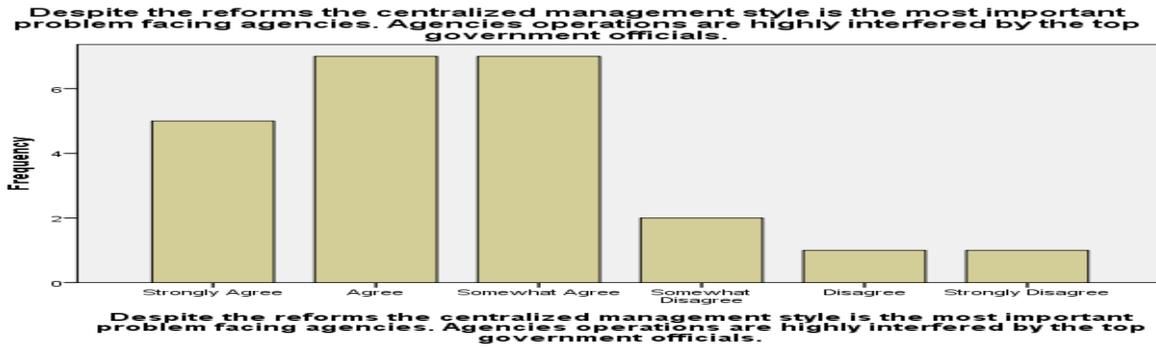
Table 6: Respondents' perception on the autonomy of executive agencies in Tanzania

	a	b	c	d	e	f	g	h
	Set salaries and maintain a separate employment policy	Punish and reward their staff	Handle all the procurement	Handle some procure but limited to purchase expensive items	Hire and fire	They budget and ensure enough fund is obtained	Spends the resources according to their priority	Perform without interference
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response				4.3			4.3	
Strongly agree	4.3	26.1	13.0	26.1	8.7	4.3	4.3	4.3
Agree	8.7	26.1	4.3	34.8	8.7	4.3	13.0	4.3
Somewhat agree	17.4	13.0	17.4	17.4	4.3	17.4	8.7	17.4
Somewhat disagree	8.7	17.4	13.0	13.0	17.4	30.4	13.0	8.7
Disagree	34.8	13.0	39.1	4.3	43.5	39.1	34.8	43.5
Strongly disagree	26.1	4.3	13.0		17.4	4.3	21.7	21.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork findings in Tanzania, 2014.

(The shaded parts indicate response categories not chosen by respondents)

Figure 8: Participants' perception on the influence of the state to the agencies



Source: Fieldwork findings in Tanzania, 2014.

3.1. Performance management and VFM in the Tanzania's agencification framework

The question sought to obtain respondents' perception on the performance of agencies by looking at the appointment of CEOs, the confidence of citizens in their performance, contracts given to agencies, performance, evaluation and monitoring, the level of compliance, and punishments and rewards granted to agencies. 73.9% agreed that agencies' CEOs were appointed by ministers. 73.8% disagreed that all agencies' CEOs are recruited through open market procedure. Regarding the clarity of the appointment criteria, 65.1% disagreed that CEOs' appointment criteria are clear and reasonable. 73.9% agreed that CEOs' appointment criteria are politically based (see table 7). 52.2% agreed that citizens highly trust the agencies, 34.8% out of which were in the somehow agree category. On the contrary, 47.8% did not agree. On the other hand, 47.8% agreed that executive agencies are very important organizations as they are created to ensure the quality of services delivered to the public, 30.4% disagreed and 21.7% said they were not sure (see figure 9). However, this finding contradicts with 60.8% of respondents who supported the view that agencies' goal is to save those who appointed them (see table 7).

Regarding performance management, findings show that a majority of agencies have been setting their own performance indicators (PIs) and do their own performance evaluation. 78.2% agreed that agencies do set their PIs and a total of 87% agree that many agencies implement their performance evaluation. This is consistent with 65.2% of respondents who disagreed that parent ministries set PIs for all agencies, and with 73.9% of respondents who disagreed that parent ministries always evaluated agencies' performance. Similar findings

were noted by Ntukumazina (1998), Caulfield (2002), and Sulle (2010, 2011): Tanzania's agencification system is facing serious problems of performance accountability.

Findings reveal that Tanzania has not fully implemented result-based management and that there is little emphasis on results. This is supported by 69.5% of respondents, who disagreed that result-based management has been fully implemented with much emphasis on results. Results also show that MDAs' goals and plans are not specific, measurable, achievable, realistic and timely (SMART). 73.8% responses disagreed that MDAs targets and plans are SMART. Similar findings were made by Issa (2010), who noted that strategic and operational plans of many MDAs were poor, MDAs faced the inability to draw up SMART objectives and outcome-oriented targets. On the other hand, 78.2% of respondents disagreed that agencies are operating under strong controls.

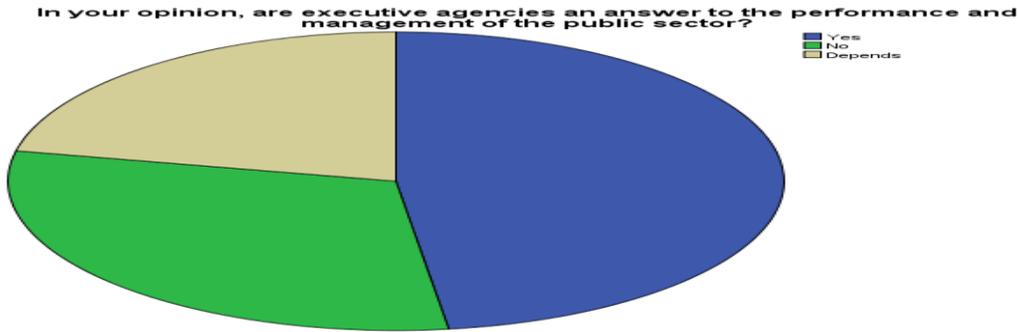
Regarding the implementation of rewards for good performing agencies and sanctions to poor performing agencies, 78.2% disagreed that rewards are given to good performing agencies. Similarly 73.8% of respondents disagreed that sanctions are given to poor performing agencies (see table 7, below).

Table 7: Participants' perception on the performance of agencies in Tanzania

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	All agencies' CEOs are appointed by the Ministers	All agencies' CEOs are recruited through an open market	CEOs' appointment criteria are very clear and reasonable	CEOs' appointment criteria are political based	Citizens highly trust the agencies	Executive agencies are very important entities are there for the public	Agencies' are there to save those appointed them	Majority of the agencies set their own PIs	Many agencies does their own performance evaluation	Result based management has been fully implemented with much emphasis on result	Parent ministries sets PIs for all the agencies	The MDAs targets and plans are SMART	Agencies are operating under strong control and they comply	Always parent ministries evaluated agencies performance	Rewards are given to good performing agencies	Sanctions are given to poor performing agencies
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response			4.3								4.3					
Strongly agree	21.7		4.3	13.0		13.0	4.3	13.0	8.7	4.3	4.3	4.3			4.3	
Agree	34.8	13.0	8.7	26.1	17.4	43.5	13.0	39.1	43.5	13.0	8.7	4.3	4.3	4.3		8.7
Somewhat agree	17.4	13.0	17.4	34.8	34.8	21.7	43.5	26.1	34.8	13.0	17.4	17.4	17.4	21.7	17.4	17.4
Somewhat disagree	8.7	21.7	13.0	4.3	21.7	13.0	17.4	17.4	8.7	34.8	34.8	30.4	21.7	26.1	21.7	30.4
Disagree	4.3	47.8	47.8	8.7	17.4	4.3	13.0	4.3	4.3	21.7	21.7	39.1	43.5	43.5	43.5	30.4
Strongly disagree	13.0	4.3	4.3	13.0	8.7	4.3	8.7			13.0	8.7	4.3	13.0	4.3	13.0	13.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 9: Participants' perceptions on agencies in the public sector



Source: Fieldwork findings in Tanzania, 2014.

3.2 CAG's autonomy, mandate, capacity and access to information

Questions explored respondents' perception of the autonomy and mandate of the SAI in terms of capacity and access to adequate and reliable information from audited organizations. Questions also wanted to know CAG's mode of appointment and the implication for autonomy and mandate. Regarding the appointment of the CAG, 91.1% of respondents agreed that the CAG is appointed by the president of the United Republic of Tanzania. On the other hand, 56% disagreed that the CAG is recruited through an open market procedure; 78.3% disagreed that the CAG is appointed and approved by the parliament; and 86.9% disagreed that the CAG is recruited by the public involving the parliament, NGOs and CSOs (see table 8). On what concerns the implications of the appointment of the SAI by the president, the majority of respondents (60.9%) indicated that this negatively affects the independence of the CAG (see figure 10).

Regarding the autonomy and mandate, findings show that the CAG has a low level of legal autonomy, policy autonomy and operational autonomy. This results from 52.2% of respondents who disagreed that the CAG has a high level of legal autonomy; 82.6% disagreed that the CAG has power to undertake follow-up and to ensure compliance; and 87.2% disagreed that the CAG has power to enforce audit recommendations. 56.4% of respondents disagreed that the CAG is independent to audit any public institutions without interference of the state; 73.9% disagreed that the CAG has budgetary autonomy; 65.5% disagreed that the CAG has power to influence the government's policy, and 86.9% disagreed that the CAG has power to issue punishment for non-compliance of financial regulations and standards.

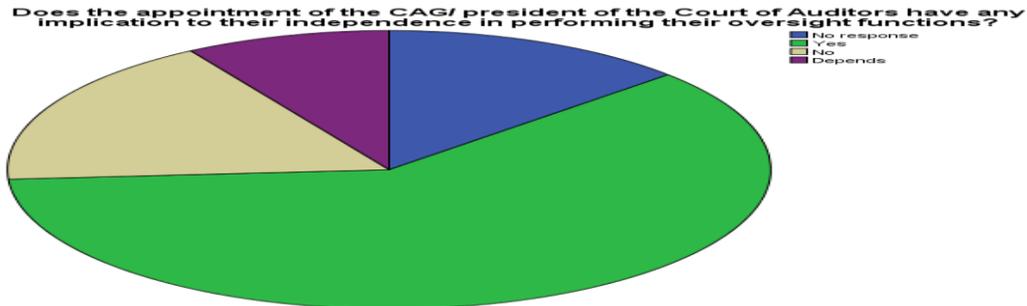
Regarding CAG's capacity, findings show that the office of the CAG has been receiving inadequate resources from the government. In fact, 60.8% of respondents disagreed that the state has been providing adequate resources to the CAG. 60.8% disagreed that the CAG has enough capacity to review public income and expenditure. On what concerns access to information, 56.5% of respondents disagreed that the CAG always accesses adequate and reliable information from MDAs. 56.4% disagreed that the CAG has power to demand any information in undertaking the audit (see table 8, below).

Table 8: Stakeholders' perception on CAG's autonomy, mandate and capacity

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	CAG is appointed by the President	CAG is recruited through the open market	CAG is appointed and approved by the Parliament	CAG is recruited by the public involving the Parliament, NGOs and CSOs	CAG has high level of legal autonomy	CAG has power to follow up, and ensure compliance	CAG has power to enforce the implementation of audit findings	CAG is independent to audit any public institutions without interference by the state	CAG has autonomy to budget and ensure that the state provide enough fund	CAG has power to influence the government policy	The state has been providing adequate resources to CAG	In undertaking the audit, CAG has power to demand any information	Always CAG accesses adequate and reliable information from MDAs	CAG has power to issue punishment for non-compliance of financial regulations and standards	CAG has enough capacity to review all the public revenues and expenditure every year
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response	4.3	8.7	13.0	8.7	4.3					4.3	4.3	4.3		4.3	4.3
Strongly agree	82.6	8.7	4.3	4.3	8.7			8.7	4.3			8.7	13.0		
Agree	4.3	13.0	4.3		17.4	8.7	8.7	17.4	4.3	8.7	21.7	21.7	17.4		17.4
Somewhat agree		13.0			17.4	8.7	13.0	17.4	17.4	21.7	13.0	8.7	13.0	8.7	17.4
Somewhat disagree		17.4	17.4	13.0	17.4	17.4	8.7	21.7	17.4	17.4	13.0	30.4	17.4	17.4	13.0
Disagree	4.3	26.1	17.4	21.7	26.1	34.8	39.1	30.4	47.8	30.4	26.1	21.7	30.4	30.4	26.1
Strongly disagree	4.3	13.0	43.5	52.2	8.7	30.4	30.4	4.3	8.7	17.4	21.7	4.3	8.7	39.1	21.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 10: Respondents’ perception on CAG’s appointment by the President



Source: Fieldwork findings in Tanzania, 2014.

3.3 Performance evaluation and VFM audit in Tanzania’s agencification framework

This question explored respondents’ perception on the functioning and performance of the public financial watchdog institution (SAI). The following are findings as summarized in table 9.

Regarding performance review, the office of the CAG has not been reviewing the performance of all MDAs. 56.5% disagreed that the SAI reviews the performance of all MDAs annually. Significantly however, 43.4% agree with this position. 65.2% disagreed that normally the CAG does VFM to all MDAs. Probably inadequate financial capacity and human resources could be one of the reasons, as 69.5% disagreed that the CAG has adequate human resources, and 73.9% disagreed that the CAG has adequate funds to execute its functions. Agencies’ PIs, contracts and budgets were not given to the CAG to review. This is shown by 91.2% of respondents who disagreed that the SAI reviews all agencies’ PIs, contracts and budgets. Furthermore, 60.8% agreed that the majority of agencies were audited by their own private auditors. However, 60.8% disagreed that the majority of agencies are not audited at all. Nevertheless, there was consensus among the majority of respondents (82.6%) that normally the CAG reviews financial statements of few selected agencies. On the other hand, 73.9% disagreed that the CAG has access to all the information needed during investigation. 60.8% disagreed that the CAG has been receiving maximum cooperation from the auditees.

In regard to the implementation of audit recommendation, the majority of respondents (69.5%) disagreed that audit recommendations are fully implemented with the government’s follow-up. 65.1% disagreed that measures to enforce non-compliance are

seriously taken by the state. This is consistent with 60.8% of respondents who agreed that most of audit recommendations were ignored by the state.

3.3.1 Involvement of CSOs and NGOs in performing oversight functions

Evidence shows that there is no involvement of CSOs and NGOs in auditing. 86.9% of respondents disagreed that CSOs and the NGOs were involved in auditing. 82.6% disagreed that the legal framework allows the involvement of CSOs and NGOs in decision-making and in performing oversight functions. The access of the audit report by the public was also found to be a problem. 60.9% disagreed that audit reports were always made available to the public.

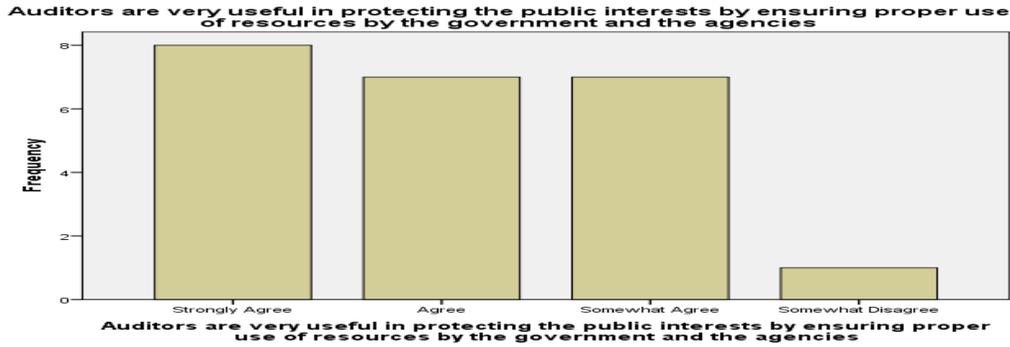
Regarding citizens' interest on the performance of the CAG, 78.3% agreed that citizens have much interest on the performance of the CAG. However, 56.5% (including 30.4% of somewhat disagree) disagreed that citizens have much trust on audit findings and opinions given by the CAG. On the other hand, 69.5% agreed that the credibility/belief of audit findings by the public is high. 52.1% agreed that citizens have a high level of trust on the SAI. As regards to the perception on the usefulness of the SAI, 95.6 % agreed that auditors are very useful in protecting the public interest by assuring proper use of resources by the government and agencies (see figure 11, below).

Table 9: Participants' perception on the performance of the CAG

	a	b	c	d	e	f	g	h	I	j	k	l	m	n	o	P	q	r	s	t	u
	SAI review the performance of all the MDAs annually	SAI reviews all the agencies' Pls, contracts and the budget	Normally CAG reviews the financial statements of few selected agencies	Normally CAG does VFM to all agencies, ministerial departments	Majority of the agencies are being audited by their own private auditors	Majority of the agencies are not audited at all	CAG has adequate human resource to execute its functions	CAG has adequate funds to execute its functions	CAG has an access to all the information needed during investigation	CAG has been receiving maximum cooperation from the auditees	Audit recommendation are fully implemented with government's follow up	Audit reports have always been available to the public (high level of transparency)	Measures to enforce non-compliance are seriously taken by the state	The credibility/belief of auditors findings by the public is high	CSOs and NGOs are involved in auditing	Legal framework allows involvement of the CSOs and NGOs in decision making and in performing oversight functions	The citizens have much interest on the performance of the CAG	Citizens have high level of confidence to the audit opinion	Generally the citizens have high level of trust to the Supreme audit institution	Most audit recommendations are being ignored by the state	Auditors are very useful in protecting the public interest by assuring proper use of resources by the government and agencies
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response																			4.3	4.3	
Strongly agree	13.0	4.3	17.4	8.7	8.7												8.7	8.7	8.7	17.4	34.8
Agree	17.4		39.1	13.0	21.7	21.7	13.0	21.7	13.0	13.0	8.7	17.4	13.0	30.4		8.7	34.8	17.4	21.7	30.4	30.4
Somewhat agree	13.0	4.3	26.1	13.0	30.4	17.4	17.4	4.3	13.0	26.1	21.7	21.7	21.7	39.1	13.0	8.7	34.8	17.4	21.7	13.0	30.4
Somewhat disagree	26.1	21.7	8.7	17.4	13.0	17.4	4.3	21.7	17.4	26.1	8.7	8.7	4.3	13.0	13.0	26.1	8.7	30.4	26.1	13.0	4.3
Disagree	17.4	47.8	8.7	39.1	17.4	30.4	52.2	26.1	47.8	21.7	47.8	43.5	47.8	17.4	34.8	30.4	13.0	26.1	8.7	13.0	
Strongly disagree	13.0	21.7		8.7	8.7	13.0	13.0	26.1	8.7	13.0	13.0	8.7	13.0		39.1	26.1			8.7	8.7	
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Fieldwork findings in Tanzania, 2014.

Figure 11: Respondents’ view on the usefulness of public financial watchdogs (SAI)



Source: Fieldwork findings in Tanzania, 2014.

3.3.2 Accountability, transparency and answerability in Tanzania’s public sector

Questions explored respondents’ view on accountability, transparency and responsiveness, and their perception on quality, equity and efficiency of service delivery by agencies. Findings are displayed in table 10.

Regarding transparency, 69.5% disagreed that agencies reveal the facts of their actual performance (disclosing the amount of resources they spend in relation to what they deliver) to the public transparently. Consistently, 78.2% disagreed that there is high level of productivity, transparency, and responsiveness of agencies; and 69.6% disagreed that citizens can easily access financial information on agencies’ performance and audit findings. 73.9% disagreed that there is strong internal control on revenue and expenditure and a high level of compliance. The instructive evidence comes from 65.2% of respondents who disagreed that agencies abide to rules and regulations. On the other hand, 65.2% disagreed that public administration reforms have improved accountability, transparency and responsibility in the public sector. This is consistent with 78.2% of respondents who disagreed that citizens’ perception on wasteful spending of resources by the MDAs is very low.

3.3.3 Respondents’ perception on fraud, irregularities and inefficiency use of resources

In regard to enforcement of non-compliance to rules and inefficiency use of resources, 78.2% disagreed that measures to enforce agencies’ lack of responsiveness are seriously taken by the state. 69.5% disagreed that agencies have been punished for poor performance.

Regarding the quality of services, 65.2% disagreed that agencies have improved quality, equity and efficiency of services. 86.9% disagreed that public administration reforms have minimized the level of fraud and other irregularities in the public sector. On the other hand, 56.5% (including 34.8% of somewhat agree) agreed that public administration reforms have largely improved the quality of public services. 82.6% disagreed that citizens have been involved in decision-making. 91.3% disagreed that actions to be taken for agencies' unsuccessful delivery of quality, equity, and efficient services are clearly known by citizens.

Table 10: Stakeholders' perception on accountability, transparency and answerability

	a	b	c	d	e	f	g	h	i	j	k	l	m	n
	Transparently, agencies reveals the facts of their performance to the public	Agencies have improved quality, equity and efficiency of services	Agencies have been following the rules and regulations	There is high level of productivity, transparency, answerability and responsiveness	Agencies have been punished for poor performance	There is strong internal control on revenue and expenditure and high level of compliance	The citizens have been involved in decision-making	The citizens can easily access financial information on agency performance and audit findings	Actions to be taken by the citizens for failure of agencies to deliver are clearly known	Measures to enforce agencies' lack of responsiveness are seriously taken by the state	Public administration reforms have largely improved quality of the	Public administration reforms have minimized the level of fraud and other irregularities in the public sector	Public administration reforms have improved the level of accountability, transparency and responsibility in the public sector	Generally the citizens perception on the wasteful spending of resources by the MDAs is very low
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response														
Strongly agree	8.7		4.3								4.3			4.3
Agree	8.7	13.0	8.7	4.3	8.7	8.7	4.3	8.7		4.3	17.4	4.3	13.0	8.7
Somewhat agree	13.0	21.7	21.7	17.4	21.7	17.4	13.0	21.7	8.7	17.4	34.8	8.7	21.7	8.7
Somewhat disagree	17.4	39.1	34.8	30.4	21.7	17.4	26.1		26.1	21.7	21.7	17.4	26.1	17.4
Disagree	39.1	17.4	21.7	39.1	34.8	34.8	30.4	43.5	34.8	39.1	13.0	47.8	30.4	39.1
Strongly disagree	13.0	8.7	8.7	8.7	13.0	21.7	26.1	26.1	30.4	17.4	8.7	21.7	8.7	21.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork findings in Tanzania, 2014.

3.3.4 The position and the involvement of citizens in decision-making

On what concerns legislation on the formal stakeholder's relationship, 65.2% disagreed that the legislation clearly provides a formal relationship between the government, agencies, auditors and the public. On the other hand, 69.5% disagreed that laws give citizens a mandate to demand transparency. 87% disagreed that citizens are free to question the performance of agencies and to take action when quality, equity, and efficiency of services are compromised. Concerning citizens' awareness of rules and regulations, 91.3% disagreed that citizens are aware of rules and regulations governing agencies. This is consistent with 78.2% of respondents who disagreed that actions to be taken by citizens for agencies' failure to deliver are clear and known, and 91.2% disagreed that citizens are mandated to sanction agencies in case of misuse of resources. 78.2% disagreed that the law gives mandate to NGOs and CSOs to participate in decision-making. On the other hand, 73.9% disagreed that citizens are free to access and to question audit findings. 91.3% disagreed that citizens are able to take action in case they do not believe in audit findings. Consistently, 91.3% disagreed that citizens are able to take action if they are suspicious of the performance of the CAG. On the other hand, 65.2% agreed that neither the state nor agencies care about informing citizens.

Concerning citizens' awareness of rules and regulations that govern the agencies, 69.6% disagreed that citizens are aware of performance objectives given to the agency by the government, and 82.6% disagreed that citizens are aware of each agency's budget. 52.1% disagreed that citizens are aware of auditors' functions. However 39.1% agreed and 8.7% did not answered to this question. Furthermore, on the issue of access to information by citizens, 65.2% disagreed that citizens can easily access agencies' performance report and audit findings.

On what concerns the involvement of citizens in decision-making, 78.2% disagreed that they are largely involved in the reform process and decision-making procedures. This is consistent with 78.2% of respondents who disagreed that citizens are highly involved in reform decisions. 69.6% disagreed that citizens are aware of performance objectives given to agencies. Concerning the involvement of citizens in performing oversight functions, 86.9% disagreed that they are involved in performing oversight functions. 78.2% disagreed

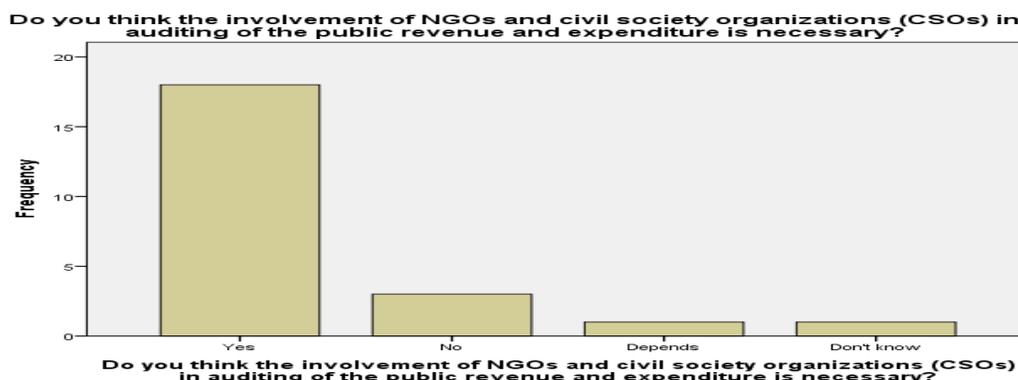
that NGOs and CSOs are actively involved in auditing. However, 73.8% agreed that it is important that CSOs and NGOs are mandated to participate in decision-making and auditing (see figure 12).

Table 11: Participants' perception on the position of the public in the agencification

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t
	The legislation clearly provide formal relationship between the government, agencies, auditors and the public	The laws give citizens mandate to demand for transparency	The citizens are largely involved in the reform process and decision making	The citizens are free to question and take action on failure of the agencies to deliver	The citizens are aware of the rules and regulation governing the agencies	The citizens are aware of the performance objectives given to the agencies by the state	The citizens are aware of the each agencies' budget and the outcome of the budget	The citizens can easily access the agencies performance report and audit findings	The actions to be taken by the citizens for the agencies failure to deliver are clear and known	The citizens are involved in performing oversight functions	The citizens are free to access and question the audit findings	The citizens are aware of the functions of auditors	Neither the state nor the agencies care of informing the citizens	The citizens are able to take action in case they do not believe the audit finding	The citizens are able to take action if they are suspicious on the performance of the CAG	The citizens are highly involved in reform decisions	The citizens are mandated to sanction the agencies in case of misuse of resources	The law gives mandate to NGOs and CSOs to participate in decision-making	NGOs and CSOs are actively involved in auditing	It is important that CSOs and NGOs are mandated to participate in decision-making and auditing
Responses	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages	Percentages
No response												8.7								
Strongly agree	4.3	4.3									8.7	4.3	8.7						4.3	39.1
Agree	8.7	8.7	8.7	8.7	4.3	4.3	4.3	13.0	4.3	4.3	8.7	17.4	17.4	4.3		13.0	4.3	4.3	4.3	30.4
Somewhat agree	21.7	17.4	13.0	4.3	4.3	26.1	13.0	21.7	17.4	8.7	8.7	17.4	39.1	4.3	8.7	8.7	4.3	17.4	13.0	4.3
Somewhat disagree	26.1	30.4	21.7	26.1	34.8		26.1	17.4	17.4	26.1	17.4	13.0	8.7	17.4	34.8	17.4	21.7	13.0	13.0	13.0
Disagree	21.7	17.4	39.1	34.8	21.7	26.1	26.1	26.1	30.4	30.4	34.8	26.1	21.7	43.5	34.8	30.4	30.4	39.1	43.5	13.0
Strongly disagree	17.4	21.7	17.4	26.1	34.8	43.5	30.4	21.7	30.4	30.4	21.7	13.0	4.3	30.4	21.7	30.4	39.1	26.1	21.7	
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 12: Respondents’ perception on involvement of the CSOs and the NGOs in auditing



Source: Fieldwork findings in Tanzania, 2014.

3.4. Questionnaires’ results from opinion questions

Responses were carefully scrutinized, sorted and grouped. Respondents’ opinions are summarized in tables 12 to 18.

Table 12: Are the executive agencies an answer to the performance of the public sector?

Reasons for “Yes”	Reasons for “No”	Reasons for “Depends”
<ol style="list-style-type: none"> Given full financial and administration autonomy they can work as private based entities. They can effectively oversee the performance of the public sector. Make it possible for the government to concentrate on administrative roles “But the challenge is on how to implement the autonomy”. They are close to the public, but political interference should be minimized and government officials change their mindset of seeing as if they own the agencies. They enhance performance management as decision-making becomes more effective and efficient. They can improve the accountability and transparency. They are established with a unique and specific task or objective They have technical staff; the ministries should focus on policy issues. If they are effectively managed and not influenced by politics. 	<ol style="list-style-type: none"> The management of the public sector requires leadership ability, commitment and seriousness. They are not fully autonomous; they are highly interfered by the state. They are politically created to deliver political interests. They are just paying themselves much salaries but the level of inefficiency is increasing They are not for the interest of the public rather of the few 	<ol style="list-style-type: none"> If they are there to deliver the services and not working as the government The model is good but it needs a well defined accountability framework “Don’t believe that one size fits all” If and only if the public is involved in decision-making, the agencies can free the state to concentrate on policy issues

Source: Fieldwork findings in Tanzania, 2014.

Table 13: Is the involvement of the CSOs and the NGOs in auditing necessary?

Reasons for “Yes”	Reasons for “No”	Reasons for “Depends”
<ol style="list-style-type: none"> 1. Their oversight role of the government’s performance is crucial 2. They have a stake in ensuring the effective use of the national resources 3. They represent the public, they are close to the people therefore they are more informed than the state. 4. Their involvement will enhance efficiency and accountability. 5. The citizens will be effectively represented in the audit. 6. A wider involvement of stakeholders helps to have a balanced opinion. 7. They will challenge the audit reports and make the public attentive. 8. “We do not expect biased opinion from the NGOs and the CSOs” 9. They have information, experts, financials, and they are independent 10. Always the NGOs and CSOs are like watchdogs 11. Their involvement will enhance the independence of the audit, and will improve confidence of the public on audit reports. 12. They are more close to the citizens, they can easily provide the citizens concerns to the CAG for appropriate audit 13. They will improve transparency by bringing in their experiences 14. they will get informed with the internal systems and make it easier for them to track the revenue and expenditure transactions 	<ol style="list-style-type: none"> 1. Most of the CSOs and NGOs have their personal interests in generating income other than supporting the citizens. 2. Auditing is a professional responsibility therefore it has to be done by professionals experts 3. They do not represent the public. They represent the ones funding them 4. They are not accountable to the public, they are accountable to the donors who are not service users 5. Some of them are owned by politicians. It can be a way just to show the public that they are represented but in reality they are not. 6. They are owned by few people. The citizens have no membership in the NGOs and CSOs that we have. 7. How can they represent the public while the citizens are not aware of where they report? 	<ol style="list-style-type: none"> 1. While involvement of NGOs and CSOs has a potential of adding value, but it also has the possibility of bringing unwanted interference in the operations of the institutions being audited

Source: Fieldwork findings in Tanzania, 2014.

Table 14: The implications of the appointment of the SAI in performing oversight functions

<ol style="list-style-type: none"> 1. Mode of appointment determines the level of independence of the CAG, which affects credibility of the reports issued to the public. 2. Being appointed by the President, the CAG is bound to give opinion in the interest of the president. 3. There is a conflict of interest when it comes to audit the instruments directly related with the expenditure of the president. 4. “You cannot question your employer because you stand to lose your job. The CAG’s limitation to effectively perform his duties” 5. The reporting system requires the CAG to submit first to the President, and thereafter to the parliament. 6. The CAG may be bound by the directions of the President. The president can dictate the performance of the SAI 7. The independence of the CAG is limited as always tend to be biased while performing their duties. 	<ol style="list-style-type: none"> 8. The appointed individual tends to favor the appointing authority 9. When CAG come across matters that are directly attached to the president he can be in a position of failing to show the facts. 10. The CAG is not appointed by the public therefore definitely he/she has to benefit his/her boss. 11. The CAG’s independence is compromised, he cannot challenge the decisions of his boss no matter the decisions are good or bad. 12. Being appointed by the president, the SAIs find themselves delivering political interests rather than the interest of the public. 13. In a situation where the CAG is appointed by the president and the president has mandate to fire the CAG at his discretion you should expect lack of freedom and autonomy. 14. The President is a head of the government which CAG has to audit, automatically the independence is impaired.
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Source: Fieldwork findings in Tanzania, 2014.

Table 15: Challenges facing the auditors when executing their professional responsibilities

S/N	Categories of challenges	Specific challenges
1	Political challenges	<ul style="list-style-type: none"> • Political interference “ some facts cannot be reported openly due to politics” • Interference by the government officials “too much interference by the government” • Political interests to protect political parties • Lack of political will to enforce accountability, transparency and responsiveness
2	Legal challenges	<ul style="list-style-type: none"> • Poor legal framework • Lack of autonomy and mandate to enforce compliance • Lack of autonomy and mandate to follow and enforce audit recommendation
3	Institutional challenges	<ul style="list-style-type: none"> • Lack of independence from the appointing authority • Inadequate resources both financial and Human resource • The limitation of the scope of audit causes problems of obtaining audit evidence
4	Technical challenges	<ul style="list-style-type: none"> • Lack of skills in certain areas as result of change of technology • Lack of experts with proper skills and the lack of working facilities • Lack of multi-disciplinary skills (most of them are financial auditors)
5	Structural challenges	<ul style="list-style-type: none"> • The mode of appointment affects their autonomy-being appointed by the President • Confusion on who is above who: CAG, the governing Boards and CEOs, the Permanent secretaries and the Ministers
6	Communication challenges	<ul style="list-style-type: none"> • The lack of access to information to support their investigation • Lack of support from audited entities • Unavailability of reliable information (existence of fake information, i.e. fake receipts)
7	Professional and ethical challenges	<ul style="list-style-type: none"> • Lack of ethics among auditors as a result of poor motivation • Lack of ethical conduct and integrity among the profession members • Lack of ethics and integrity among MDAs officials
8	Accountability challenges	<ul style="list-style-type: none"> • The CAG has no power to hold anyone responsible for failure to comply • There is high level of non-compliance, the CAG cannot afford to disclose everything • No clear separation of duties and obligations between the financial watchdogs, the government and the citizens in the accountability machinery • The lack of follow ups and enforcement of laws and regulations by the government
9	Fraud, irregularities, corruption and bribery	<ul style="list-style-type: none"> • Mounting of perception on fraud, irregularities and Corruption “the system is extremely corrupt” • “Kukua kwa uifisadi, wizi wa mali ya umma na ubadhilifu” (“the increase of grand corruption, theft of public resources and inefficiency”)
10	Intimidation challenges	<ul style="list-style-type: none"> • Personal/individual threat including death threatening • Intimidation as a result of lack of compliance to the laws “Sometimes the CAG’s officials are at risk due to the reason that some CEOs who have misused the funds are not happy with the facts in the audit reports”
11	Perception challenges	<ul style="list-style-type: none"> • Expectation gaps on the responsibility of the auditors in relation to public expectations

Source: Fieldwork findings in Tanzania, 2014.

Table 16: Opinions on the means to improve the performance of the SAIs

<ol style="list-style-type: none"> 1. Tightening of the laws and regulation against corruption. 2. Minimizing the level of political interference. 3. Enhancing capacity building to staff (train more experts). 4. Capacity building to the MPs on their oversight functions 5. The state should provide adequate resources to the CAG 6. Review the appointment and reporting mechanism. 7. Give SAI mandate and autonomy to disclose the facts 8. The legal framework should be improved. 9. The CAG's recommendations must be implemented 10. The SAI should be appointed and accountable to the public and not to the government. 11. Appointment of the SAI and recruitment process should be open market based on qualification and ability 12. Mandated the SAI to enforce audit recommendations 13. Educate and enforce the CEOs to comply with the rules and regulations. 	<ol style="list-style-type: none"> 14. To enhance professional ethics and integrity to both auditors and government officials 15. To involve other stakeholders including the CSOs and NGOs in auditing 16. The CAG should be appointed by an independent body 17. The CAG should be mandated to direct prosecute the people who have been implicated by the audit activities and not just sending a report to relevant authorities as no actions are being taken. 18. The citizens should be made aware on the roles of the auditors 19. All the CEOs and managers should be responsible to provide information to the auditors and the citizens should be empowered on Public Expenditure Tracking System (PETS). 20. The legal framework should mandate cooperation to be given to the auditors by the audited organizations. 21. The SAI should be appointed by the public. 22. Invest in technology through the use of sophisticated tools to ease the auditing process. 23. Strengthening the oversight machinery in the country (the Parliament, CAG, PCCB, CSOs, NGOs, and any other oversight institution).
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Source: Fieldwork findings in Tanzania, 2014.

Table 17: Factors that hinder quality, equity and efficiency of services in the public sector

<ol style="list-style-type: none"> 1. Fraud, corruption, embezzlement and inefficiencies use of resources. 2. Poor motivation of staff in the civil service. 3. Narrow tax base hence inadequate funds to finance services oriented projects (shortage of budget) 4. The growing culture of selfishness and greedy among government officials, agencies officials and civil servants. 5. Lack of ethical conducts and integrity among civil servants. 6. Lack of accountability, transparency and answerability 7. Poor legal framework 8. No clear separation of duties and obligations between the financial watchdogs, the MDAs and the citizens in the accountability machinery. 9. Lack of knowledge among the citizens. 10. Insufficiency enforcement mechanism. 11. Lack of skills and knowledge among many officials (inadequate number of professionals). 12. The private sector is not involved in the decision-making. 	<ol style="list-style-type: none"> 13. Interference by the top officials in the performance of the civil service and agencies (political interference) 14. Politicians are mostly fulfilling their political objectives like Party manifesto 15. Lack of political commitment to foster quality, equity and efficiency 16. Lack of involvement of the public in decision-making and auditing 17. Poor planning by the MDAs 18. Unequal distribution of resources among government sector and the lack of priorities “just compare the army, and the health sector you will find the equivalency” 19. Lack of performance evaluation, monitoring and control 20. Failure to take action against those who misuse public resources 21. Low level of technology, the technology used is manual especially in documentation. This hinders efficiency as it makes it difficult to locate the information for proper and informed decision 22. Lack of a defined system of measuring performance of the CEOs and the way of holding them accountable
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Source: Fieldwork findings in Tanzania, 2014.

Table 18: the means to improve accountability, transparency, responsiveness and VFM

1. Fight against corruption, fraud and other irregularities.	15. Make the citizens aware of their rights and obligations
2. Capacity building to the oversight authorities and civil servants	16. The roles and responsibilities of each agency must be clear and known by the citizens.
3. Motivating public servants (Pay civil servants according to their performance).	17. The criteria for appointing the agencies' CEO should be clear, and they should be recruited by an independent body that involves the public.
4. Engaging dedicated and committed leaders to serve the public.	18. Review the legal framework.
5. Involving the citizens in decision-making and in auditing.	19. Training employees on the importance of working hard and respecting the citizens in the delivery of services
6. Redefine the accountability framework.	20. Promoting ethical practices to government officials, agencies officials and the entire public sector
7. Enhance the level of transparency in recruiting the civil servants and the SAI (should be based competition).	21. Improve performance monitoring, evaluation and control
8. Put in place effective appraisal systems.	22. Implementing good governance principles
9. Formulate the law that gives citizens mandate to demand transparency and accountability.	23. Improve the use of technology
10. Get rid of bureaucracy in the government system.	24. Take appropriate measures against any misconduct
11. SAI should be accountable to the public, the public should be mandated to appoint and punish the SAI for failure to perform.	25. Improve staff salaries to retain the best candidates
12. Decision-making should be guided by laws, regulations and rules, and should not be done at the discretion of single individuals, particularly the ministers.	26. Provide more mandate and autonomy to the CAG and the PCCB
13. The boards of directors/ trustee should be given more power/authority and be independent from ministers.	27. Rewards and punishment system should be implemented "Carrot and stick system needs to be in place".
14. To recruit staff with high level of integrity and commitment.	

Source: Fieldwork findings in Tanzania, 2014.

4. Data presentation and analysis of findings from in-depth interviews

As earlier noted, a total number of 17 participants (equivalent to 85% of expected number of participants) were interviewed (see table 19, below). Responses were coded and entered into Microsoft Excel before they were exported into SPSS for qualitative descriptive statistics data presentation and analysis. Similarly to the analysis of questionnaires, responses from interviews were carefully scrutinized, sorted, grouped and summarized in tables as indicated in tables 31 to 35.

Table 19: In-depth interview responses

Types of institutions	Expected No. of participants	Actual No. of Participants
Government	4	4
Non Governmental Organization (NGO)	2	2
Parliament	2	1
Civil Society organization (CSO)	2	2
Agency	4	4
Public Financial Oversight Institution (CAG/Court of Audit)	4	2
Consultants/academicians	2	2
Total	20	17
Percentage	100%	85%

Source: Fieldwork findings in Tanzania, 2014.

4.1. Autonomy, mandate and control in Tanzania’s agencification

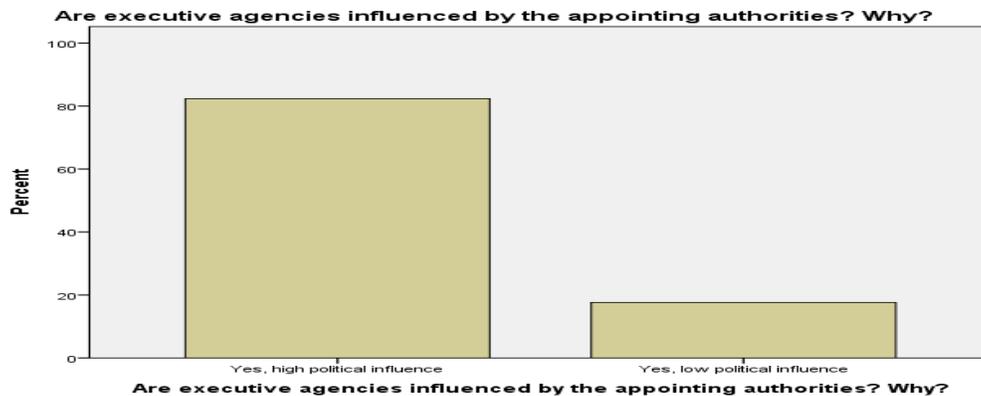
Findings show that agencies are facing lack of autonomy and control. 70.6% of respondents indicated that Tanzania’s agencies suffer from lack of autonomy; they include 41.2% who indicated that agencies have low level of autonomy and mandate, and 29.4% who indicated that they do have neither autonomy nor mandate. Consistently, 82.4% answered that political influence in Tanzania’s agencies is high. 17.5% argued that political influence exists but the extent is low (see table 20 and figure 13).

Table 20: Participants’ perception on agencies’ autonomy, mandate and control

What do you consider to be the level of executive agencies’ autonomy/independence and mandate in executing their responsibilities?	
Response categories	Responses in percentage
High level of autonomy and mandate	11.8
Low level of autonomy and mandate	41.2
High level of autonomy, Low level of mandate	5.9
No autonomy, No mandate	29.4
Some yes have autonomy	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 13: Participants’ perception on the agencies’ autonomy and control



Source: Fieldwork findings in Tanzania, 2014.

4.2 Performance management and VFM audit in Tanzania’s agencification framework

Findings show that the question of who exactly sets performance indicators for agencies is not clear. However, evidence shows that agencies were setting their own performance indicators and implement evaluation tasks. This is evidenced by 47.1% of the participants who indicated that agencies set their own PIs and do the evaluation. On the other hand, 41.2% answered that the setting of PIs and evaluation has been done by agencies and

sometimes the ministries. Consistently, 5.9% told that the issue of who does what is not clear. On the other hand, findings revealed that VFM audit is still a challenge in Tanzania's agencification framework. 47.1% of the participants declared that agencies were not undergoing VFM audit at all, whereas 23.5% answered that the CAG has been undertaking VFM audit in a few agencies. This is supported by 11.8% of the participants who indicated that apart from traditional audit¹⁶, VFM audit has not been undertaken.

As to the improvement in the delivery of services, findings show that there is still confusion on whether agencies have improved the delivery of services in Tanzania. In responding to a question on whether public administrative reforms and the introduction of executive agencies have improved government's effectiveness in public services' provision, 41.2% of participants refused to agree with this. However, 29.4% agreed that there is improvement and 11.8% indicated that there is some improvement. The interesting part is the perception on the question whether agencies are an answer to the performance and management of the public sector, since 41.2% said yes while 41.2% said no, and 17.6% were not sure (see tables 21, 22, 23 and figure 14).

Table 21: Participants' perception on performance monitoring and evaluation

Who do you think sets the performance indicators for the agencies, and who does the evaluation for their performance?	
Response categories	Responses in percentage
Agencies sets PIs and does the evaluation	47.1
Agencies sets PIs, Ministries evaluates	5.9
Sometimes agencies, sometimes ministries	41.2
Not clear who does what	5.9
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

¹⁶ Traditional audit is a type of audit whereby auditors collect and analyze audit evidence and form opinions pertaining to internal controls as well as reliability of the information provided by the management. At the end of the audit, auditors present a formal report expressing their opinion. In fact, this approach reflects the twentieth century methodology whereby there are high costs and significant time delays associated with information collection, processing, and reporting (AICPA Assurance Services Executive Committee, 2012, p. 4).

Table 22: Participants’ perception on performance (VFM) audit in agencification process

Do you think all executive agencies are undergoing value for money audit (performance audit)? Who does that?	
Response categories	Responses in percentage
Yes, few of them by CAG	23.5
No, not at all	47.1
Not sure/doubt	17.6
Traditional audit Yes, VFA No	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Table 23: Participants’ perception on the effectiveness of service delivery in agencification

By looking at all the public administrative reforms, and the introduction of the executive agencies in your country, would you say the government is now more effective in service provision than before?	
Response categories	Responses in percentage
Yes	29.4
To some extent Yes	17.6
No, not at all	41.2
Not sure/doubt	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 14: Participants’ perception on whether agencies are an answer in the public sector



Source: Fieldwork findings in Tanzania, 2014.

4.3 The autonomy, mandate and capacity of the Controller and Auditor General (CAG)

Tanzania’s SAI is facing a lack of autonomy, and, therefore, its capacity to undertake professional responsibilities is diminished. According to the interviews, 58.8% told that the CAG has a low level of autonomy and a weak mandate. 17.6% had the perception that the CAG has neither autonomy nor a clear mandate. On the other hand, 5.9% showed that the CAG has a strong mandate but a low level of autonomy and 11.8% indicated the CAG has a

mandate but no autonomy. On the contrary, 5.9% suggested that the CAG has a strong mandate and plenty of autonomy.

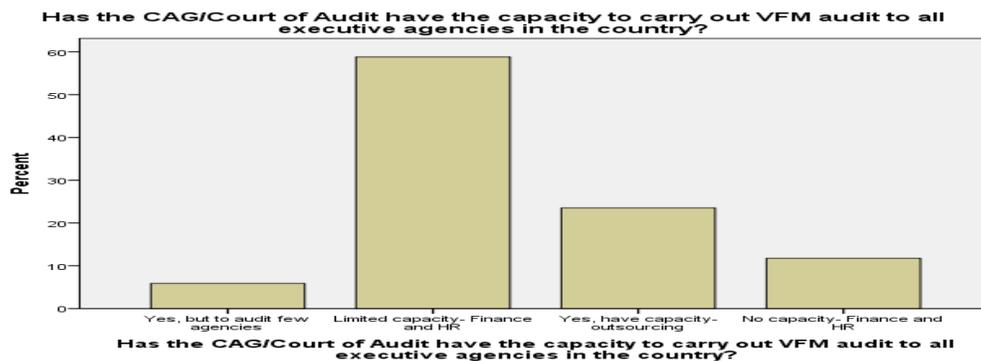
Concerning CAG’s capacity, 58.8% answered that the CAG has limited financial and human resources capacity. 11.8% indicated that the CAG has no capacity, and 5.9% answered that the CAG has capacity to audit only a few agencies. On the other hand, 23.5% told that the CAG has capacity as it does the audit through outsourcing. However, since outsourcing needs financial resources, and respondents revealed that the CAG has limited financial resources, it is clear that the CAG has limited capacity. Regarding the question of how often the CAG undertakes VFM in agencies, there was consensus among the majority of responses that VFM is not undertaken to all agencies. For 41.2% of the respondents VFM audit is undertaken by the CAG only when there are allegations of fraud, corruption or misuse of public resources, for instance by opposition political parties. This is supported by 17.6% who suggested that VFM is sometimes undertaken to some agencies. On the other hand, 23.5% indicated that VFM is not undertaken at all (see tables 24 and 25, and figure 15).

Table 24: Participants’ perception on the CAG’s autonomy and mandate

What is the level of public financial watchdogs’ (Supreme Audit Institutions) autonomy and mandate in executing VFM audit?	
Response categories	Responses in percentage
High autonomy and mandate	5.9
Low autonomy and mandate	58.8
High Mandate, Low autonomy	5.9
No autonomy, No mandate	17.6
No autonomy, Have mandate	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 15: Participants’ perception on capacity of the CAG



Source: Fieldwork findings in Tanzania, 2014.

Table 25: Stakeholders' perception on the rate of recurrence of VFM audit

How often is VFM audit undertaken in each executive agency?	
Response categories	Responses in percentage
Few occasions when there are allegations	41.2
Sometimes to some agencies	17.6
To all agencies no, but some, sometimes	5.9
Not at all, mostly they do the traditional audit	23.5
Not sure/doubt	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

4.4 Accountability, transparency and answerability in Tanzania's agencification

Findings reveal that Tanzania's agencification framework is facing lack of transparency, accountability, and responsiveness. 47.1% of the respondents said that agencies do not reveal the facts of their performance, 17.6 % answered that the level of disclosure is low and 23.5% said that only few agencies were transparent. However, only 5.9 % suggested that the level of disclosure is between medium and high. Regarding compliance, 47.1% stated there is no compliance at all, 17.6% recognized low standards of compliance and 17.6% answered that agencies' level of compliance is improving. Contrary to the majority of participants, 11.8% revealed that agencies comply with rules and regulations (see table 26 and figure 16).

Regarding the enforcement mechanism and punishment for poor performance, findings show that the mechanism is available but the enforcement is poor. 58.8% told that the mechanism is available but there is no enforcement. Consistently, 64.7% answered that there were no follow-ups and enforcement to the audit recommendations (see Figure 17).

Table 26: Participants' perception on transparency and disclosure in agencification

Do you think the executive agencies reveal the facts of their performance? (how do you rank the level of transparency/Disclosure (high, medium or low)	
Response categories	Responses in percentage
Some few yes	23.5
Yes, they are transparent	5.9
No, no transparent at all	47.1
Level of disclosure is between medium and high	5.9
Level of disclosure is low	17.6
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 16: Participants' perception on the level of compliance



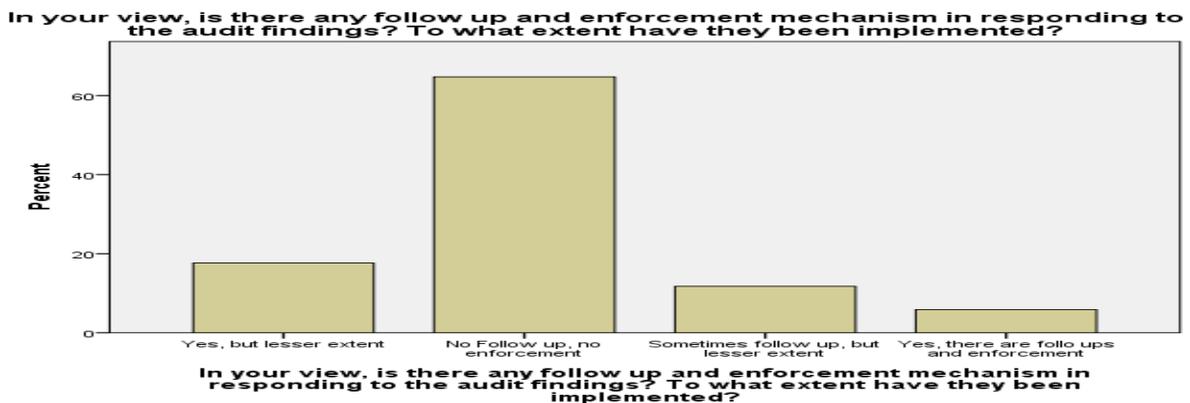
Source: Fieldwork findings in Tanzania, 2014.

Table 27: Participants' perception on enforcement mechanisms

Is there any mechanism for punishing the poor performing agencies and rewarding good performers? In your view, to what level is it implemented?	
Response categories	Responses in percentage
Yes, Mechanism, but no enforcement	58.8
No mechanism, no enforcement	11.8
Criteria are not clear	5.9
Not sure/doubt	11.8
To some agencies mechanism and enforcement are clear and highly implemented	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014

Figure 17: Participants' perception on follow-ups and enforcement of audit findings



Source: Fieldwork findings in Tanzania, 2014.

4.5 Perception on fraud, irregularities, corruption and inefficiency use of resources

Findings show that participants' perception of fraud and irregularity is high. All participants we aware of fraud, irregularities, corruption and inefficiencies in the public

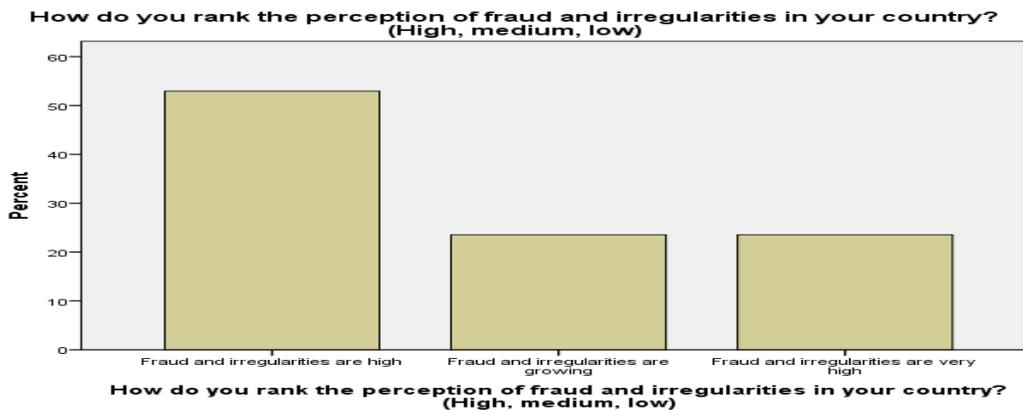
sector. Categorically, 52.9% told that fraud and irregularities existed, while for 23.5% fraud and irregularities were growing. 11.8% commented that fraud is a national disaster, which goes together with the other 11.8% who perceived the accountability system to be corrupt (see table 28 and figure 18).

Table 28: Participants’ perception on fraud, irregularities and corruption

Do you think fraud and other forms of irregularities exist in the government and agencies’ administrative system?	
Response categories	Responses in percentage
Yes, fraud and irregularity exist	52.9
Yes, fraud and irregularity are growing	23.5
“Fraud is a national disaster”	11.8
The system is corrupt	11.8
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 18: Participants’ perception on ranking fraud and irregularities



Source: Fieldwork findings in Tanzania, 2014.

4.6 The position and involvement of citizens in decision-making

Findings show that there is a need to involve citizens in decision-making and in performing oversight functions. 76.5% of respondents agreed that the involvement of NGOs and CSOs in auditing could improve efficiency and accountability in the utilization of public resources. However, it has been found that there is a weak involvement of CSOs, NGOs and citizens in general in decision-making and in performing oversight. Furthermore, citizens are not mandated to demand transparency neither to hold agencies accountable for poor performance. 70.6% admitted that the law does not give citizens a mandate to demand transparency, while 23.5% answered that the law is silent on this issue. 76.5% revealed that

the law does not provide the action to be taken by citizens if agencies do not deliver quality, equity and efficient services.

Table 29: Participants’ perception on involvement of CSOs and NGOs in auditing

Do you think the involvement of NGOs and civil society organizations in the audit can improve efficiency and accountability in the utilization of public resources?	
Response categories	Responses in percentage
Not sure/doubt	11.8
Yes	76.5
No	11.8
Total	100.0

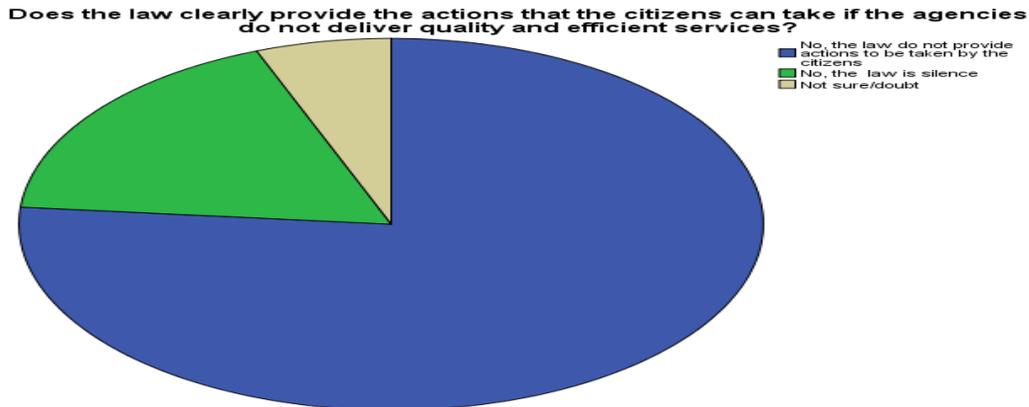
Source: Fieldwork findings in Tanzania, 2014.

Table 30: Participants’ perception on citizens’ mandate in agencification

Do you think the law gives the citizens mandate to demand the transparency of the agencies performance?	
Response categories	Responses in percentage
No, the law doesn’t give the citizens mandate to demand for transparency	70.6
No the Law is silent	23.5
Not sure/doubt	5.9
Total	100.0

Source: Fieldwork findings in Tanzania, 2014.

Figure 19: Participants’ perception on citizens’ mandate in agencification



Source: Fieldwork findings in Tanzania, 2014.

4.7 In-depth interviews' results from opinion questions

Table 31: Whether the agencies are an answer to the performance of the public sector

Reasons for "Yes, If"	Reasons for "No"	Reasons for "Depends)
<ol style="list-style-type: none"> 1. If they operate according to the law and regulations. 2. If there is a clear transparency, integrity, accountability and responsibility mechanism. 3. If there is a change in the acts and regulations 4. Yes, they are but they need to be independent and accountable for their performance 	<ol style="list-style-type: none"> 1. It is the same government which does the service in the other way around "political way". 2. The agencies are like a kind of business which is there to benefit the few 3. The accountability structures and enforcement are poor 4. The answer is beyond the agencies. It goes with the systems and structure of accountability, law and regulations, especially enforcement. 5. The agencies are new creation for employment of retired friends of the politicians. 6. Agencies are created as personal business, the business of the CEOs - friends of the politicians. 7. The agencies are not the answers to the inefficiencies and quality of services to the public. What is needed is commitment and political will to achieve VFM 	<ol style="list-style-type: none"> 1. "I doubt, there is a serious problem of inefficiency use of resource and poor quality of services, selfishness and lack of equity. I am not sure, but I don't think so".

Source: Fieldwork findings in Tanzania, 2014.

Table 32: Whether the involvement of CSOs and NGOs in auditing is necessary

Reasons for "Yes"	Reasons for "No"
<ol style="list-style-type: none"> 1. Currently the SAI is owned by the state and not the public, is therefore for the state. 2. Through the NGOs and the CSOs the public will be fully represented. 3. If the NGOs and CSOs are powerful to withstand political influences they will- ensure the public is represented in decision-making; will increase the level of confidence to the CAG and to the public; will enhance public trust to the CAG and the government. 4. "We need a meaningful participation, currently the state has started to involve the NGO and CSOs but mostly is for justification of per diem; it is not involvement in real sense". 5. "They are close to the public, they know much about the needs of the citizens and much about the government". 6. The NGOs and the CSOs will enhance watchdogs' functionality. 7. They know the problems facing the public as they are close to the public but politicians are now penetrating to some NGOs and the CSOs. 	<ol style="list-style-type: none"> 1. No, auditing is a professional responsibility that cannot be undertaken by the NGOs and the CSOs. What is needed is to enhance autonomy and mandate of the Supreme Audit Institutions) 2. No, in Tanzania most of the NGOs and the CSOs have their personal interests in generating income other than supporting and helping the public" 3. "It is very unfortunate that politicians have started to penetrate to the NGOs and the CSOs. They use them to fake the public that there is involvement but in reality No. We need a very huge transformation of mindset in our society; leadership-political leadership in Tanzania has turned into business"

Source: Fieldwork findings in Tanzania, 2014.

Table 33: Challenges facing the SAIs on executing their professional responsibilities

S/N	Categories of challenges	Specific challenges
1	Political challenges	<ul style="list-style-type: none"> • Political interference in the performance of professional duties • Lack of political will to enforce accountability • Intimidation by political leaders
2	Legal challenges	<ul style="list-style-type: none"> • Inadequate legal backing up • Lack of autonomy and mandate to enforce compliance • Lack of mandate to follow and enforce audit recommendation
3	Institutional challenges	<ul style="list-style-type: none"> • Limited capacity (Human resource and financial resource and information) • Lack of autonomy and mandate • Challenge of balancing political interests and public interests
4	Technical challenges	<ul style="list-style-type: none"> • Limited skills in IT environment
5	Structural challenges	<ul style="list-style-type: none"> • Unclear relationship between the CAG, the governing boards and the CEOs • Conflict of interests among top officials i.e. MPs are Board members
6	Communication challenges	<ul style="list-style-type: none"> • Lack of cooperation from the audited organizations • Poor quality of information (e.g. fake receipts) given to CAG
7	Professional and ethical challenges	<ul style="list-style-type: none"> • Poor quality of information (e.g. fake receipts) given to CAG • Intimidation by political leaders • Fraud, irregularities, corruption and bribery
8	Accountability challenges	<ul style="list-style-type: none"> • Lack of mandate to follow and enforce audit recommendation • CEOs fear only the Parliamentary committee • Most information are confidential in the government setting • Poor accountability framework • Unclear relationship between the CAG, the governing boards and the CEOs
9	Fraud, irregularities, corruption and bribery	<ul style="list-style-type: none"> • Poor quality of information (e.g. fake receipts) given to the CAG • Fraud, irregularities, corruption and bribery

Source: Fieldwork findings in Tanzania, 2014.

Table 34: Challenges facing accountability and VFM in Tanzania

S/N	Categories of challenges
1	<p>Fraud, irregularities and corruption</p> <ul style="list-style-type: none"> • Mounting of fraud, irregularities, corruption, theft of public resources and increasing misuse of public assets • Perception on the existence of a corrupt system that has dysfunctional delivery of the civil service
2	<p>Political challenges</p> <ul style="list-style-type: none"> • The civil service machinery has been highly politicized, is part of the political system (Political influence) • No defined separation functions between the civil service and politicians • The lack of political will to follow up and enforce the law
3	<p>Challenges related to staff motivation</p> <ul style="list-style-type: none"> • Poor staff motivation as a result of low salaries • Agencies' officials are paid very well compared to other civil servants, it has resulted to low motivation to those working outside the agencies
4	<p>Ethical challenges</p> <ul style="list-style-type: none"> • The mounting of government officials to override some internal set of ethical or professional norms. • <i>The mounting of unethical practices within the public</i> (lack of integrity among government officials and agencies' officials) • Selfishness and greediness among officials has resulted to fraud, irregularities, corruption, theft and other misuse of resources.
5	<p>Governance and Management challenges</p> <ul style="list-style-type: none"> • Poor staff motivation as a result of poor incentive scheme, particularly low salaries • Double standards on salaries payments to agencies officials in relation to other civil servants • Lack of involvement of the public in decision making • Inadequate implementation of rules and regulations including laxity of the Government to implement rewards and sanctions policy • Lack of priorities in making decisions: MDAs' targets and plans are not SMART • Agencies established under the Act. 30 of 1997 have no executive board, have advisory board • The problem of the composition of the audit committee and the governing board members • Collaboration between the agencies' CEOs with the oversight authorities distract the accountability framework • There is a tendency of the governing board members to overstay • Failure to control the number of the agencies. (<i>"there are so many agencies, the number has turned to be a burden to the government"</i>) • Poor accountability framework and lack of transparency
6	<p>Accountability challenges</p> <ul style="list-style-type: none"> • Agencies face a weak result based control, monitoring and evaluation, and a weak accountability framework. • The lack of transparency, answerability and responsiveness has left much to be unknown about public revenue and expenditure. • The mechanism for Result-based accountability, linked with well-defined incentive policy for good performers and sanctions for poor performers is not strongly emphasized. • Punishments for non-compliance are largely not enforced, which act as a major disincentive to the work of the oversight bodies including MPs and NAO/CAG (Inadequate implementation of rules and regulations). • Lack of clear performance indicators and the lack of clear evaluation of performance of the agencies • <i>The lack of follow up and enforcement of audit recommendation</i> • Lack of involvement of the public in decision making • No defined separation of functions between the civil service and politicians • Existence of a corrupt system that has dysfunctional delivery of the civil service • The governing boards are not performing their oversight role • Collaboration between the agencies' management with the oversight authorities distract the accountability framework • A tendency of the governing board members to overstay
7	<p>Legal challenges</p> <ul style="list-style-type: none"> • The legislations do not clearly provide the formal relationship between the Ministers, the PSs and the agencies' CEOs. • The law do not clearly provide the involvement of the public in decision-making and in performing oversight functions • Lack of agencies autonomy and mandate (politically influenced) • Judicial system is not independent

Public Financial Watchdogs, New Public Management and Value for Money in Tanzania

	<ul style="list-style-type: none"> • The CAG and the PCCB have limited mandate and autonomy • Inadequate implementation of rules and regulations
8	<p>Structural challenges</p> <ul style="list-style-type: none"> • Judicial system is not independent • No defined separation functions between the civil service and politicians • Agencies established under the Act. 30 of 1997 have no executive board, have advisory board • The problem of composition of the audit committee and the governing board members • Collaboration between the agencies' management with the oversight authorities distract the accountability framework
9	<p>Institutional challenges: related to autonomy, mandate and capacity</p> <ul style="list-style-type: none"> • Judicial system is not independent • Public financial watchdogs have no mandate and autonomy • <i>"The CAG is not mandated by the law to perform make follow up and enforcement. Is limited to the production of the reports"</i> • The CAG have inadequate resources to audit the entire public sector
10	<p>Inefficiency and control</p> <ul style="list-style-type: none"> • An increase of inefficient use of public resources • Low level productivity in relation to expenditure levels. • There are so many agencies, the number has turned to be a burden to the government
11	<p>Educational and awareness challenges</p> <ul style="list-style-type: none"> • The majority of the public are ignorant, and have no mandate to hold the agencies and the government accountable • <i>"The majority of the citizens do not know their rights and obligations. They accept everything".</i> • Lack of best practice knowledge among the majority of leaders • <i>"citizens are not aware of the contracts and performance indicators given to the agencies"</i>
12	<p>The lack of commitment and responsibility among officials and authorities</p> <ul style="list-style-type: none"> • The governing boards are not performing their oversight role • Poor accountability framework and the lack of transparency and responsiveness • Inadequate implementation of rules and regulations • The lack of political will to follow up and enforce the law
13	<p>Public Participation challenges</p> <ul style="list-style-type: none"> • There is lack of laws of participation of society-based organizations (NGOs, CSOs etc.) in decision-making. • The lack of participation of the public /citizens in decision making and in performing oversight functions • The laws do not give mandate to the citizens to demand transparency • The law do not give mandate to the public to take action in case of inefficiency or poor performance • Political penetration in some of the NGOs and the CSOs • The citizens including the NGOs and the CSOs are not aware of the contracts between the government and the agencies

Source: Fieldwork findings in Tanzania, 2014.

Table 35: Opinions on the means to improve performance in the public sector

<ol style="list-style-type: none"> 1. Put a control mechanism and effort against fraud and corruption 2. Motivate staff 3. Put in place a sound performance evaluation and accountability framework 4. Involve the public in decision making and in the oversight functions 5. Enhance political will to enforce laws and regulations 6. To implement rewards and sanction policy to enhance performance 7. Change the mindsets and overhaul the entire accountability framework 8. Have a meaningful participation, consultation and involvement of the NGOs and the CSOs 9. The agencies should be independent from political influences 10. Empower watchdog institutions the CAG and the PCCB's mandate, autonomy and adequate resources 	<ol style="list-style-type: none"> 11. Politicians should stop penetrating in the NGOs and CSOs to let them play their roles 12. Leaders to stop considering the public service as their own business 13. Put effort and commitment to stop greed and selfishness among officials 14. Empower the citizens and make them know their rights and obligations 15. Change the law to enhance accountability 16. Enhance ethics and integrity to government officials, and civil servants 17. Resources should be committed to the services other than paying much salaries to agencies' officials 18. The follow up by the Parliamentary committee should be enhanced 19. The civil service machinery should be neutral, should not be politicized 20. The scope and functions of the auditors should be structured by the independent audit committee 21. The accountability and transparency framework should be redefined 22. The agencies must have executive boards that perform oversight functions
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Source: Fieldwork findings in Tanzania, 2014.

4.8 Documentary analysis

As earlier noted, in addition to interviews and questionnaires, documentary review was used. In consideration of Marshall's (2006) view that the decision to collect and analyze documents should be linked to research questions, and Scott (1990) and Bryman's (2008) arguments on the relevance of considering the authenticity, credibility, representativeness and meaning in analyzing documents, only documents obtained from credible sources linked to the goals of this study were used.

In addition to published documents, official documents were analyzed, including the acts showing the establishment and the constitutional mandate of the CAG, and the acts creating different regulatory agencies. Likewise, CAG's audit reports were analyzed as well as agencies' annual reports. Acts provided information on the CAG and agencies' establishment, structure, appointment, autonomy, mandate, capacity and accountability mechanisms. On the other hand, agencies' annual report and the CAG's audit reports provided information on the performance, perception of fraud and inefficient use of resources, accountability, transparency, responsibility, and enforcement of audit recommendations. Official information from the government, the National Audit Office of

Tanzania (NAOT), and agencies' websites has been examined. Media documents were also analyzed, including online news from the *BBC News Africa*, the *BBC Swahili News*, and online news from the *Guardian*. Information from eight Tanzania's local newspapers, including the *Citizen*, *Majira*, *Mtanzania*, *Tanzania Daima*, *Jambo Leo*, *Habari Leo*, and the *Guardian* have been analyzed (see table 36, in the next page). The media provided a wide range of information on the perception of fraud and irregularities, inefficient use of resources, accountability, transparency and the awareness and involvement of the public in decision-making and in performing oversight functions.

4.8.1 Autonomy, mandate and control in Tanzania's agencification

Findings show that agencies' autonomy depends on the power mandated by the act of agencies' establishment. In Tanzania, different agencies were established under different statutes. Documents show that regardless of political influences, agencies established under their own act (such as the Rural Energy Agency (REA) and the Energy and Water Utilities Regulatory Authority (EWURA)) were endowed with a reasonable level of autonomy and mandate compared to those established under the 1997 Regulatory Agency Act No. 30. However, regardless that REA and EWURA operate in the ministry of energy and mineral resources, the two agencies were established under different acts, thus their structure and accountability framework differ. In EWURA for instance, the president of Tanzania appoints the board's chairman and the minister appoints the other five non-executive board members. The minister appoints the CEO. The CAG documented that

Best practice on corporate governance calls for Chief Executive Officers to be appointed by the Board of Directors instead of being appointed by the President. The President should be left with the responsibility of appointing Chairpersons of the Boards of Directors while the appointment of the Chief Executive Officers of PA&OBs should be the responsibility of the Boards of Directors. In such a situation the Board of Directors should hold the Chief Executive Officers of Public Authorities and Other Bodies more accountable for their performance. This will remove conflict of interest of which CEOs and Chairpersons of the boards are appointed by the same appointing authority. (NAOT, 2013a, p.19).

Table 36: List of documents analyzed

Document category	Name of the documents
Agencies' Acts	<ol style="list-style-type: none"> 1. The National Audit Office of Tanzania (NAOT)' Constitutional Mandate, the Public Audit Act. No. 11 of 2008. 2. The Energy and Water Utilities Regulatory Authority (EWURA) Act No. 11 of 2001 3. The Rural Energy Agency (REA)'s Act No. 8 of 2005 4. The Tanzania Food and Drugs Authority (TFDA) -The Tanzania Food, Drugs and Cosmetics Act. No. 1 of 2003 5. The government Chemistry Laboratory Agency (GCLA)
The CAG's Audit Reports	<ol style="list-style-type: none"> 1. General Report of the CAG on the Performance and Specialized Audit for the Period Ending 31st March, 2014 2. Annual General Report of the CAG on the Audit of Public Authorities and Other Bodies for the Financial Year 2012/2013 3. Annual General Report of the CAG on the Audit of the Financial Statements of the Central Government for the year ended 30th June, 2012 4. The CAG opinion on the involvement of the citizens in audit: Wananchi washirikishwe katika Ukaguzi fedha za Umma Monday, September 09, 2013 11:09 PM 5. General Report of the CAG on the Performance and Forensic Audit Report for the Period Ending 31st March, 2011. 6. Annual General Report of the CAG on the Audit of the Financial Statements of the Central Government for the year ended 30th June, 2012 7. NAOT (2014). Taarifa kwa Umma na Vyombo vya habari; Taarifa ya Ukaguzi Maalum wa Akaunti ya Tegeta ESCROW 8. Annual General Report of the CAG on the Audit of the Financial Statements of Donor Funded Projects for the year ended 30th June, 2012
Agencies' Annual Reports	<ol style="list-style-type: none"> 1. Energy and Water Utility Regulatory agency (EWURA) 7th Annual Report for the year ended 30th June, 2013 2. Rural Energy Agency (REA) Annual report 2010/2011 3. Performance Audit on the Management of Food inspection and Surveillance at Processing and at Ports Entry: (TFDA) 2014 4. Annual Audit report of the Government Chemist Laboratory Agency
The media-Online news	<ol style="list-style-type: none"> 1. BBC NEWS AFRICA: Tanzania leader sacks ministers amid corruption scandal, 4 May 2012 last updated at 19:19 GMT 2. BBC NEWS AFRICA: Tanzania AG Frederick Werema quits amid corruption row, 17 December 2014 Last updated at 11:16 GMT 3. BBC NEWS AFRICA: Tanzania's Kikwete sacks Tibaijuka amid corruption row, 23rd December 2014 Last updated at 18:04 GMT] 4. BBC Swahili news: Ikulu ya Tanzania yahushiswa na Escrow, 29th November, 2014 5. The Guardian : UK and international donors suspend Tanzania aid after corruption claims, Monday 13 October 2014 18.14 BST 6. The Guardian (2014): Tanzanian PM under pressure to resign over alleged fraudulent payments.
The media-News papers	<ol style="list-style-type: none"> 1. The Citizen: People: Better roads, taming of bribes can end accidents, 27th September, 2014 (page 2, and 5) 2. Mtanzania : Warioba: Tutakutana na Sita Mtaanai, 27th September, 2014 (page 4) 3. Majira: LAAC yabaini Ufisadi billion. 10.5/, 29th October, 2014 (page 1 and 4) 4. Tanzania Daima: Ufisadi Bima ya Afya, wamnunulia Waziri wa Afya gari ya TZS 200 million, 29th October 5. Jambo Leo: Mmiliki wa Fedha za EPA hajulikani, Kapuni ya uchunguzi ya Ufaransa yashindwa kubaini, Octoba 29, 2014, p. 4 6. Habari Leo: Mapato, matumizi ya Vyama vya Siasa Utata, CAG abaini madudu Octoba 29, 2014, page 4 7. The Guardian Tanzania: -Draft illegitimate-Warioba, 27th September, 2014, page 1 and 2; -CA root for anti-corruption commission 27th September, 2014, page 1 and 2. The Guardian Tanzania 8. The Guardian Tanzania (2014) 19 Procurement Firms Suspended over 'graft'; (TZS) 1.7 bn/- dubious payments discovered, 7th October, 2014 9. Tanzania Daima (2014). : Ufisadi Bima ya Afya, wamnunulia Waziri wa Afya gari ya TZS 200 million Tanzania Daima, 29th October. Dar es salaam. Tanzania Daima. 10. Majira: LAAC yabaini Ufisadi billion. 10.5/. 29th October, 2014 (page 1 and 4). Dar es Salaam. Majira. 11. Jambo Leo: Mmiliki wa Fedha za EPA hajulikani, Kapuni ya uchunguzi ya Ufaransa yashindwa kubaini. Octoba 29, 2014, p. 4. Dar es Salaam. Jambo Leo. 12. The Citizen: People: Better roads, taming of bribes can end accidents. Dar es Salaam. The Citizen: 27th September, 2014 (page 2, and 5).

Other reports	<ol style="list-style-type: none">1. World Bank (2012). <i>Tanzania - Urban local government strengthening program: fiduciary systems assessment</i>.2. WWF International Board (2011). Report on Incidences of Fraud in Tanzania3. Kabwe, the Chairman of Tanzania parliament Public Accounts Committee (2014). How Pan Africa Power Ltd acquired Independent Power Tanzania Ltd for almost nothing and looted US\$124m from the Bank of Tanzania. Briefing Paper
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The interesting part is that the board of directors, which is chaired by a person appointed by the president, is working under the minister appointed by the president. This is different from REA where the minister appoints the board's chairman after receiving recommendation from the board. Board members are appointed by the minister among names nominated by recognized organizations and civic sectors invited by the minister, and the CEO is appointed by the board. Unlike in EWURA where board members may be removed by the president, in REA board members, including the chairman, may be removed by the minister. Documentary evidence shows that organization structures and accountability mechanisms are poor in agencies established under the 1997 Regulatory Agency Act. The Tanzania Food and Drugs Authority (TFDA) and the Government Chemistry Laboratory Agency (GCLA), for instance, are not governed by the autonomous executive board of directors, rather they have ministerial advisory boards. The board chairman is the permanent secretary appointed by the president. The minister is mandated to appoint other members of the board, and the board is working under the minister. The CAG reported some weaknesses in the appointment of the board of directors, since

the Minister (...) is mandated to appoint five board members to team up with the Chairperson appointed by the President to constitute the Board of Directors (...) I noted that a staff (...) was appointed to be a member of the Board of Directors (...). I noted that this board member has acquired only primary education and has never assumed any position at managerial level either in private or public sector. In my view, this is against best practice and good corporate governance which requires the board of directors to discharge responsibility of directing the corporation and oversee management functions". (NAOT, 2013a, p.94)

4.8.2 Performance management and VFM audit in Tanzania's agencification framework

The majority of agencies has been setting their own performance indicators and does their own evaluation. For instance, the Act gives mandate to the board of directors to approve the REA and the REF's budget. Furthermore, the board is mandated to appoint the auditor to audit REA and the REF. Regardless that VFM audit is rarely undertaken, performance audit by the CAG shows that there is non-compliance to the rules, inefficient use of resources and fraud and irregularities. As a result, the quality and equity of the services to the public have been compromised.

Documentary evidence shows that there is poor contract management, dubious payments, corruption in procurement, inefficiency and poor quality and equity of services. In fact, a “(s)ignificant performance gap in contract management was identified, casting doubts over the quality of services delivered for goods and infrastructure and indicated major losses of public funds” (Lumbanga, in *The Guardian Tanzania*, 2014a, p. 2). In the 2014 General Audit report, the CAG reported on deficiencies in the performance of the TFDA, including inadequate planning, un-scrutinized food inspection reports, inadequate delivery of services, inadequate quality of services, poor record keeping and weak performance, monitoring and evaluation (URT, 2014a; URT, 2014b). Furthermore, the CAG noted poor performance contracts, inefficiencies in contracts management, irregularities in the functioning of the board of directors, and delays in appointing the members of the agencies’ board of directors. The CAG has been discouraged by the lack of enforcement of audit recommendations. According to the CAG,

(I)t is my aspiration to express my concerns to the Government that the recommendations which I have been issuing from time to time are intended to ensure strong measures are taken to safeguard the collection and use of public resources. (...) By so doing economy, efficiency and effectiveness will be achieved in the use of public resources, while laws and regulations applicable to the relevant PA&oBs are dully observed. In this regard, I would like to reiterate my previous recommendations which have not been addressed or partly addressed by the Government, Parliament, and Boards of Directors and Chief Executive Officers of the Public Entities. (NAOT, 2013a, pp. 17-18).

4.8.3 The autonomy, mandate and capacity of the Controller and Auditor General (CAG)

The National Audit Office of Tanzania (NAOT) is the SAI of Tanzania headed by the Controller and Auditor General (CAG). Its mandate is enshrined under Article 143 of the Constitution of the United Republic of Tanzania. The powers and mandate of the CAG are clearly stipulated in sections 11 and 12 of the 2008 Public Audit Act. No. 11 (URT, 2008). The CAG is mandated to examine, inquire into and audit the accounts of all accounting officers and receivers of revenue on behalf of the national assembly. In exercising this mandate, the CAG has powers to call upon any officer for any explanation and information. The CAG has also powers to authorize any professional auditors or any other experts to carry out an investigation or audit of public accounts. The CAG has powers of disallowing any payments made illegally. For the purpose of ensuring VFM of any expenditure or use of resources of the entities, the CAG is mandated to enquire into, examine, investigate and

report, insofar as he/she considers necessary, on the following aspects: public funds' spending and the use of resources by MDAs, local authorities and all public authorities. Section 5(c) of the Act provides the conduct and the performance of functions by accounting officers, heads of departments and CEOs of all entities stipulated in the Act. However, the CAG has no mandate and autonomy to follow-up and to enforce audit recommendations. Consequently, the government has been ignoring audit recommendations. The CAG stated that "(d)uring the year 2012/2013 audit I have noted that there are 26 previous years' outstanding recommendations which were yet to be implemented (NAOT, 2013a, p. xxii).

Public financial watchdog institutions include the office of the CAG and the Prevention and Combating Corruption Bureau (PCCB). Unlike the CAG, which is constitutionally mandated, the PCCB lacks a constitutional mandate to execute its watchdog functions. As a result, corruption is mounting. Political influence and the lack of political willingness to give the PCCB autonomy and mandate have weakened the efforts of the PCCB to fight against corruption. On the other hand, regardless that the CAG is constitutionally mandated to audit all MDAs and organizations that use public resources, the CAG's mandate is limited to the production of an audit report. Thus, the CAG lacks a mandate to follow-up recommendations. In addition, the CAG has limited capacity to execute its functions. Regardless that the CAG has been outsourcing services to private auditing firms, VFM audit is rarely undertaken in the public sector and a number of agencies have been appointing their own auditors. However, there is evidence that the CAG has been performing traditional audit and produces annual general audit reports.

4.8.4 Accountability, transparency and answerability in Tanzania's agencification

There is a problem of accountability, transparency and responsiveness in Tanzania's public sector. The CAG's reports show that the majority of agencies have not been complying with rules and regulations. For instance, the CAGs' audit reports show that agencies have no proper record keeping and that there is lack of follow-up and enforcement of audit recommendations. The CAG has not been given cooperation by audited organizations and it is common for organizations to ignore audit recommendations (Uwazi, 2010, p. 3; NAOT, 2009, p. 121). Political influence to the performance of public financial watchdogs and the

lack of political will to follow-up and enforce non-compliance to rules and regulations resulted into inefficiencies, fraud, irregularities and corruption. Documentary evidence shows the existence of abuse of power, override of authorities, negligence and unethical behavior by some top government officials.

However, evidence shows that through the influence of the parliament and donors, the government has been taking some action to punish top leaders who are implicated in corruption. For instance, in 2012, the president sacked six ministers. In 2014 Tanzania's attorney general resigned and the minister for land and housing was sacked by the president on a corruption scandal. Tanzanian accountability is facing structural challenges that resulted in conflicts of interests among officials. Indeed, "the President and the ministers being part of the Parliament create conflicts of interests in exercising their authorities. This has resulted to the government interference on the functions of the Parliament and the Parliamentary interference to the functioning of the state" (Warioba, in Mtanzania, 2014, p. 4). The lack of transparency by the government, for instance the failure to disclose the list of those having bank accounts outside the country, was also reported. In the 2014 general report, the CAG outlined a number of challenges including poor coordination among agencies, inadequate procurement procedures, inadequate law enforcement, and inadequate reporting of results. On the other hand, governance challenges are among factors affecting the accountability framework. The CAG's annual general report shows that there is interference of parent ministries into agencies' operations (NAOT, 2013a, p. 86). Agencies lacked guidelines from the government and inefficient performance of internal audit committees was an additional problem. The CAG noted the existence of conflicts of interests, whereby MPs were appointed as members of the agencies' boards of directors:

I noted that the tenures of some boards had expired without being replaced by new ones. The delay in appointing new Board of Directors results in hampering deliberations of corporate issues for the respective PA&oBs. (...) In order to avoid conflict of interest, members of Parliament should not be members of Boards of Directors of Public Authorities and Other Bodies for which they have an oversight role. (NAOT, 2013a, p.19)

4.8.5 Perception on fraud and irregularities

The perception of fraud and irregularity is high. This is showed by the online *BBC Africa News*, the *Guardian* and Tanzanian local newspapers. For instance, on the 4th May 2012 *BBC Africa News* reported that the Tanzanian president sacked six ministers amid

allegations of government corruption. The ministers sacked from cabinet were holding high-profile portfolios: finance, energy, tourism, trade, transport and health. On the 17th December, 2014 *BBC News Africa* reported on the resignation of the Tanzania attorney general (AG) amid a corruption scandal of over \$120m taken from an escrow account (an energy firm) that was given to several government ministers (2014a). Corruption in escrow was also reported on 29th November by the BBC Swahili News (2014). On 28th November the *Guardian* (2014a) reported that Tanzanian prime minister was under pressure to resign over alleged fraudulent payments. On the 23rd December, 2014 *BBC News Africa* reported that Tanzania's president sacked the land and housing minister due to a corruption scandal (2014b). The mounting of fraud, irregularities and corruption were also reported by Tanzanian local newspapers. On the 7th October, 2014 the *Guardian Tanzania* (2014a) reported on nineteen procurement firms, which were suspended over 'graft' of TZS 1.7 billion.

The year 2012 World Bank Report indicated that the perseverance and perception of corruption in Tanzania generally remained high. The Public Procurement Regulatory Authority had flagged fraud and corruption in local governments as a major area of concern. For instance, the anti-corruption watchdog Transparency International's ranked Tanzania at 100th position out of 183 surveyed countries for the 2011 corruption perception index, which is representative of a high perception of corruption. However, when benchmarked against its neighbors (Kenya, Uganda, and Mozambique), Tanzania was perceived to be performing better (World Bank, 2012, p. 24). Similarly, in its report on incidences of fraud in Tanzania, the World Wide Fund For Nature (WWF) reported that Ernst & Young's (E&Y) investigations confirmed fraud in all four projects that were reviewed. The amount of fraud was approximately USD 400,000, while the total funding for the projects involved was approximately USD 15.4 million. It was stated that "such fraud is unacceptable and we have taken decisive action to terminate the employment of all employees found to have committed fraudulent acts. Eight employees have been terminated, and six have resigned during the investigation or disciplinary process" (WWF International Board, 2011, p. 1).

The Tanzanian judicial system in general functions relatively independently although it suffers from significant lack of resources. According to the World Bank Report, the

Bertelsmann Foundation 2012 Transformation Index report found the judiciary plagued with corruption, particularly at lower administrative levels as well as among government officials, posing a serious problem of service delivery to the public. The Heritage Foundation's 2015 economic freedom report documented that "Tanzania lacks an effective rule of law. Corruption remains pervasive and has been especially noticeable in energy and mining, which have experienced rapid growth in recent years" (p. 423). In its 2012 index on economic freedom in Tanzania, the Heritage Foundation concluded that the judicial system was subject to political interference and a high level of inefficiency, and that enforcement of anti-corruption laws and penalties were perceived to be weak and ineffective (World Bank, 2012, p. 24).

Kabwe, the Chairman of Tanzania Parliament Public Accounts Committee, pointed out that "whereas the Richmond scandal forced the resignation of Prime Minister Edward Lowassa (in February 2008), nobody has been taken to task in the same way over the much more costly IPTL, which has been generating ridiculously expensive power for over a decade" (Kabwe, 2014, p. 1). The author also emphasized that "(t)his poor performance of the power sector, including recurrent power crises over the last 20 years and the huge indebtedness of Tanesco, worth a percentage point of GDP, is the direct result of the IPTL and Richmond scandals, and inefficiency and corruption in the way Tanesco manages its affairs." (Kabwe, 2014, p. 12)

On the other hand, in the financial year 2011/2012 audit report, the CAG highlighted key challenges that affected VFM across the 133 LGAs of Tanzania, including ineffective and inadequate internal controls and internal audit and lack of fraud prevention and control. The CAG concluded that there was a high risk of concealing management or operational level fraud in LGAs, especially "the low level of compliance with procurement procedures, at laxity in control over contract payments, at poor supervision of LGA projects, at procurements being made without Tender Board approval, at the missing documentation in LGAs relating to procurement and the manner in which several of the assessed LGAs ordered and paid for goods that were not delivered" (World Bank, 2012, p. 4).

4.8.6 The position and involvement of citizens in decision-making

A lack of involvement of citizens in decision-making and in performing oversight functions is also noticed. During the opening of a two day workshop for capacity building to internal auditors and some of the leaders of parliamentary committees on the involvement of citizens in performing oversight functions, on the 9th September, 2013, the CAG, Ludovick Utouh, stated that

(I)t is necessary to have transparency and accountability together with the involvement of the citizens in auditing public fund. (...) through Civil Society organizations and the media, the citizens are supposed to bring a proposal on general issues concerning auditing of their resources. (...) in order to enhance good governance and appropriate use of resources transparency is important as it will enable the citizens to get information without hiding. (NAOT, 2013b)

On the other hand, the Research on Poverty Alleviation Report (REPOA) (2007) acknowledged that laws in Tanzania do not require the participation of NGOs, CSOs or community-based organizations in the decision-making procedure. The World Bank (2012) also reported on the lack of involvement of citizens in decision-making, especially in performing oversight functions. True that the Tanzanian National Anti-Corruption Strategy and Action Plan (NACSAP) was introduced in 1999. It was noted, however, that the 2004 strategic evaluation of NACSAP exposed several weaknesses in the anticorruption strategy, since

the scope of stakeholders' involvement was narrow and excluded some key actors and considerations for corruption in local governance. NACSAP had not only failed to engage non-state actors effectively, but their role was not well defined or clarified: civil society, the media and private sector and other critical state actors were left out. The supply-side of corruption was overlooked (World Bank, 2012, p. 24).

There was also lack of effective structures for national dialogue over corruption. Besides citizens' lack of involvement in performing oversight functions, documentary evidence shows that the media and civil society's freedom of speech was hindered by the state. On what concerns the interference of the media and civil society, Kwabe (2014, p. 15) stated that

I would not be discussing the details of this complex scam now if the Nation Media Group's newspapers The Citizen and Mwananchi had not broken the story in March. Soon after the stories appeared, PAP and IPTL took the newspapers to court claiming that the articles were intended to depict IPTL and PAP as 'fraudsters, criminals, involved in dubious transactions with intent to defraud and were individuals of moral turpitude.' I suggest that this is a reasonable description.

Conclusion

This chapter covered the analysis from primary data obtained from questionnaires, in-depth interviews and documentary review. It included data presentation, data analysis and interpretation of findings. The chapter laid down the steps for data collection, preparation, processing and analysis; how information was gathered; the mode of recording in which field notes-taking and editing was adopted; and data transcription, coding and analysis in which data were triangulated. The chapter analyzed the autonomy, mandate and capacity of both agencies and the CAG; accountability, transparency, and answerability; fraud and its impact to VFM; challenges facing the SAI and VFM; and the involvement of the public in decision-making and in auditing. The analysis from this chapter supports the discussion in the next chapter.

CHAPTER V – DISCUSSION OF FINDINGS

This chapter provides the discussion of findings from questionnaires, in-depth interviews and documentary analysis. The discussion is made on the findings of research questions that were designed to: (1) observe public financial watchdogs' responsibilities in assuring VFM; (2) measure accountability, transparency and responsibility in public management; (3) evaluate to what extent innovations in NPM improve efficiency on public resources used to deliver public services characterized by equity, quality and efficiency; and (4) to find the position of the public in the NPM doctrine. Issues related with Tanzania's agencification and accountability systems guide the discussion. It specifically covers agencies' structures and autonomy, the constitutional mandate and the autonomy of public financial watchdog institutions, the challenges facing auditors in executing their professional responsibilities, and the factors that hinder the achievement of VFM in the public sector. Moreover, the involvement of the public in decision-making and in performing oversight functions has also been critically discussed.

1. NPM, agencies' organization structure, autonomy and legal framework

The results from questionnaires, in-depth interviews and documentary review show that Tanzania has embraced the NPM doctrine and agencification. However, contrary to the requirements of the NPM doctrine, result-based management has only been partially implemented with little emphasis on results. Agencies face weak result-based control, monitoring and evaluation. Evidence reveals that Tanzania's PMS highly emphasizes input and process controls, and places little emphasis on performance outcome. Despite increased visibility of the NPM doctrine, agencification, and the implementation of PMS in Tanzania, the key questions regarding the performance of the public sector in terms of VFM remain unanswered. Sulle (2010) noted that regardless of the adoption of performance-based management, in practice Tanzania has maintained its traditional way of doing things. During interviews, one government official commented that "(w)e did a mistake somewhere when we privatized public assets and then today we are undertaking the same in

the name of agencies”. From that point of view, this study appreciates McCourt’s (2008) suggestion that there is a need to complete policy ground work analysis and evaluation before any attempt for refining and analyzing policy instruments for developing countries.

In Tanzania, agencies’ organizational structure is characterized by a weak accountability framework, a lack of clarity as to who does what, and conflicts of interest among government officials, especially conflicts between ministers, permanent secretaries, and the board chairman appointed by the president. Results from all research instruments show that executive agencies are highly influenced by the government and that political interference has resulted in agencies failing to execute their professional responsibilities. “To a greater extent we are influenced by the state. Agencies have to comply with formal even informal instructions from politicians and failure to comply can mean dismissal of some officials” one agency’s official stressed. This confirms Caulfield (2002), Okeahalam (2004), and Sulle’s (2010) findings that centralized management and control by the state characterize Tanzania’s public sector. Similarly, the CAG reported on the interference of parent ministries on the operation of agencies (NAOT, 2013a, p. 86). One consultant commented that “there is a ‘management space’ within agencies. The CEOs have no space to determine what is needed and exercise their professions”. On the other hand, one NGO official informed that “I see the relationship between agencies and the government like the house girl and her boss. The government fully controls agencies, thus agencies have no autonomy. I say forget about autonomy, no checks and balances the government encroaches. The government can delete the agency if is contrary to the interest of the government”.

The arguments confirm Bana and McCourt’s argument (2006) that the legal and constitutional framework of Tanzania is intensively conferring power to the government, particularly the president’s and ministries’ offices. Similar findings were reported by Tilley (2009, pp. 11-12). Decision-making power remained in the hands of few senior policy-makers who were actively involved in policy-formulation. As a result, the allocation of public resources met their key interests (URT, 2011a, p. 9). This observation confirms Majone’s (2000) view that there are two major forms used by government to control agencies: the first is oversight, which includes monitoring, hearing, investigation, budgetary review and sanctions; and the second one is by setting-up rules and procedures that must be followed by agencies.

Findings show that agencies' autonomy depends on the power mandated by the act establishing the agency. In Tanzania, different agencies were established under different statutes. Agencies that were established under their own acts have a reasonable level of autonomy and mandate as compared to those established under the 1997 Regulatory Agency Act No. 30. Surprisingly, it is common to find regulatory agencies in the same parent ministries but established under different statutes, with each having a different organizational structure and accountability framework. As noted earlier, in some agencies the president appoints the board chairman, while in others the minister in the parent ministry appoints the chairman after obtaining a recommendation from the board. While ministers appointed the majority of agencies' CEOs, others were appointed by executive boards. This is consistent with Caulfield (2002) and Sulle's (2010) conclusion that executive agencies are managed by CEOs appointed by the government through ministries. Another interesting insight is that boards of directors whose chairmen are appointed by the president report to ministers who were also appointed by the president. This has left ministers with no power to hold the board accountable and weakened accountability. The legal framework, organization structure and the accountability framework in Tanzanian agencification model are therefore not clear. For instance, the mandate, autonomy, delegation of duties and limits of authorities among officials are largely not clear.

A weak organizational structure and accountability mechanism contributed to boards' lack of mandate to execute their oversight role, especially those boards established under the 1997 Regulatory Agency Act No. 30. Autonomous executive board of directors did not govern agencies established under the Act of 1997, rather they had ministerial advisory boards. Advisory board chairmen were permanent secretaries appointed by the president. However, executive boards of directors mandated to performed oversight functions governed those agencies established under their own act. Board members were appointed by the minister, they choose their chairman, and they are held accountable to a minister who, in turn, is accountable to the president and the parliament.

Findings reveal that agencies' failure to achieve VFM is explained by a weak organizational structure and accountability mechanism, poor legal framework, and the lack of political will to implement rewards and sanctions. Empirical evidence suggests that if there is a modification in the organizational structure and accountability framework, the

legal framework is revised, follow-up of audit recommendations is implemented, and punishment and rewards policy is implemented, agencies might become autonomous. However, the challenge is how to implement these roles independently. The relevant questions are: (1) how can institutions set a balance between autonomy and control?; and (2) what are the criteria to measure the balance? Despite the reforms, centralized management style is the largest problem agencies face, thus agencies should be given autonomy to exercise their professional tasks. However, questions such as how agencies can be independent and simultaneously accountable to the principals, and how the limits of political independence of regulators are to be defined, are still a paradox (Majone, 2001; Moon, 2002).

Differently, others argued that agencies are not the answer to the improved performance of the public sector. A number of reasons were given, such as the majority of agencies are led by elites who only seek their own interests, they give jobs to retired friends of politicians, they have not been accurately reporting their performance and have not been held accountable and faced consequences from underperformance, and the state has largely not enforced punishments for poor performance and non-compliance. One of CSOs' officials noted that "there is a lot of inefficiency and poor delivery of services. They are just paying themselves good salaries". Similarly, Caulfield concluded that "(i)n Tanzania, the creation of executive agencies has been about more than efficiency and effectiveness reforms in pursuit of better service delivery. It has also been about improving the salaries of senior civil servants and returning a profit to the government." (Caulfield, 2002, p. 219) Problems facing VFM in the public sector are not caused by NPM and agencification, they are mainly caused by a weak legal and accountability framework and the lack of political will to enforce compliance to laws and regulations. For instance, the results from all research instruments show that reward and sanctions policies were not implemented at all. Research instruments pointed out laxity to enforce compliance, and concluded that audit recommendations were not largely implemented.

Nevertheless, findings of the fieldwork show that regardless of the challenges facing the management of public resources (including the low quality of services, lack of equity in the delivery of services to the public, the mounting of fraud, irregularities, corruption and the inefficient use of public resources), the role of regulatory agencies in the management of

the public sector remains vital. For instance, one government official suggested that “agencies can be an answer if there is a clear transparency mechanism, integrity, accountability and responsibility”. On the contrary, one consultant argued that “agencies are not an answer; the answer is beyond agencies, it goes with the systems and structure of accountability, law and regulations, especially enforcement”. Agencies can be an answer if there is a change in the acts and regulations that shape them and if accountability mechanisms are revised. Agencies’ failure to execute their roles, and the mounting of fraud, irregularities, corruption, and inefficient use of resources highly contributed to a poor accountability framework, poor legal framework and the lack of political will to enforce compliance and to foster quality and equity of public services. I, therefore, support the view that fostering integrity, judiciary principles and duties is essential for improved accountability standards in the agency relationship, as documented by Majone (2001) and Tritt (2011). However, the major problem is the political will to implement the changes.

This finding confirms Majone’s view that “the chief executives of the regulatory agencies have a well defined agenda and their success is measured by the amount of the agenda they accomplish” (Majone, 1997, p. 157). Likewise, the OECD stressed that “creating an agency and labeling its work a priority does not automatically mean it will be treated as such” (OECD, 2005, p. 108).

2. Performance Management and VFM audit

As noted earlier, Tanzania has not fully implemented result-based management and places little emphasis on results. Findings show that MDAs’ goals and plans were not SMART, and that the CAG office has not been involved in reviewing MDAs plans and budgets. In the 2014 General Audit Report, the CAG reported on deficiencies in the performance of agencies, including inadequate planning, inadequate delivery of services, inadequate quality of services, poor record keeping and weak performance monitoring and evaluation. This confirms Issa’s (2010) findings that the strategic and operational plans of many MDAs were still poor, as MDAs faced the inability to draw up SMART objectives and outcome-oriented targets. There was lack of transparency in the agencification system, especially of contracts between the government and agencies. The majority of citizens were not aware of these contracts. Findings show that the contracts given to the agencies and agencies’ budgets were unknown not only by citizens, but also by some government officials.

Tanzanian agencies face weak result-based control, weak monitoring and evaluation, and weak accountability framework, which resulted in the failure to achieve VFM. For instance, the policy for rewarding good performing agencies and sanction poor performing agencies has not been implemented. Therefore, the failure to implement results-based management and MDA's inability to prioritize and draw up SMART plans highly contributed to poor performance in Tanzania's public sector.

A weak accountability framework resulted in the inefficient use of resources, and poor quality, equity and efficiency of public services. Lack of transparency, answerability and responsiveness has left much to be known about the utilization of public resources, for instance much was not known about agencies' budget. Despite the Executive Agencies' Act No. 30, which requires ministries to set performance indicators (PIs) for agencies and to implement evaluation, agencies were setting their own PIs and did their own performance evaluation. For instance, one agency's official informed that "we normally set our own performance indicators and evaluate our performance. Generally, the public sector is so big and complex for the CAG to audit all of it alone." On the other hand, one auditor commented that, "in the Tanzanian public sector, there is a serious problem of who does what, for whom and report to whom."

The observation is consistent with Ronsholt and Andrews (2004), who noted that agencies set their own performance indicators without getting approval from parent ministries. According to Sulle (2011, p. 504), "as part of their annual business plans, agencies develop their own performance indicators and these business plans are discussed during the annual meetings of the Ministerial Advisory Boards (MAB)." Contrary to NPM, which requires parent ministries to prepare PIs for agencies and to ensure that they are monitored and evaluated by independent institutions, especially the SAI, I noted that the boards of directors of some agencies were mandated to approve the budget and to appoint the auditor. One consultant stressed that "the state is busy with political issues; the system has all been politicized. Ministers and permanent secretaries have not been singing the same song. How can realistic performance indicators be set? Definitely agencies can make their own which can politically stand as owned by the ministry". This is consistent with Ntukumazina (1998), Caulfield (2002), and Sulle (2010, 2011), i.e., the Tanzania's agencification system is facing serious problems of performance accountability. This also confirms Majone's

(2000) idea that since agencies have more information than the principal it is possible that they do not comply with the preferences of the principal, which in turn can trigger agency problems. Maor argued that “public management reforms in parliamentary countries produce more politicization in the form of interventions by selecting politicians rather than the intended aim of improving public services quality by depoliticizing operational work in the government.” (Maor, 1999, p. 13)

As a way to ensure effectiveness, efficiency and economic use of resources, NPM requires VFM audits. However, results show that in Tanzania the SAI has limited capacity to undertake VFM audit to all agencies. Thus, VFM audits are rarely undertaken. The SAI has been undertaking statutory (traditional) audit through outsourcing services to private audition firms. With traditional audit, auditors collect and analyze audit evidence and form opinions concerning internal controls as well as the reliability of information provided by the management. This type of auditing does not address a critical evaluation of agencies’ performance in terms of how much is being spent in relation to quality, equity and efficiency of the services. One government official stated that “the CAG has been doing the evaluation at least to some agencies but their power is limited to reporting only. The problem is the implementation of their CAG’s recommendation”. On the other hand, one CSOs’ official commented that “agencies sometimes do their own performance evaluation; the CAG has been undertaking the performance assessment and evaluation in only a few agencies. But it is not really assessment, it is just window-dressing”.

Even though VFM audits are rarely undertaken, CAG’s reports show that there is non-compliance of rules, inefficient use of resources, fraud and irregularities. As a result, the quality and equity of services provided to the public were compromised. Evidence shows that there is poor contract management, dubious payments, mounting corruption in the procurement system, inefficiency and poor quality and equity of services. For instance, the CAG noted poor performance contracts, inefficiencies in contracts management, irregularities in the functioning of the board of directors, and delays in appointing members of agencies’ board of directors. For example, Kalubanga and Kakwezi (2013, p. 122) view that VFM audit requires high level VFM analysts, and Elliot (2002, p. 504) argues that the solution towards achieving VFM is to develop a new model of professional accountability that invests conditional trust in practitioners and is underpinned by a different logic of

evaluation practice. On the other hand, I support the argument that VFM requires ethical behavior, ethical attitudes, ethical dialogue, and organizational policies and practices consistent with furthering ethics in the public sector (Berman's 1998, p. 272).

3. SAI's autonomy, mandate and capacity

As noted earlier, the National Audit Office of Tanzania (NAOT) is the SAI headed by the CAG. Its mandate is enshrined under Article 143 of the Constitution of Tanzania. The powers and mandate of the CAG are clearly stipulated in sections 11 and 12 of the 2008 Public Audit Act. No 11. The CAG is mandated to examine, inquire into and audit the accounts of all accounting officers and receivers of revenue on behalf of the national assembly. Constitutionally, the CAG has powers to call upon any officer for any explanation and information and to authorize any professional auditors or any other expert to carry out an investigation or audit of public accounts. Constitutionally, the CAG has powers of disallowing any payments made illegally. The CAG is mandated to undertake VFM audits, to enquire into, examine, investigate, and report on public funds spent and the resources used by MDAs, local authorities and all public authorities. However, results from all research instruments, including documentary evidence, show that the CAG has no mandate and does not have the autonomy to follow-up audit recommendations and to enforce compliance to financial regulations and standards. Surprisingly, the government has largely been ignoring audit recommendations.

In addition to the SAI, the Prevention and Combating Corruption Bureau (PCCB) is another major public financial watchdog institution in Tanzania. Unlike the SAI, which is constitutionally mandated, the PCCB lacks a constitutional mandate to execute its watchdog functions (Guardian Tanzania, 2014b). Findings from all research instruments show that political influence and lack of political will to give the PCCB autonomy and a mandate has weakened its effort to fight against corruption. Findings also revealed that the CAG's professional responsibilities were highly interfered with by politicians. One consultant told that "we have a fairly independent CAG who is still appointed and reports to the president, the CAG has mandate but no autonomy to withstand political influences and interventions".

On the other hand, regardless that the CAG is constitutionally mandated to audit the public sector, it is not mandated to follow-up and to enforce audit recommendations. The CAG's mandate is limited to the production of the audit report. From that point of view, I consider Tanzania's SAI and PCCB as toothless public watchdog institutions. The lack of CAG's mandate and autonomy is probably explained by the audit model adopted by Tanzania's SAI. According to Wang and Rakner (2005, p. 6), there are different types of auditing models, including the Westminster model, the judicial model, and the board system model. The choice of the auditing model has implications on the autonomy and functioning of SAIs. The Tanzania's SAI belongs to the Westminster model of audit, which is characterized by the SAI being an integral part of the parliamentary oversight headed by the CAG in a hierarchical organizational structure. Unlike the judicial system, whose audit staff is composed of lawyers and the follow-up of audit recommendations is done by judges who impose penalties on correction, the Westminster audit model's staff is composed of accountants and auditors and the CAG is not mandated to follow-up audit findings. The follow-up of audit findings is regarded as one of the roles of the parliament (Wang and Rakner, 2005, p. 6). In this model, the CAG's relationship with the parliament is only about reporting through auditing and annual financial reports and audit reports form the basis for parliamentary examination of government's revenue and expenditure (Van Zyl et al., 2009).

As regards to capacity, empirical evidence shows that the office of the CAG has limited capacity to execute its functions. Although the majority of the SAI's resources come from the state, the CAG has not been provided with enough resources to execute its professional role. It can therefore be concluded that even though the CAG is constitutionally mandated, inadequate capacity (human and financial resources) has largely diminished its independence and the ability to undertake VFM audit to agencies. One CSO's official commented that "the CAG has not enough capacity. Tanzania public sector is too big for the CAG to audit. They are trying but it is impossible. They have a serious problem, financially and in terms of human resources". Since the CAG's lacks capacity, it has resorted to outsource from private auditing firms. Thus, agencies are largely undertaking self-performance evaluation and VFM audit has rarely been undertaken in the public sector. There is evidence that the CAG has mostly undertaking traditional auditing and form opinions regarding internal controls as well as on the reliability of information provided by

MDAs' management. As one official interviewed declared, "regarding the evaluation of performance the CAG does that by contracting private auditing firms, but it is practically impossible for all the agencies given the capacity of the CAG and massive number of agencies in the country". In a similar reasoning, Caulfield (2002, p. 217) argues that a weak national audit environment compounds the problem of performance monitoring in Tanzania. Thus, it was suggested that public financial watchdogs do not need to be only constitutionally mandated; they also need enough resources to support their professional responsibilities.

In terms of compliance, findings show that punishments for non-compliance are largely not enforced and laxity to follow-up and to enforce audit recommendations are noticeable, which acts as a major disincentive to the work of oversight bodies. For instance, as noted in the documentary review, the CAG has been discouraged by the lack of enforcement of audit recommendations. One consultant lamented that since "there is no follow-up of audit recommendations in our accountability system, how can audit recommendations be enforced in a situation where oversight authorities have close relationship and collaborate with the CEOs?" Lawson and Rakner (2005, p. 28) emphasized that mechanisms to sanction actions and non-compliance were inadequate and that punishments for non-compliance were not pursued or enforced. This acted as a major disincentive to the work of MPs, the NAO and the CAG. Consistently, Uwazi (2010, p. 3) warned that "the CAG has noted that it is common for managers in the government not to respond to audit queries and expressed disappointment about the speed at which financial management by public authorities is improving." I therefore support the NAOT's (2009, p. 121) view that ignoring CAG's recommendations is just an outcome of the lack of seriousness by ministries, departments, agencies, and other government authorities.

4. Accountability, transparency and answerability in Tanzania's agencification framework

The complexity and ambiguity of Tanzania's legal and accountability frameworks and the lack of commitment by MDAs resulted in the partial implementation of the PMS, weak accountability mechanisms, and the misuse of public resources. The mechanism for result-based accountability, linked with a well-defined incentive policy for good performers and sanctions for poor performers, is not emphasized. Wang and Rakner (2005, p. 36) pointed

out that MDAs, local government and para-statal are rarely accountable for mismanagement. Koppell (2005, p. 95) documented that “the lack of specificity regarding the meaning of accountability – or the failure to articulate a choice – can undermine an organization’s performance.” According to the author, organizations striving to achieve conflicting expectations are likely to be dysfunctional, therefore “pleasing no one while trying to please everyone.” I consider Koppell’s view valid to account accountability problems of Tanzania’s agencification framework as the system lacks prioritization, appropriate planning, monitoring and control, and the legislation does not clearly provide the formal relationship between ministers, PSs and agencies’ CEOs.

Contrary to the principles of good governance and best practices, empirical results and documentary review show that agencies managers’ collaboration with oversight authorities destructed the entire accountability framework. During the interviews, one government official revealed that “the boards do not perform their oversight role because the board’s chairmen have a close relationship with CEOs. Retired officials are made to be board chairmen and they benefit from the agency. What do you expect, thus?” Likewise one consultant stressed that “generally we have oversights in terms of structures, but we do not have oversights in terms of interaction. How can you achieve accountability in a situation where the CEOs collaborate with a permanent secretary to suggest the names of the governing board members for the ministerial appointment? This complicates the enforcement process and the entire accountability processes.” The CAG’s reports show that the majority of agencies were not complying with rules and regulations, they were not keeping their records properly, and there was lack of follow-up and enforcement of audit recommendations.

In Tanzania it is common to find government officials overriding internal ethical or professional norms for their own interests. One CSOs’ official told that there was “no compliance with rules and regulations. What I see is a high degree of compliance to political instructions”. Similarly one consultant asked “how can they comply with rules in the accountability framework we have now? We have a corrupt system that has been dysfunctional to deliver quality services”. I therefore support Cooksey’s (2011, p. 53) argument that “poor regulations is one of the main factors undermining the capacity of Tanzania’s utilities and infrastructure para-statal and agencies to provide satisfactory

services at a reasonable cost.” The solution must include the formulation of appropriate regulations and to ensure compliance to the rules, as well as putting emphasis on good governance standards.

Contrary to the principles of good governance promoted by the UNDP (1997), and the view that with transparency, institutions and information can be accessible to stakeholders (UNDP, 1997; Graham et al., 2003), transparency is one of the major problems facing the Tanzania’s public sector. Evidence shows that the majority of citizens were not aware of performance indicators and performance objectives given by the government to agencies: indeed, “if you are expecting to acquire all the information from the ministry, you will only be given those for public consumption. Mostly, information in the ministries is confidential”, one director from the government stressed during an interview. This is consistent to Ferlie et al.’s (2005) view that apart from the fact that NPM requires managers to be transparent and accountable, there is a high degree of confidentiality in the public sector that might jeopardize transparency.

Results also revealed that citizens were not aware of agencies’ budgets, the amount of resources allocated to each agency, and performance standards. Citizens were not aware of rules and regulations governing agencies and had no access to financial information on either the performance of agencies or audit findings. During the interviews, one auditor pointed out that “we still have a serious problem regarding transparency. Communication is another problem. The communication between agencies and the registrar of agencies is not clear. I would say to a greater extent that ministries do not play their roles, for instance by setting the objectives, evaluation, monitoring and control.” Uwazi (2010, p. 1) pointed out that Tanzania’s budgetary process lacks adequate transparency, leaving citizens in the dark about how taxes and donor funds are used. Thus, I support Uwazi’s (2010, p. 2) suggestion that public scrutiny of the budgetary process is an important element of any system of checks and balances and that effective scrutiny requires timely access to sufficient budget information and the existence of channels for dialogue between citizens, elected representatives and civil servants. Transparency, accountability and responsiveness are crucial to achieve better governance. However, the concepts are more often preached than practiced (Hood, 2006; Gomez, Friedman and Shapiro, 2004).

Similar to Uwazi (2010, p. 3) and NAOT's (2009, p. 121) suggestions, findings of in-depth interviews show that audited organizations were largely uncooperative with the CAG and that they ignore audit recommendations. Besides, there was abuse of power, override of authorities, negligence, and unethical behavior by some top government officials. This confirms Lawson and Rakner (2005) who identified two main reasons why Tanzania's governance and service provisions were inefficient: first, many government officials were overriding internal ethical or professional norms, and second, civil servants are operating in a bureaucratic accountability system with external influences from elected officials.

Besides accountability, Tanzania is facing governance and structural challenges which resulted in conflicts of interest among officials. Thus, only the parliament and donors can pressure ministers to take political responsibility for inefficiencies and allegations of fraud and corruption. Similar to Caulfield's (2002) argument, evidence shows that Tanzanian permanent secretaries are powerful to the extent that they can influence the majority of decisions in their ministries. Tanzanian ministers were basically political actors, i.e., apart from receiving ministerial reports with decisions made by permanent secretaries, they were effectively excluded from decision-making and accountability issues. However, it is ministers who take political responsibility in case of inefficiency. The impact of ministers' low profile was heightened by the 1997 Executive Agency Act No. 30, which gave more power to permanent secretaries to take most decisions, including policy design, operations, and financial decisions in parent ministries. Consistently with this perception, one director government emphasized: "[f]orget about the ministers, if you want information from ministries you must apply to permanent secretaries."

On the other hand, the CAG reported on conflicts of interests whereby the MPs were appointed as members of the agencies' boards of directors. I support the CAG's opinion that in order to avoid conflict of interest MPs should not be members of boards of directors of public authorities and other bodies for which they have an oversight role. Enhancing accountability is crucial for VFM. During the interviews, one respondent suggested that "if we need to improve efficiency in the public service we need to change our mindset and overhaul the entire accountability framework from the top to the bottom, essentially at the top. Also the accountability framework which involves NGOs and CSOs in decision-making and auditing should be clearly defined." It is necessary to enhance mechanisms of

accountability so as to improve agencies' and the entire public sector's performance (Caulfield, 2002, p. 211). While supporting the aforementioned views, I suggest that in order to enhance good governance and best practices, accountability, transparency and responsiveness are crucial. Thus, VFM will be achieved only if the principles of good governance are implemented. The UNDP (1997) provides five principles of good governance, namely, legitimacy and voice, direction, performance, accountability, and fairness.

5. Challenges facing the SAI when executing professional responsibilities

Findings reveal that public financial watchdogs are exceptionally useful in protecting the public interests by assuring proper use of resources by MDAs, LGAs and all organizations that utilize public resources. However, Tanzania's SAI is facing a number of challenges that resulted in unsuccessful execution of professional tasks. As a result, citizens' trust in audit findings is steadily decreasing with a growing level of audit expectation gap regarding the performance of the SAI. This study has grouped the challenges into eleven categories, as follows.

First, political challenges, including political influence towards public financial watchdogs, since "some facts cannot be reported openly due to politics", as it was admitted by one SAI official. Also, interference by government officials; political interests to protect political parties; lack of political will to enforce accountability, transparency and responsiveness; and the lack of political will to follow-up and enforce non-compliance of rules and regulations, which has resulted in inefficiencies, fraud, irregularities and corruption.

Second, legal challenges including poor legal framework and inadequate legal backing-up to enforce VFM, SAI's lack of autonomy and a weak mandate to enforce compliance and to follow-up audit recommendations.

Third, institutional challenges including SAI's limited capacity to execute their responsibility. Wang and Rakner (2005) found that the Tanzanian Supreme Audit was facing a problem of capacity in terms of human and financial resources, information technology, and that the independence of the CAG was questionable. They also acknowledged limited access to relevant and timely information by the CAG. In his 2012 audit report, the CAG reported that "the audit of the four donor funded projects (...) was a

challenging task to my Office due to the fact that there has been inadequate staff and lack of adequate financial resources. In this year's audit, my office had encountered similar scenario." (URT, 2012, p. 213). On the other hand, the SAI is facing challenges of balancing political interests and public interests and inadequate financial and human resources. During the interviews, one consultant commented that "the CAG does not have enough capacity. That is why he has been using private auditing firms to execute its functions. Does CAG have enough resource to pay private auditors for all the agencies? It remains a challenge." Another institutional challenge includes the limitation of the scope of audit, which causes problems to obtain audit evidence. Poor motivation is also a problem, which motivates some individual auditors to engage in fraud, bribery and corruption.

Fourth, technical challenges are at stake, including: lack of skills in auditing, particularly information technology (IT) environment; inability to cope with changing science and technology; lack of experts with proper skills of auditing; lack of working facilities; and lack of multi-disciplinary skills (most of them are financial auditors). Mashauri (2013) recognized that the main challenges of the Tanzania's SAI is inadequate manpower and multidisciplinary skills, for instance recruitment was made by the president of the Office Public Service Management (POPSM) without considering current developments within the audit carder. Law does not allow the CAG to audit public private partnerships and does not give the CAG mandate to access financial information where the government has vested interests, for instance, in extractive industries (mining, oil and gas).

Fifth, structural challenges also emerge, such as: the mode of appointment, for instance being appointed by the president has implications to the SAI's autonomy; confusion on who is above who: the CAG, governing boards and CEOs, permanent secretaries and ministers; unclear relationships between the CAG, governing boards and CEOs; and conflicts of interest among top officials, i.e. MPs were appointed as board members in the organization that they oversee.

Sixth, communication challenges include the lack of access to information to support SAI's investigation, lack of cooperation and support from audited entities, and poor quality of information given to the CAG (existence of fake information, i.e. fake receipts to justify some spending).

Seventh, professional and ethical challenges are also a problem. The examples are the lack of ethics among professional members (as a result some auditors are involved in fraud, irregularities and corruption practices) and the lack of ethical conduct and integrity among MDAs, LGA and other civil service officials (resulting in information of poor quality, such as fake receipts, provided to auditors to support their investigation).

Eighth, accountability challenges, which is consistent with evidence showing that the SAI is working in a complex and poor accountability framework that does not clearly sets limits to the authorities, which includes the following problems: the CAG has no power to hold anyone responsible for failing to comply with financial rules and regulations; the lack of mandate to follow-up and enforce audit recommendations; an high level of non-compliance; capacity problems (the CAG cannot afford to disclose everything); no clear separation of duties and obligations between financial watchdogs institutions, ministries, departments, and agencies (MDAs); the lack of prosecution and enforcement of laws and regulations by the government; the lack of respect and commitment to implement recommendations made by oversight authorities, as a result recommendations were largely ignored by the government and agencies (agencies' CEO fear only the parliamentary committee); the lack of transparency of government officials (most information is confidential in the government setting); and an unclear relationship between the CAG, the governing board and agencies' CEOs.

Ninth, fraud, irregularities, corruption and bribery affect the whole system, including growing perception of fraud, irregularities, corruption and bribery. Indeed "the system is extremely corrupt" as one CSOs' official lamented. Forgery of documents was also noticed, which fed inaccurate information provided to support CAG's investigations.

Tenth, intimidation challenges, such as personal threats, including death threats and intimidation as a result of the lack of compliance to the laws. According to a CSO official, "[s]ometimes the CAG's officials are at risk. They are threatened due to the reason that some political leaders who have collaborated with the CEOs to misuse the funds are not happy with the facts in the audit reports". Similarly, one auditor admitted that "auditing is a very risk job, and we auditors are always at risk."

Eleventh, perception challenges also take place, such as the expectation gap on auditors' responsibility. For instance, the general public believes that auditors are responsible to prevent, detect, and control all fraud, irregularity and inefficient use of resources. However, the ISA stipulates that it is the duty of the management and boards of directors to prevent, detect and control fraud, irregularities and the inefficient use of resources by implementing an effective internal control system. Auditors can only provide a reasonable assurance, as opposed to the absolute assurance as expected by the majority of the general public.

6. Perception of fraud, irregularities, corruption and inefficient use of resources

Findings show that regardless of the reform, fraud, corruption, irregularities and the inefficient use of public resources are mounting. The results of the questionnaires, in-depth interviews and documentary review show that the perception on wasteful spending of public resources by MDAs was increasing. This is largely helped by the weak accountability framework, as noted by the majority of respondents. One official from a CSO stressed that “the issue of fraud is very open. Fraud and irregularities are very high.” Consistently, one government official commented that “fraud and corruption are high, anyway we are trying to fight corruption but it is a national disaster (...). In fact the quality of services is still low but it has improved to some extent.” This supports Turnbull's (2011) view, who argues that managers have been using their power to corrupt and make things work according to their interests, and those laws, regulations, corporate governance code of ethics and any regulatory standards can be manipulated to meet the interests of the few who have power. This is convergent with Majone's (1997, p. 155) view that through the creation of agencies governments will not only frame a suitable system of incentives, but also find it in their interest to create special mechanisms to monitor their agents' behavior.

The mounting of corruption is further justified by documentary evidence. For instance, on the 4th May 2012, *BBC Africa News* reported that the Tanzania's president removed six ministers holding high-profile portfolios: finance, energy, tourism, trade, transport and health, amid allegations of government corruption. On the 17th December, 2014, *BBC News Africa* reported on the resignation of the attorney general (AG) amid a corruption scandal of over \$120 million that was taken from an Escrow account (an energy firm) and was given to several government ministers. On the 23rd December, 2014, *BBC News Africa* reported that the Tanzania's president removed the land and housing minister amid a corruption

scandal. Tanzanian local newspapers (such as *the Citizen*, *Tanzania Daima*, *Majira*, and *Jambo Leo*) also reported the mounting of fraud, irregularities and corruption. On the 7th October, 2014, the *Guardian Tanzania* (2014a) reported on nineteen procurement firms suspended over ‘graft’ of TZS 1.7 billion, including dubious payments. The aforementioned findings are consistent with Venugopal and Yilmaz (2010, p. 227), who documented that corruption continued to be an issue at all levels of the government, and the World Bank’s conclusion that corruption was the single greatest obstacle to economic growth and development (Okeahalam, 2004). I support Turnbull’s (2011) view that many current practices in several countries are unethical, and I argue that the enhancement of the accountability framework and the promotion of ethics and integrity by government and civil service’ officials are important and necessary for the achievement of VFM in the public sector.

Internal control is always designed by the management to ensure that assets are safeguarded. The ISA 240 states that management is charged with the responsibility to prevent, detect, and control fraudulent practices and that one of the major fiduciary responsibilities of the board is to protect the assets of the company. According to the ISA 240, the primary responsibility for prevention and detection of fraud and errors rests on both the management of the organization and those charged with governance. However, evidence shows that senior management often encourages weak control systems so that they can be easily overridden to opportunistically meet desired financial targets (Basilico, et al., 2012, p. 150).

On the other hand, according to the Committee on the Financial Aspects of Corporate Governance (CFACG) (1992), the very nature of fraud makes it difficult to be detected by auditors. For instance, it is difficult for auditors to detect fraud, especially if fraud is the outcome of collusion between employee(s) and management staff. Therefore, auditors cannot guarantee the detection of fraud. However, a high level of safeguards against several categories of fraud can be tried through more intensive audits. The ISA 240 warns that the risk of not detecting a material misstatement resulting from fraud is normally higher than the risk of not detecting a material misstatement resulting from errors, and that fraud may involve sophisticated schemes designed to conceal it, such as forgery, deliberate failure to record transactions and even intentional misrepresentations made to the auditor. Such

attempts of concealment may be even more difficult to detect when they are enforced through collusion. Audit evidence is not conclusive in the sense that auditors do not examine all the information available and, therefore, they do not give an absolute opinion. ISA 500 states that auditors should obtain sufficient and appropriate audit evidence to be able to draw a reasonable conclusion. Furthermore, ISA 240 states that if auditors find evidence of fraud they are responsible to report the issue to the management of the audited organization and to those charged with governance. From that point of view, I conclude that the auditors' mandate is largely limited to the production of audit reports and not to the enforcement of audit recommendations.

Evidence also shows that the government can take some action to punish top leaders who are implicated in corruption. For instance, as noted earlier, Tanzania's president removed some top government officials because of corruption scandals. However, results show that there have been delays in submitting audit reports to the parliament, which in turn prevented the parliament from gaining momentum and ensuring that recommendations are pursued (Lawson and Rakner, 2005). It is therefore argued that there is a need to ensure that the parliament gets audit reports timely to enhance parliamentary scrutiny, so that the public is involved in a way that strengthens SAI and parliamentary oversight functions.

7. Challenges facing accountability and VFM in Tanzania

Results of the fieldwork show that the failure to achieve VFM is explained by many factors, including fraud, corruption, embezzlement and the inefficient use of resources. For instance, in 2013 the performance audit report indicated wasteful spending by MDAs through "procurement works, goods and services" (URT, 2013b, p. 1). Cooksey (2011, p. 82) identified four types of rent-seeking activities that contributed to inefficiency in the public sector: state predation (the theft of public resources by public officials); looting (theft and waste of public resources by public officials); rent-seeking (the capture of public regulatory powers by private interests); and patronage spending (diverting public spending to private goods and transfer them to constituencies supporting the ruling coalition).

VFM is also affected by poor staff motivation in the civil service. For instance, one government official commented that "[i]n summary: agencies' officials, especially the CEOs, are very well paid, but it is very disappointing that very little is paid to staff in

parent ministries. This has resulted to demoralization of staff.” Other challenges include a narrow tax base, hence inadequate funds to finance services-oriented projects (shortage of budget); growing culture of selfishness and greed among government officials, agencies officials and civil servants; the lack of ethics and integrity among civil servants; the lack of accountability, transparency and answerability of agencies and the entire civil service’s performance; a poor legal framework; unclear separation of duties among top officials, which results in conflicts of interest and responsibilities’ conflicts; and the failure to clearly define responsibilities, rights and obligations between watchdogs institutions, MDAs and citizens in the accountability machinery. Cooksey (2011, p. 54) concluded that weak internal controls, poor asset management, an inadequate internal audit function, lack of transparency in procurement process, an inadequate introduction of the computerized accounting system, and poor budget credibility are issues that cause a depletion of government resources and heightening their vulnerability to fraud and corruption.

Findings revealed that VFM is also affected by the lack of knowledge among citizens, insufficient enforcement mechanisms, lack of skills and knowledge among many officials, interference by top officials into the performance of civil service and agencies (political interference), and lack of political commitment to foster quality, equity and efficiency. I support Therkildsen’s (2000, p. 69) suggestion that agencies will not work if there is no political will to honor them or if political costs of enforcement are substantial. The lack of involvement of the public in decision-making and auditing and poor planning by MDAs add to the problems. The efficiency of public goods and services supply was undermined by weaknesses in the budgetary process. As a result, central ministry establishments are heavily over-financed compared to the services they provide, and the evidence comes from “spending on items such as vehicles, travel, workshops and seminars, and sitting allowances reduced the funds available for basic salaries and services.” (Cooksey, 2011, p. 83) The aforementioned facts indicate that prioritizing areas of spending is necessary.

VFM is also affected by the lack of performance evaluation, monitoring and control and a failure to take action against those who misuse public resources. For instance, Uwazi (2010, p. 1) suggested that “audit reports from the Controller and Auditor General (CAG) show how the government has failed to manage public resource well and taken little action to respond to audit queries.” Other challenges that hinder VFM include a low level of

technology, especially in developing countries where manual record keeping is more frequent. Manual documentation, for instance, hinders efficiency, as it makes it difficult to locate the information for proper and informed decision. VFM is also affected by the absence of a system of measuring CEOs' performance and how to hold them accountable. Sulle (2010, p. 352) listed a number of reasons that affected performance and accountability in Tanzania's public sector: first, the lack of political will and commitment; second, the lack of common vision among policy-makers; third, the lack of strong public demand to push politicians to initiate efficiency-driven reforms; fourth, reforms dominated by political-administrative elites whose motives the public is skeptical of. As a result the implementation of administrative reforms faced lack of support from the majority of citizens; and fifth, economic factors on the reform process are prone to donor-dependence. Bana (2009, p. 14-17) also listed a number of weaknesses that affect VFM: first, most of client charters were not operational in ministries, independent departments and MDAs; second, public campaigns to publicizing them were inadequate; third, citizens were not using client charters to demand services; fourth, neither ministries, departments nor agencies monitored, revised and amended the impact of the client charter to trigger greater legitimacy, and thus, performance in the public sector continued to be weak.

VFM is also affected by factors such as political influences on agencies, the lack of independence of the judicial system and of public financial oversight institutions (the CAG and PCCB), and the lack of autonomy to hold MDAs accountable for poor performance and inefficient use of public resources. From that point of view, as a major factor hindering the achievement of VFM, the service delivery machinery has been highly politicized and became part of the political system. One consultant commented that "to some extent the law and accountability systems provide a separation of responsibilities between the government and the civil service. However, the civil service takes an active role in political participation". He added that "we have a corrupt system that has been dysfunctional to deliver in the agencification model; the governing boards are not performing their oversight role. Instead of being over the agencies and make follow-up of audit recommendations, I see the alliance between the governing boards and the management of the agencies."

On the other hand, VFM was largely affected by accountability and structural challenges. For instance, the relationship between the SAI, the governing board, and the management

of agencies in the accountability framework is not clear. The framework does not clearly provide who does what and who reports to whom, hence affecting compliance. During the interviews, one consultant commented that

(i)n our system, the CAG is seen as superior to the board. Instead of the governing boards to hold the management of the agencies responsible through the CAG reports, there is governance and oversight vacuum in which the governing boards allies with the management of agencies to respond to queries raised by the CAG. The main problem is who to hold the governing board accountable for failure to deliver the oversight functions in this alliance. (...) The only organ that agencies' management fear is the parliamentary committee which takes place only once a year, not the boards. Disappointingly, even the governing board fears the parliamentary committee. In fact governing boards are on leave, they have lost their oversight functions.

Results show that the composition of agencies' governing boards was not fairly distributed between stakeholders, in particular citizens were largely under-represented, and that boards entrusted to perform oversight functions were playing a passive role. Boards were constituency in nature, mostly made up of government representatives. When boards are appointed, those making the appointments do not look at whether the nominee's knowledge and experience with regard to the service that the board plays regulatory functions. On the other hand, the composition of boards did not take into consideration the involvement of service users (public) in the decision-making process. One consultant suggested that "boards should be designed to achieve the goals of the agency and not the interests of board members' constituencies. The result is a 'management vacuum'."

The lack of agencies' executive autonomy, especially those established under the 1997 Executive Agency Act No. 30, was one factor affecting VFM. Ministerial advisory boards advised ministers and did not to perform oversight functions. As a result agencies were largely not evaluated, monitored and controlled. In fact, "at least the recent remedies are that permanent secretaries are not the chairpersons of ministerial advisory boards as it used to be. However, considering that the executive boards are essential, the structures and composition are still a serious problem in Tanzania," one consultant commented.

Another structural challenge that affects VFM is the composition of audit committee members. One consultant stressed that "the appointing authorities of audit committee members are agencies' CEOs who appoint senior members of the staff. How can senior members of staff working under the CEOs give a bad report on the performance of their CEOs? I would suggest that the appointment of audit committee members should be done

by governing boards.” In order to achieve VFM, an independent-minded audit committee is needed. Audit committees provide a forum for auditors to discuss any concern about their roles and the scope of audits. The audit committee can help auditors to deal with sophisticated issues such as decisions on fraud involving senior management staff. It is therefore suggested that the civil service machinery is neutral and should not be politicized. The government should ensure civil service machinery’s independence. Governing boards should appoint members of the audit committee to ensure its independence. The accountability framework also needs to be redefined, as it is necessary to provide adequate resources to the CAG to support its functions. Agencies need to have executive boards that can perform oversight functions without interference. Ministerial advisory boards just advise the ministry and are not mandated to perform oversight functions. The appointment of governing boards has implications to performance because it is too political to deliver accountability.

VFM was also affected by a tendency of governing board members to overstay their tenures without being replaced by the new ones. Hence, they lose impartiality. The CAG pointed out that tenures of some boards expired without being replaced by new ones, and documented that “the delay in appointing new Board of Directors results in hampering deliberations of corporate issues for the respective PA&oBs” (NAOT, 2013a, p. 19). The CAG noted that some of board members had only primary education and had never assumed any position at managerial level either in the private or the public sector (NAOT, 2013a, p. 94). Hence, during the interviews one of consultant commented that

The tendency of board members to overstay their tenures without being replaced has resulted in excessive social closeness and collaboration between board members and the management of agencies. This complicates the enforcement and the accountability processes. (...) This problem is common not only to the agencies but also to the entire public sector, including local government authorities. In local governments, for instance, instead of performing their oversight functions, the ward executive officers have been collaborating with civil servants to respond to the CAG queries in favor of local government authorities and not in favor of citizens even though an inefficient use of resources has been noticed.

Majone argued that agents usually have more information than their principals about the details of their duties and about their own preferences, abilities and actions. Therefore, agents might want to take advantage of information resources in order to overstate the costs of delivering public goods and services for their own benefit (Majone, 1997, pp. 154-155). One of the auditors interviewed commented that “(t)here are many factors, including poor

accountability mechanisms and abuse of power, government's laxity to punish those who under-perform or violate rules, government's laxity to enforce recommendations, and serious selfishness among government officials and civil service officials." Cooksey (2011, p. 83) suggested that in Tanzania many of the abuses of state power, which he described as 'predation,' were legal but wasteful, and that most of these practices were likely to be associated to illegal and corrupt behavior. The 2014 General Audit Report highlighted a number of challenges, including poor coordination among agencies, inadequate procurement procedures, inadequate law enforcement, and inadequate reporting of results.

The lack of autonomy and capacity of oversight institutions contributed to the failure of VFM audit, hence the failure to provide valid opinion on the performance of the public sector. In order to improve public service's performance it is necessary to: i) enhance autonomy, the mandate and the capacity of watchdog institutions and to enhance agencies' independence; ii) to achieve meaningful participation, meaningful consultation, and meaningful involvement of the public in decision-making and in performing oversight functions; and iii) to stop political influences in the performance of watchdogs institutions. Lawson and Rakner (2005, pp. 5-6) suggested that in order to strengthen performance in the Tanzania's public sector the government should: first, to strengthen and formalize rules controlling presidential powers, so as to safeguard the independence of the judiciary and the civil service and to clarify the role of each government authority; second, to open up space for new voices in the parliament and local governments and to strengthen opposition parties; third, to strengthen the parliament and its committees through improved auditing, better time-tabling of budget scrutiny and oversight, improved information flows, and training and research support; fourth, to continue the drive towards decentralization through accelerating the implementation of reforms programs; fifth to simultaneously improve transparency at all levels by identifying innovative ways of enhancing the availability of information on budgets, expenditures and results as well as improving access to decision-making processes; and sixth, donors should play a more effective role in information dissemination, particularly to the parliament and to political parties, while also developing improved channels of dialogue with MPs and with leaders at all levels.

8. Involvement of the public in decision-making and in auditing

Findings show that there was lack of participation of society-based organizations in decision-making. Tanzania's legal framework contributed to this outcome since it does not allow the involvement of citizens in decision-making and in performing the oversight role. Therkildsen (2000) noted that there was a lack of involvement of citizens in the reform process. As a result, the implementation of reforms faced a weak support from the public. Both theoretical and empirical evidence show that citizens are neither mandated to demand transparency nor to hold MDAs responsible for poor performance. Therefore, citizens do not know much of MDA's operations. Venugopal and Yilmaz (2010, p. 229), who documented that social accountability is generally weak, pointed out that "NGOs, CSOs, assemblies and informal associations all exist and have the potential to take on a large role in accountability but have not stepped to the plate so far." Lawson and Rakner (2005, p. 5) observed that society-based organizations are respected in Tanzania (especially faith-based organizations), but they are rather weak as a source of 'societal accountability'. According to Venugopal and Yilmaz (2010, p. 229), there were two major reasons that prevented the involvement of civic organizations: the lack of laws allowing civil society participation in decision-making; and a history of upward accountability in the Tanzania's public sector.

The interesting part, however, is that in undertaking their roles, NGOs and CSOs have always referred to the Constitution of Tanzania. The Constitution provides that the government shall be accountable to the people and the people shall participate in the affairs of government (URT, 1977). The problem is that regardless of constitutional demands for the government to be accountable to the people and the people's participation in the affairs of their government, Tanzania's agencification, legal and accountability frameworks ignore the involvement of the public in decision-making. Importantly, Venugopal and Serdar (2010) noted that in Tanzania in some cases citizens asked for transparency and accountability and they complained about the quality, equity and efficiency of public services. These calls operated through either their village assemblies or community-based organizations or by writing letters to their local government leaders. Yet, accountability efforts were not always successful. This confirms Majone's (1997, p. 160) view that in many governments the regulatory state is characterized by pluralism, diffusion of power, and extensive delegation of tasks to non-majoritarian institutions (independent regulatory

agencies). Such a non-majoritarian strategy attempts to restrain the majority rule by placing public authority in the hands of officials who have limited or no direct accountability to either political majorities or minorities.

The majority of respondents admitted that it is important that NGOs and CSOs are mandated to actively participate in decision-making and in auditing. NGOs and CSOs are closer to the public, they know much about citizens' needs and much about the government, therefore their participating in decision-making and auditing will enhance watchdogs' functionality, the public will be represented in government decisions such as budget decisions and the level of transparency and accountability will be improved. Evidence shows that currently NGOs and CSOs have more information than many senior civil servants and politicians about problems facing citizens, appropriate strategies and government policies, as noted by Mushi (2011, p. 124). The UNDP (1997, pp. 19-20) outlined that

(c) civil society organizations channel people's participation in economic and social activities and organize them into more powerful groups to influence public policies and gain access to public resources, especially for the poor. They can provide checks and balances on government power and monitor social abuses. They also offer opportunities for people to develop their capacities and improve their standards of living – by monitoring the environment, assisting the disadvantaged, developing human resources, helping communication among business people. More fundamentally, civic networks ease the dilemmas of collective action by institutionalizing social interaction, reducing opportunism, fostering trust and making political and economic transactions easier. Well-developed civic networks also amplify flows of information – the basis for reliable political, economic and social collaboration and public participation of civil society members. These relationships and social norms make up a nation's social capital.

However, I noted a number of challenges regarding NGOs and CSOs in Tanzania. Some NGOs and CSOs are perceived as owned by politicians and deliver political interests. Politicians are strategically penetrating and interfere with the performance of some of existing NGOs and CSOs. During the interviews, one CSO official stressed that “it is very unfortunate that politicians have started to penetrate in some NGOs and CSOs. They create their own NGOs and collaborate with existing ones. These organizations are made to demand citizens' right to be involved in decision-making and performing oversight functions, but in reality they exist for their own interests. We need a huge transformation of mindset in our society. Political leadership in Tanzania has turned into business.” This confirms Lawson and Rakner (2005, p. 5), who noted that the media in Tanzania is

exceptionally important, but it is seen as a campaign tool more than as a natural check against state power.

On the other hand, the majority of research participants criticized NGOs and CSOs because the public does not own them. Many argued that these organizations are not membership-based organizations, therefore they are not created for the sake of the public's interest. One consultant asked "to whom are NGOs and CSOs accountable? They report to the ones funding them and not to the public, they are implementing their donor's agenda." Mushi (2011, p. 133) noted that in addition to the availability of funding from donors, another major reason for the growth of NGOs in Tanzania is that people who used to work in the civil service and industries had nowhere to go after their retirement, and creating NGOs was possibly the cheapest alternative for their financial sustainability. Civil servants were establishing NGOs in order to have access to the available development funds (Haapanen, 2007, p. 8). Shivji (2003) characterized Tanzanian NGOs as follows: first, most of NGOs are led by elites; second, they are not constituency or membership-based organizations; third, they are funded and exclusively rely on foreign funds; fourth, NGOs act without theorizing and as a result they do not have a vision of the society; fifth, many confuse NGOs with the civil society. Mushi (2008, 2010) characterized Tanzanian NGOs as elitist ruled top down and urban based. According to Mushi, they are not established to meet the needs of the people. It is therefore perceived that the inclusion of NGOs and CSOs in decision-making and in performing oversight functions alone is not a solution. I thus support the UNDP's (1997, p. 20) view that "civil society organizations do not always pursue the qualities of good governance nor are they always the most effective development agents. That is why states, while recognizing and protecting the democratic rights of civil society organizations, must also ensure that the rules of law and values that reflect societal norms are adhered to."

On the other hand, auditing is a professional responsibility that cannot be undertaken by NGOs and CSOs, it has to be undertaken by professional auditors. What is needed is to enhance the accountability framework and to empower the watchdog oversight machinery, including the SAI and PCCB, by extending their mandate and autonomy to the extent of requiring them to make follow-up audit recommendations, and not just to report (as it happens currently). Legislation and accountability frameworks need revision, as the current

ones ignored the role of citizens in decision-making and oversight functions. As Warioba, the former chairman of the Tanzanian constitutional review argued, “citizens want to be mandated to hold their leaders accountable” (Warioba, in Mtanzania, 2014, p. 4). Caulfield (2002) and Sulle (2010, 2011) pointed out that not all top political leaders supported NPM and agencification in Tanzania. One major reason was the failure to involve citizens in the reform process. They therefore support the view that attracting political support by involving the citizens in decision-making is important to achieve the goals of the reform, particularly to strengthen the accountability system so as to achieve VFM.

Conclusion

This chapter discussed the findings from questionnaires, in-depth interviews and documentary analysis. The discussion is made on the findings of research questions as presented in the preceding chapter. Issues including the autonomy, mandate and capacity of agencies and the CAG, accountability, transparency, and answerability, fraud and its impact to VFM, the challenges facing the SAI and VFM, and the involvement of the public in decision-making and in auditing were critically discussed. The discussion was based on the combination of the theoretical perspectives of public reforms, empirical evidence from the Tanzanian case, and primary data.

CONCLUSIONS

1. General conclusions

The aim of this dissertation was to explore the usefulness of public financial watchdogs in assuring VFM in the utilization of public resources according to the NPM doctrine. The dissertation is based on the assumption that like the principal-agent theory in the private sector, the universal application of the NPM model and agencification can effectively provide an efficient delivery of public services through higher accountability and transparency standards. In the public sector, financial watchdog institutions enjoy a high level of autonomy not only to detect fraud related to financial misstatements but also to examine and evaluate performance indicators and contracts between the government and agencies. Therefore, VFM might be easily achieved. In order to effectively achieve the aim and the research assumption, the goal of the study was broken down into four objectives: i) to observe public financial watchdogs' responsibilities in ensuring VFM; ii) to measure accountability, transparency and responsibility in public management; iii) to evaluate to what extent innovations in NPM improve efficiency in the utilization of public resources to deliver services to the public meeting acceptable standards of equity, quality and efficiency; and iv) to find the position of the public in the NPM doctrine and agencification.

Furthermore, as a way to measure public financial watchdogs' responsibilities in the context of VFM in Tanzania, indicators of public financial watchdogs' institutions were constructed along the following key attributes: the role of SAIs, the independence from the government, the credibility of audit opinion (audit findings), availability, adequacy and accessibility of data from the auditees, their mandate towards the enforcement of audit recommendations, and the involvement of CSOs and NGOs in performing oversight functions. Accountability, transparency and responsibility of agencies were measured along the following key elements: agencies' autonomy, whether agencies reveal their performance, whether they face consequences for poor performance, whether they follow rules and regulations, and whether they fulfill their responsibilities. In order to evaluate to what extent innovations in NPM improve efficiency on the utilization of public resources to

deliver equitable, qualitative and efficient services to the public, the dissertation focused on the implementation of PMS, the setting of performance indicators, and performance monitoring and evaluation mechanisms (M&E).

Lastly, the position of the public in the agencification process was measured by their involvement in decision-making, openness about the access to financial information and auditors' findings, and the actions that citizens can take if agencies do not deliver quality, equitable and efficient services. Thus, the study was guided by the following research questions: (1) how is Tanzania's agencification and accountability framework characterized? (2) What is the degree of control and autonomy of agencies? (3) How do agencies' organizational structures characterize? (4) Do appointing authorities influence executive agencies? (5) What is the level of public financial watchdogs' autonomy in their relationship with the government? (6) Are executive agencies an answer to improved performance of the public sector and public management standards? (7) What are the challenges facing auditors when executing their professional responsibilities? (8) What factors are likely to hinder the achievement of VFM in the public sector?

By using the interpretative approach, the interaction between the researcher and research participants helped to uncover participants' views on the implementation of NPM and the challenges facing VFM in the public sector. This is because public management problems and implications can be captured from personal experiences and people are not that ignorant about public management issues. A qualitative research approach was used for this purpose, for an in-depth understanding of social issues, including accountability and efficiency in public management, can effectively be addressed through qualitative tools. Besides, the dissertation adopted a case study strategy because case studies are useful in qualitative research as they involve detailed analysis of a phenomenon on a particular selected case. Focusing on the Tanzanian case allowed an in-depth analysis on accountability and management of public resources.

The dissertation analyzed both theoretical and empirical literature on public sector reforms. Primary data were collected from purposively selected respondents, from purposive selected institutions including government officials, agencies' officials, auditors, consultants/academics, and community representatives, specifically, MPs, NGOs' officials,

and CSO's officials. In order to obtain a wide range of information, questionnaires, in-depth interviews and documentary review were used. All research objectives and questions stemming from research problematization have been answered and tentative research assumptions have been confirmed. The background of the study, the literature review and fieldwork results led to the conclusion that public management becomes increasingly complex as a result of global economic pressure which influences the universal use of NPM and agencification. NPM emphasizes that it is the duty of the government to clearly define the goals and formulate the measurable targets to be achieved by agencies. According to NPM, states should lay down performance contracts and ensure that all agencies carry out their duties as per the contract and are held responsible and accountable for their performance. Governments need to ensure accessibility to basic services, such as affordable health services, energy, education, water, communication, transport and other public utilities, and the utilization of public resources needs to address citizens' interests and rights. Findings reveal that despite global economic pressures, Tanzania partially implemented the NPM doctrine. Contrary to the NPM's emphasis on result-based management that requires the link between the government and agencies to be based on performance indicators prepared by the government, performance-based management is, however, largely absent.

In order to achieve VFM, NPM requires agencies to get away from political interference. The separation of services' delivery and compliance from policy-making would minimize management complexities and enhance public sector efficiency. In order to achieve efficiency in public management, governments should provide high-level standards of flexibility and autonomy to regulatory agencies. Moreover, states should retain monitoring and supervisory roles. However, in Tanzania, there is no clear separation between services' delivery and compliance, and political interference in agencies' performance is high. On the other hand, although many scholars argued about the need of agencies to be autonomous, no author clearly provided insights about the appropriate measure of autonomy. Moreover, the implication of higher autonomy and flexibility, such as the possibility of agencies to misuse their autonomy and flexibility, was neither detailed by the literature nor the NPM doctrine.

In order to achieve VFM in the public sector the implementation of rewards and punishments is essential. The government is required to reward good performing agencies and to punish poor performers. According to NPM, both rewards and punishments are to be defined by the government. It is unfortunate that the rewards and sanctions policy has largely not been implemented in Tanzania. Furthermore, the integrity of monitoring and evaluation mechanisms, and the criteria to measure performance and the extent to which good or poor performing bodies are being rewarded or punished, are not clearly defined. This, in turn, has potential harmful effects for VFM.

2. Performance Management, VFM audit and challenges facing Tanzania's SAI

As a way to ensure effectiveness and efficiency in the use of public resources, NPM requires VFM audit. VFM audit should take into account a comprehensive assessment of the use of public resources and the benefits from public services within wide parameters of the audit. It should establish whether the government and agencies developed an appropriate system and procedures to achieve VFM (efficiency, economy and effective utilization of public resources). It should answer questions of why, how and for whom public resources are being used. It is beyond examining compliance to established control procedures and the assessment of financial information; it is also beyond fraud and corruption assessment. Therefore, designing appropriate mechanisms that can realistically and effectively evaluate PMS and processing in an organization is vital. However, the concept of VFM audit has been underestimated in the Tanzanian agencification framework, where traditional audit is dominant, and the SAI is largely considered as one of government's financial consultant. This study makes manifest the view that there is a need to revive the accountability roots of VFM so as to add value to the public, and that public financial watchdogs should be mandated to professionally work as watchdogs and not consultants.

As agents of the public, governments are responsible to provide information to the public on how public resources have been utilized to deliver public goods and services. Transparency is essential for keeping a good relationship between the government and citizens. In order to increase the credibility of the information provided, the government has been appointing public financial watchdogs to examine both financial and non-financial

records related to public resources' utilization. However, the literature on public management does not clearly provide the basis to measure the level of quality of auditing and the significant impacts of lower quality of opinion. It is difficult to measure the quality of auditing, and irrespective of the importance of quality of auditing opinion the government has influenced auditors.

Regardless that the CAG is mandated to undertake the auditing of the entire public sector in Tanzania, the SAI has limited capacity to undertake VFM audit in all agencies. Thus, VFM audit is rarely undertaken. The SAI has been undertaking statutory (traditional) audit through outsourcing services to private audit firms. With the traditional auditing process, auditors collect and analyze audit evidence and form opinions concerning internal controls as well as the reliability of the information provided by the management. This type of auditing does not address a critical evaluation of agencies' performance in terms of how much is being spent in relation to quality, equity and efficiency of the services. On the other hand, the way auditing is undertaken appears like working in double agency relationships. The first agency exists between the government and the office of the CAG where the government relies on the opinion delivered by the CAG. Secondly, an agency relationship exists between the CAG and private audit firms that the CAG sub-contracts. It is therefore private auditing firms that are involved in auditing tasks. However, at the end, the opinion is provided by the CAG through the evidence obtained by private audit firms. That means those who examine financial records are disassociated from the opinion and judgment of the firm. This complex structure has generated problems, including complexities in undertaking legal actions against the auditors, and loss of trust to auditors.

One of the challenges facing auditors is that they are appointed so as to protect the interest of a heterogeneous group of stakeholders. Therefore they are facing the risk of balancing political interests and the interests of the public. Political influences in the functioning of the SAI lead to the conclusion that public financial watchdog institutions are not strong enough to maintain neutrality. Tanzania's SAI is situated within the structure of the government, and the functioning of an independent SAI remained biased. The evidence stems from the fact that irrespective of public financial watchdog institutions and both internal and external auditing, poor control in the use of public resources, corruption, and abuse of power peaked high in Tanzania. This left several unanswered questions about the

role played by public financial watchdogs in assisting good governance to properly utilize public funds and to ensure VFM. This dissertation manifests the view that auditors play key roles in agencification, and that the quality of public financial watchdogs in terms of the mandate, integrity, independence, objectivity and ethics is essential for assuring equity, quality, efficiency and accountability on the utilization of public resources. Auditors play an important role in enforcing accountability of executive agencies towards the legislative body and the general public. Therefore, the independence of public financial watchdogs in providing a fair assurance on the use of public resources is vital.

Regardless of public reforms, NPM and agencification have not largely improved public watchdogs' power in addressing accountability issues. The results show that the government has largely ignored audit recommendations. This led to the conclusion that ignoring the position of the SAI in the accountability framework fed mounting fraud, irregularities and inefficiencies in the use of public resources.

On what concerns compliance, findings show that punishments for non-compliance are largely not enforced, and that there is laxity to follow-up and enforce audit recommendations, which acts as a major disincentive to oversight bodies. On the other hand, rising non-compliance and laxity to follow-up audit recommendations has weakened the effort of public financial watchdog institutions to fight against corruption and other inefficiencies in the use of public resources. Regardless that the CAG is constitutionally mandated to audit the public sector, it is not mandated to follow-up and to enforce audit recommendations. The CAG's mandate is limited to the production of audit reports. From that point of view, this dissertation considers Tanzania's public watchdog institutions, particularly the SAI and PCCB, as "toothless public financial watchdog institutions". However, the lack of CAG's mandate and autonomy is probably explained by the audit model adopted by Tanzania's SAI.

The mode of appointment of public financial watchdogs institutions, notably the SAI and PCCB, the mode of submission of reports, the lack of mandate and autonomy to enforce compliance, the lack of involvement of citizens in decision-making, and the lack of implementation of audit recommendations all indicate that oversight institutions are agents of the government and do not act on behalf of the public. Results from the fieldwork and

documentary analysis show that the statutory duties and responsibilities of the CAG are given under Article 143 of the constitution of the 1997 United Republic of Tanzania and were amplified by the 2008 Public Audit Act No. 11 and the 2009 Public Audit Regulation.

Tanzania's public financial watchdog institutions are designed to provide independent assurance that governmental activities are carried out, and accounted for, respecting public finances' acts and public financial regulations. In addition to that, watchdog institutions have an important role in the fight against corruption and other misuses of public resources, and especially to demand VFM in the utilization of public resources. However, in reality they cannot act against the government's interests because the heads of public financial watchdog institutions are appointed by and largely obey to the government and not to the public. This puts in jeopardy their expected independence status. Thus, Tanzania's agencification and accountability framework comprises "government financial consultants" and not "public financial watchdog institutions". The evidence stems from the following reasons: firstly, they are appointed and largely obey to the government and not to the public; secondly, their professional responsibilities are highly interfered with by the government; thirdly, despite the fee that the SAI charges for services, it is the government that determines SAI's overall capacity and budget; fourthly, they do not involve the public in decision-making and in performing oversight functions; fifthly, public rights and interests remain largely unprotected; and sixthly, the public are not mandated to take any action on the failure of either the government, agencies or oversight institutions.

In order to improve the performance of the public service it is necessary to: redefine legal and accountability frameworks; enhance the capacity and ensure the independence of the judicial system; enhance autonomy, mandate and capacity of watchdogs institutions; enhance the independence of agencies and the entire public service; to have a meaningful participation, a meaningful consultation, and a meaningful involvement of the public in decision-making and in performing oversight functions; to clearly define the roles of government authorities, agencies, watchdogs institutions and citizens in the accountability machinery; to ensure transparency and responsiveness and to promote ethics at all levels; to enhance the capacity of the parliament in performing oversight functions.

Findings reveal that public financial watchdogs are exceptionally useful in protecting public interests by assuring proper use of resources by MDAs, LGAs and all organizations that utilize public resources. However, Tanzania's SAI is facing a number of challenges that resulted in the unsuccessful execution of professional duties. As a result, there is the perception among participants in the fieldwork (56.5% of questionnaires' respondents) that citizens' trust in audit findings is steadily decreasing with a rising level of audit expectation gap regarding the performance of the SAIs. This study has grouped the challenges into eleven categories, as detailed in chapter five: (1) political challenges; (2) legal challenges; (3) institutional challenges; (4) technical challenges; (5) structural challenges; (6) communication challenges; (7) professional and ethical challenges; (8) accountability challenges; (9) fraud, irregularities, corruption and bribery challenges; (10) intimidation challenges; and (11) perception challenges.

3. Challenges facing accountability and VFM in Tanzania

Poor services' delivery and inefficiencies are also fed by poor staff motivation in the civil service, especially as a result of double standards (lack of equity) in staff payment policies and incentive schemes. For instance, agencies' officials were paid high salaries compared to other officials in the public sector. Poor staff motivation in Tanzania's public sector has contributed to fraudulent practices, embezzlement, theft of public assets and other misuse of public resources. Poor staff motivation has resulted into employees' de-motivation. Hence the quality of services can be compromised. However, questions such as how much is required to extrinsically motivate public servants, how much is expected from a public servant to provide services to the public in relation to the wage paid, and in order to achieve VFM what are the mechanisms to evaluate civil servants' output in relation to the input – all these questions remained unanswered as they were beyond the scope of the dissertation.

One major challenge facing Tanzania's accountability and VFM is the amounting of unethical practices. Many practices are unethical and public officials are using their power to corrupt and make things work according to their interests. Selfishness and greed among civil servants and agencies' officials contribute to the failure in achieving VFM. The promotion of ethics among public officials is, therefore, vital for the achievement of VFM.

Evidence shows that there are a number of challenges that hinder the achievement of VFM, including fraud, irregularities, corruption, lack of transparency, overriding or acting contrary to the requirements of the Constitution, procedures and standards, lack of check and balances, lack of judiciary independence, poor human rights standards, and different forms of discrimination and disruption of the rule of law. Challenges including the lack of involvement of the public in decision-making and in performing oversight functions, the lack of political will to foster VFM and to enforce compliance, political interference in the performance of agencies and the SAI, all have contributed to a weak accountability system and the unsuccessful achievement of VFM. The lack of independence of the judicial system and public financial watchdogs institutions' (the CAG and PCCB) and the lack of autonomy to hold MDAs accountable highly affect the achievement of VFM. I argue that one major factor that hinders the achievement of VFM is that the public services' delivery machinery has been highly politicized and becomes part of the political system. Fraud, irregularities, corruption and inefficiencies largely come from mounting unethical practices, selfishness and greed, poor accountability framework, lack of compliance to laws and regulations, lack of political will to foster quality, equity and efficiency, and abuse of power by some top government officials.

The dissertation strongly supports Majone's argument that judiciary principles and duties are essential for accountability in the agency's relationship. In fact, the public has justifiably vested confidence, good faith, reliance and trust to governments to act on behalf of citizens. A reliable mechanism involving citizens to assure fairness in the fiduciary or judiciary relationship and the strengthening of ethics in the public sector is deemed necessary. Thus, it is important to redefine the accountability and legal framework in the Tanzanian agencification setting. Fieldwork and documentary evidence show that the civil service machinery is not neutral (it is highly politicized), which in turn largely affects accountability and the achievement of VFM. The government should ensure the independence of the civil service machinery; governing boards should appoint members of audit committees to ensure its independence; the scope of audit and the functioning of auditors need to be determined by the independent audit committee; the accountability framework needs to be redefined; the law should clearly define SAI's required standard capacity, providing alternative sources of SAIs' funds and asking the government to

provide adequate resources to the CAG to support its functions; agencies need to have executive boards performing oversight functions without being interfered with.

Ministerial advisory boards advice the ministry but they are not mandated to perform oversight functions. Retired officials, notably friends of politicians, were appointed as board chairmen. One consultant stressed “how can you achieve accountability in a situation where CEOs collaborate with a permanent secretary to suggest the names of governing board members for the ministerial appointment? This complicates enforcement and accountability.” Therefore, the dissertation manifests the view that the inability of governing boards to deliver their accountability functions is fed by: (1) a weak appointment criteria of governing board members: “retired officials are made to be board chairmen and are beneficiaries of the agency”, as it was revealed by one government official during the interviews; (2) agencies managers’ collaboration with oversight authorities destructed the entire accountability framework (board’s chairmen have close ties with CEOs); (3) the lack of qualification and experience among governing board members, as the CAG documented that “some of the board members had only primary education and had never assumed any position at managerial level either in the private or the public sector” (NAOT, 2013a, p. 94); (4) a tendency of governing board members to overstay their tenures without being replaced, which hampers impartiality; and (5) government officials overriding internal ethical or professional norms for their own interests. In order to enhance good governance and best practices, accountability, transparency and responsiveness are necessary. However, political will is necessary to effectively implement change.

4. Involvement of the public in decision-making and in auditing

In order to enhance accountability, transparency and responsiveness, the involvement of citizens in decision-making and in performing oversight functions is essential. Therefore, NGOs and CSOs need to be involved in the auditing system of the public sector. Furthermore, good coordination between the government, agencies, watchdog institutions, the parliament, NGOs and CSOs is important to achieve corporate social responsibility. The law does not give citizens mandate to demand accountability. Thus Tanzania’s legal and accountability framework sidelines the position of the public in agencification. Regardless that the Constitution requires the government to be accountable to the people and to be

open to the people's participation in public affairs, Tanzania's agencification, legal and accountability frameworks ignore the involvement of the public.

Nevertheless, the majority of participants in the research fieldwork criticized NGOs and CSOs because the public does not own them. Many argued that these organizations are owned by only a few and therefore are not created for the public interest. Evidence shows that politicians are strategically penetrating and interfering with the performance of some NGOs and CSOs. They created their own NGOs and collaborate with existing ones. Haapanen documented that "(t)here has also been the phenomenon of government civil servants establishing NGOs in order to have access to the available development funds" (Haapanen, 2007, p. 8). Commenting on the case of National Women's Council (BAWATA), one of the CSO which was working for women's inheritance rights and the right to own land, Haapanen pointed out that BAWATA was de-registered (forbidden to engage in any activities) on the basis of being too political, and that "(...) by this punishment of BAWATA the leaders of the ruling party Chama Cha Mapinduzi (CCM) wanted to protect the position of their own party's women's wing Umoja wa Wanawake Tanzania (UWT)" (Haapanen, 2007, p. 7).

These organizations are made to demand citizens' right to be involved in the decision-making and performing oversight functions, but in reality they were created for their founders' own interests. Regardless of these criticisms, the role of NGOs and CSOs in the oversight function remains important. Although it is important to involve citizens in auditing, there is still a challenge on whether the involvement of citizens is in line with audit protocols. Evidence shows that involving different stakeholder groups has some complexities due to the diversity of stakeholder groups with a multitude of different interests. Another challenge is whether the civil society possesses relevant skills, competence and experience to undertake this professional responsibility. Besides, the appointing authority's autonomy and mandate, the modality of reporting and the remuneration all need to be clearly defined. The issue of conflicts of interests between auditors and the civil society needs to be addressed. It is therefore suggested that studies need to be undertaken to establish a mechanism involving citizens in auditing that is in line with auditing protocols.

Apart from different scholars' criticisms on NPM, the model is increasingly adopted at the global level. Regardless of the noticeable improvement in public management, public reforms programs have largely not achieved required standards of public services' delivery in terms of quality, equity, and efficiency as required by the NPM. Regardless that agencies are mushrooming in Tanzania, fraud, irregularities, corruption, and inefficient use of resources are growing. It can therefore be concluded that agencification alone is not a solution to improved public management standards. What is needed, however, is to redefine the accountability and legal frameworks, to enhance the mandate and capacity of public watchdog institutions, to involve citizens in decision-making and in performing oversight functions, to enhance effectiveness and efficiency in the use of public resources (VFM), and to enforce compliance to rules and regulations. The implementation of good governance practices is essential to ensure credibility through transparency, responsibility and accountability.

Findings reveal that if organizations' structures and the accountability framework are re-defined and properly implemented, agencies will become autonomous, the legal framework will be revised, follow-up of audit recommendations will be implemented, and a punishment and reward policy will be implemented. Then, more coherently organized agencies can free the government to concentrate on policy and administrative roles while other professional duties are handled by agencies. However, the challenge is how to implement these roles independently. Two relevant questions remain unanswered: how can institutions set a balance between autonomy and control? What are the criteria to measure the balance? Despite reforms, centralized management is the most important problem facing agencies. However, questions such as how agencies can be independent and simultaneously accountable to the principals, and how the limits of regulators' political independence are to be defined, are still a paradox, as noted by Majone (2001) and Moon (2002).

5. Implications and contribution of the dissertation

Many studies have been conducted in the area of good governance and public reforms. Many of them have been looking at NPM and the use of agencies and they have come up with criticisms and different views on ongoing public reforms and the increasingly global

use of the NPM doctrine. However, the purpose of the dissertation was to produce evidence on the impact of agencification on accountability and management of public resources and the role of SAIs in ensuring VFM. Therefore, the scope of the dissertation was extended to a critical survey about the position of public financial oversight institutions in the agencification dynamics. It critically analyzes the usefulness of SAIs in assuring VFM in the utilization of public resources according to the NPM doctrine. It also provides a critical analysis of the position of the public in the agencification framework.

The dissertation is important in the sense that it is a multi-disciplinary study that tries to interlink business, management and regulators' contexts into a social context where the delivery of services to the public is the key area under scrutiny. In connection to that, the study examined ownership issues, and the principal-agent relationship between the government, agencies, public financial watchdogs and citizens in the NPM model. The purpose was to establish the protection of the interests of the general public who, irrespective of being the owners of public funds, have been marginalized in the relationship. The fact that there is no single study that specifically explores the usefulness of public financial watchdogs, a study that finds the position of the public in the adoption of the NPM doctrine specifically in Tanzania, provides an opportunity not only to analyze the implications of public reforms, but also to provide important lessons on how countries have implemented NPM in public reforms, challenges and opportunities for future reforms.

This dissertation manifests the view that better understanding of public resources' management, VFM issues, and the role of NGOs and CSOs in decision-making and in performing oversight functions is beneficial to a number of stakeholders, including governments, executive agencies, parliaments, public financial oversight institutions, consultants/academic community, NGOs, CSOs, donors and the public at large. Therefore, this study aims at contributing to the body of knowledge by critically examining and assessing the role and the position of watchdog institutions and the position of the public in the agencification process. The study provided useful theoretical and practical knowledge on the link between auditing and governance on the effective utilization of public resources to deliver services to the public. From empirical evidence drawn from selected respondents, the dissertation suggests that despite the challenges facing public financial watchdog institutions, their usefulness in assuring VFM remains vital. It is further suggested that

agencification alone is not a solution to the complexities of resources' management in the public sector. What is needed is to re-define legal and accountability frameworks and to promote ethical practices in the public sector.

The results of this study are expected to provide a catalyst for decision-makers' reflection, including the auditing community, legislators, financial managers, regulators, policy-makers and the society at large. It might therefore contribute to the improvement and strengthening of legal and accountability frameworks in the public setting. For instance, on what concerns financial accountability the output of this study is expected to help decision-makers in reforming financial regulations and procurement procedures as it suggests that the formulation of financial and procurement policies ought to be participatory. It further suggests that the public ought to be adequately informed of issues that can either positively or negatively affect their social-economic wellbeing, therefore promoting transparency in public revenue and expenditure, especially in public procurements by agencies. The study seeks to contribute to the development of adequate laws, regulations, policies, procedures and guidelines that involve the public in decision-making and in the performance of oversight functions. It aspires to enable regulatory authorities, policy-makers and the government (in collaboration with donors) to review the policy and regulations in order to reflect the reality of services needed by the public in relation to fund utilization.

The result will contribute to the knowledge of VFM audit and the usefulness of public financial oversights in protecting citizens' interests in agencification. It aims at fostering ministers, directors, managers of the MDAs, and other decision-makers' consciousness, as well as to the general public, on the importance of auditing and good governance in achieving VFM. For instance, the dissertation emphasizes that agencification alone cannot be a solution to management complexities in the public sector, and that ignoring audit recommendations and the lack of involvement of citizens in decision-making and in performing oversight functions negatively affected the achievement of VFM. The dissertation also points out that VFM is affected by many unethical practices as well as by public officials using their power to corrupt and to make things work according to their interests. Self-interest and greed among civil servants and agencies' officials contribute to the failure in achieving VFM. Accountability roots of VFM need to be revived so as to add value to the public, and public financial watchdogs should be mandated to work as

watchdogs and not consultants. The dissertation highlighted a number of challenges facing accountability and VFM and those facing public financial watchdogs in executing their professional responsibilities. It also pointed out several effective ways of improving responsibility, accountability and transparency in the management of public assets, and how VFM can be achieved in the public sector.

For the purpose of minimizing auditors' expectation gap and improving the quality of public services, the study has suggested designing an appropriate management and coordination model between government, agencies, service users and watchdogs, and both internal and external auditors. It has been revealed that auditors' expectation gap was increasing. It is further suggested that SAIs need to foster awareness to all users of audit findings, including the general public, on the role and scope of auditing. The perception is that audit evidence is not conclusive in the sense that auditors do not examine all the information available and, therefore, they only provide reasonable assurance, since they cannot provide a 100 percent guarantee that there are no material misstatements in financial reports.

It is important for users of public sector financial reports to be aware that the primary responsibility for prevention and detection of fraud and errors rests on the management of the organization and on those charged with governance. That means that auditors can only provide a reasonable assurance. For instance, empirical evidence shows that fraud may involve sophisticated schemes designed to conceal it, such as forgery, deliberate failure to record transactions and even intentional misrepresentations. It is difficult for auditors to detect fraud especially if fraud is the outcome of collusion between employee(s) and the management staff. Therefore, auditors cannot guarantee the detection of fraud. They can only obtain sufficient and appropriate audit evidence to be able to draw a reasonable conclusion. However, public financial watchdogs are useful in providing assurance on VFM, particularly in the context of ongoing global public reforms where the use of agencies to deliver services to public is increasingly adopted. One of the duties of CAGs is to ensure that there is a correlation between input and output, in the sense that the amount of public resources has been appropriately utilized to deliver the intended quality service. Integrity, objectivity and autonomy of CAGs are important in the execution of professional duties.

As a way to provide reasonable assurance on the utilization of resources, the professional ethical code of conduct requires auditors to be independent with a high degree of integrity and objectivity in order to increase credibility vis-à-vis the users of financial information. Both international accounting and auditing standards support the principle of good governance, which aims at improving transparency and comparability of financial reporting between countries. Apart from the fact that credibility of audit reports is important, the value in terms of the quality of public services and equity was the most important factor that the dissertation took into account.

6. Limitations of the study

The dissertation has focused on a single case (the Tanzanian case). The motivation behind the study of the Tanzanian case came from the fact that despite the adoption of NPM, the level of perception of fraud, irregularities, corruption and inefficient use of resources in the public sector was growing. Different local television programs, radios, and newspapers were continuously reporting on inefficiencies in the public sector. On the other hand, despite the appropriateness of the case study strategy it is likely that the findings for the Tanzanian case may not be powerful enough to generalize the usefulness of public financial watchdogs and the performance of agencies in relation to VFM in the worldwide context. However, the use of literature regarding public management and VFM, and the appropriate plan and procedures for data collection and analysis, provided an understanding of how public reforms have improved quality, equity, efficiency and accountability in the provision of public services. In addition to the fieldwork – which was guided by a plan and timetable, proper administration of interviews and questionnaires, and a systematic procedure for data transcription and scrutiny – the Tanzanian case provided rich, detailed and useful information on accountability and management of public resources. Importantly, several propositions and perceptions regarding NPM and VFM in the literature were tested against the evidence from the fieldwork and documentary review.

On the other hand, the dissertation focused on regulatory agencies only. Therefore, it is possible that the findings of the dissertation may not be a generalization of the performance of all Tanzanian agencies, because Tanzania's agencification is made of regulatory and operational agencies. However, the motivation behind the study of regulatory agencies

came from the fact that as independent bodies charged by the legislature to regulate, supervise and enforce compliance to efficiency and transparency standards in specific sectors, regulatory agencies have greater influence into services' delivery in public sectors. Operational agencies play a vital role in the provision of services to the public. Regularly agencies are expected to ensure that both public and private companies deliver public goods and services to the public at affordable prices and good quality standards. Generally, apart from the vital role played by operational agencies, regulatory agencies have a greater impact on operational agencies. In fact, operational agencies work under the regulation, supervision, monitoring, evaluation and control of regulatory agencies.

The dissertation focused on energy and health sectors only. Thus, it is possible that the findings of this dissertation may not be a generalization of the performance of the entire Tanzania's public management. For instance, there are other important sectors such as education, communication, tourism, and natural resources that are also covered by regulatory agencies. However, the dissertation has chosen to examine public reforms on energy and health for their sensitivity and because governments across the world have given priority to these sectors.

I adopted the qualitative research strategy, which requires researchers' judgments. Quantitative researchers criticize the method as biased, and therefore, the credibility of the report might be low especially to the scientific community. However, the use of well-designed and organized questionnaires and in-depth interviews, the reliability of sources of information, documentary analysis and research participants' experiences in public management practices, justifies the validity and credibility of the study.

On the other hand, the sample population involved in the dissertation may be perceived as small to represent the entire population. In addition to 23 respondents who answered the questionnaires, a total number of 17 participants (equivalent to 85% of expected number of participants) were interviewed. However, it is important to note that questionnaires and in-depth interviews involved participants who were experienced officials holding managerial positions in their organizations, and that those who filled the questionnaires were different from those who participated in the interviews. Furthermore, the analysis and discussion was supplemented by documentary review of documents obtained from reliable sources.

Therefore, reliability of the sources of information determines the credibility of the analysis and findings of this research. Furthermore, a few detailed questionnaires were purposively created so that they could be delivered to a small number of purposively selected participants. I realized that a large number of participants means large amount of data and a large number of detailed questionnaires would have been difficult to administer, to code and to analyze qualitatively. For instance, too much time and effort was devoted to administer the questionnaires. That is the reason why only 23 questionnaires were administered. Furthermore, in addition to documentary analysis, using questionnaires and in-depth interviews collected an average of 92.5% of the information, which was enough to deliver a valid analytical report.

As noted earlier, only those officials holding managerial positions participated in the fieldwork. It was difficult to get managers for interviews as they were very busy and some accepted only a short interview time. Interviews were conducted in participants' offices during official hours. Thus, the discussion was somehow interfered by respondents' daily activities. Therefore, some of the relevant information may have not been obtained. On the other hand, interview participants were skeptical of being recorded because of confidentiality. This was especially because data collection for the dissertation matched with fraud investigation by the CAG and the PCCB on the allegation of fraud, which involved some top government officials, as noted in the previous chapter. Thus, notes for all the interviews were handwritten. It is likely that some relevant information was not written, as it is not easy for the researcher to remember and write all the information provided by research participants.

In Tanzania, different executive agencies have different organizational structures and operate under different legal frameworks. This has implications to autonomy in executing their responsibilities. From that point of view, the analysis and findings drawn from four selected agencies may not generalize the performance of all Tanzania's agencies. However, with the exception of few agencies established under their own acts, the majority of agencies were established and operating under the 1997 Executive Agencies Act No. 30. Therefore, the validity of the analysis and findings is justified.

7. Areas for future research

There are many agencies in Tanzania and the increase of regulatory agencies resulted in the increase of administrative costs. It is therefore suggested that more research should be conducted to establish how the number and size of regulators could be reduced while increasing their effectiveness. The question on whether the adoption of NPM takes into account the rights, interests and responsibilities of each stakeholder in the agency relationship is another area of concern.

As noted earlier, NPM requires agencies to separate their functions from political interference. It requires agencies' autonomy. Regardless that many scholars have written on the need of the agencies to be autonomous, there is no single author who has clearly provided the appropriate level of autonomy and flexibility. The balance between agencies' autonomy and accountability is still not clear. Therefore, further studies regarding the implication of higher autonomy and flexibility, such as the possibility of agencies to misuse their powers, need to be undertaken.

The dissertation has adopted a single case study strategy (only the Tanzanian case). Similar studies that include other countries (cross-nations comparative analysis) need to be carried out, because the NPM model has been increasingly used at the global level. In addition to that, the objectives and the expected outcome of NPM are fairly the same across the planet. In fact, NPM's objectives, expected outcomes and implications do not distinguish developed from developing countries. Thus, undertaking cross-national comparative analysis will establish similarities and differences between countries in the implementation of the NPM model, and whether similarities and differences have any contribution to the success or failure in the effective utilization of public funds to deliver goods and services. The results from comparative research can enrich the analysis.

On the other hand, further research should be carried out to establish the relationship between agencification and corruption, specifically the reason why regardless of the adoption of NPM and the mushrooming of agencies in Tanzania, the level of corruption is increasing. Different studies need to be undertaken to establish the appropriate mechanism to involve the citizens in auditing, which is in line with audit protocol and that will clearly

define the scope and responsibility of different stakeholder groups without creating conflicts.

Staff motivation is essential for achieving VFM, and poor staff motivation contributes to fraudulent practices, embezzlement, theft of public assets and other misuse of public resources, hence compromising the quality of services delivered to the public. However, questions such as how much is required to extrinsically motivate public servants, how much do we expect a public servant to provide services to the public in relation to the wage paid, and what mechanisms evaluate civil servants' output in relation to the input, are still important questions to be addressed.

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APPENDIXES

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APPENDIXES

Appendix 1: Questionnaire

This questionnaire intends to explore the usefulness of public financial watchdogs in assuring value for money (VFM) in the utilization of public funds according to the new public management (NPM) doctrine. It is basically for the purpose of the dissertation that intends to fulfill the requirement of my PhD program at the University of Fernando Pessoa (UFP) in Portugal. All information provided by respondent will be treated confidentially. Be assured that your answers will stay anonymous and can only be viewed by the researcher and my supervisor, and that your answers will solely be used for academic purposes. Nevertheless, the results of the research will be beneficial to a number of stakeholders including the Governments, executive agencies, Parliaments, public financial oversight institutions, consultants/academic community, None Governmental organizations (NGOs), Civil society organizations (CSOs), donors and the public at large. Your participation in filling this questionnaire is highly appreciated.

If you have any question or concerns please do not hesitate to contact the researcher, Mwiga Wiljonsi Mbesi: 28473@ufp.pt or mwigatz@gmail.com

Thank you for your cooperation, especially for taking your time to participate in this research project.

Part one: Participants particulars

1. Name of the organization

.....
Title.....
Contacts: Telephone number..... e-mail.....
Country

2. Circle or tick one of the following to indicate the type of institution that you belong:

- a) Government
- b) NGOs
- c) Parliament
- d) Public financial oversight institution (CAG)
- e) Agency
- f) Civil society
- g) Consultant/ academicians

Part two: Evaluation of the executive agencies' autonomy and performance

The following questions are about the autonomy/independence of the executive agencies in executing their responsibilities. Please answer the questions to the best of your understanding. There are no right or wrong answers. Tick the number to indicate whether you:

Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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3. What do you consider to be the autonomy/independence of the executive agencies in your country? From each type of agencies' autonomy listed below tick one of the boxes to rank their autonomy/independence.

Agencies' autonomy		1	2	3	4	5	6
a	Executive/regulatory agencies have high level of autonomy to set salaries and are allowed to have their separate policies on employment, salary and staff promotion without interferences from the government.						
b	The CEOs of the agencies have power and authority, for instance the authority to take disciplinary action to individual staff and to motivate good performing staff without being interfered by the state (have high Managerial autonomy/independence)						
c	Executive/Regulatory agencies have authority to handle all their own procurement processes						
d	Executive/Regulatory agencies have authority to handle some of their own procurement processes; however, they were limited to the procurement of expensive assets or capital expenditure such as the purchase of buildings and heavy machineries.						
e	They have autonomy to hire and fire their employees						
f	Executive agencies have the autonomy to budget and ensure that the state provide enough funds to support their functions						
g	They have autonomy to spend public resources according to their priorities without being interfered						
h	They are independent to perform their functions without being influenced by the top government officials						
i	Despite the reforms the centralized management style is the most important problem facing agencies. Agencies operations are highly interfered by the top government officials.						

4. What are the current practices of the performance management of the agencies in your country? From each practice listed below tick one of the boxes to indicate that you:

Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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The current practices	1	2	3	4	5	6
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a	All the agencies' Chef Executive Officers (CEOs) are appointed by the Ministers						
b	All the agencies' CEOs are recruited through an open market based on their qualification and ability						
c	The criteria for appointment of the agencies' CEOs are very clear and reasonable						
d	The criterion for appointment of agencies' CEOs are political based						
e	The citizens have much trust on the performance of the agencies						
f	The executive agencies are very important entities as they are always there to serve the public						
g	Agencies are always there to serve those who appointed them						
h	Majority of the agencies have been setting their own goals and performance indicators						
i	Majority of the agencies have been making their own performance monitoring and evaluation						
j	Result-based management approach has been fully implemented with much emphasis on the results						
k	Parent ministries are generally developing performance indicators for all the agencies						
l	The Ministries, Departments and Agencies' (MDAs) targets and plans are SMART						
m	Agencies are operating under a strong result-based control, monitoring and evaluation, and accountability framework. Thus agencies complies with the terms of their contracts						
n	Parent ministries have always been evaluating the performance of the agencies, the amount of resources spent by the agencies is always compared with the output produced by the agencies						
o	Rewards are given to good performing agencies						
p	Sanctions are given to poor performing agencies						

5. In your opinion, are executive agencies an answer to the performance and management of the public sector? Yes/No. Why do you think so?

.....

Part three: Evaluation of the public financial watchdogs' autonomy and performance

6. What do you consider to be the level of autonomy/independence of the Supreme audit institutions (SAI) in your country? (The CAG for Tanzania). From each type of autonomy listed below tick one of the boxes to rank their autonomy/independence.

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Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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	Type of autonomy	1	2	3	4	5	6
a	The CEO of the public oversight institution (SAI) (CAG for Tanzania) is appointed by the President						
b	The SAI's CEOs (CAG for Tanzania) is recruited through an open market based on their qualification and ability						
c	The CAG is appointed and approved by the approval of the parliament						
d	The CAG/ is recruited by the public through public representation (Parliament, NGOs, CSOs)						
e	The SAI has high level of legal autonomy						
f	The SAI has power to make follow up on the enforcement of their recommendations and ensure that punishments for non compliance are implemented						
g	The SAI has power to enforce the implementation of their audit recommendations						
h	The Supreme audit institutions (SAI) is independent to audit any public institutions including the agencies and give opinion without interferences by the top government officials						
i	The SAI has the autonomy to budget and ensure that the state provides enough funds to support its functions						
j	The SAI has power to influence the government policies in relation to the effective use of public resources						
k	The government has been providing adequate resource to facilitate the SAI in undertaking its functions						
l	In undertaking the audit, SAI has power to demand for any information from the MDAs						
m	Always adequate and reliable information on public revenue and expenditure have been made available by the government, agencies and departments to the SAI to support the investigation						
n	The SAI has power to issue punishment for non-compliance financial regulations and standards, or any misuse of public resource						
o	Generally, the SAI has enough capacity to review all the public revenue and expenditure every year						

7. Does the appointment of the CAG have any implication to their independence in performing their oversight functions? Yes or No. If the answer is Yes, mention the implications.....

8. The following list indicates some practices of the public financial oversight (SAI) functioning and performance (the CAG for Tanzania). From each practice listed below tick one of the boxes as apply in your country.

Public Financial Watchdogs, New Public Management and Value for Money in Tanzania

Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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	SAI (CAG-Tanzania)	1	2	3	4	5	6
a	The SAI review all the performance of the public sectors, including the Ministries, Departments and Agencies (MDAs) annually						
b	Auditors intensively review all the agencies' performance objectives, indicators, performance contract, and budget before implementation						
c	Auditors can only review some financial statements of the few selected agencies and government departments						
d	Normally auditors audit the performance (VFM) of all the agencies and ministerial departments						
e	Majority of the agencies are being audited by their own private auditors						
f	Majority of the agencies have not been audited at all						
g	The supreme audit institution has adequate human resources to execute its functions						
h	The supreme audit institution has adequate funds to execute its functions						
i	it also has an access to all information they require for investigations at the time they require						
j	The SAI has been receiving maximum cooperation from the agencies						
k	Audit recommendations are fully implemented by the agencies with follow up from the government						
l	Auditors reports have always been made available to the public (High level of transparency)						
m	Measures to enforce non-compliance to the auditors' recommendations are seriously taken by the government						
n	The credibility/belief of the auditors' findings by the public is high						
o	Civil society and NGOs are involved in auditing						
p	The legal framework allows involvement of civil society and NGO in decision making and in performing oversight functions						
q	The citizens (general public) have much interest regarding the performance of the auditors						
r	The citizens (general public) have high level of confidence to the auditors opinion						
s	Generally, citizens have high level of trust to the supreme audit institution						
t	Mostly, auditors recommendations are being ignored by the government						
u	Auditors are very useful in protecting the public interests by ensuring proper use of resources by the government and the agencies						

Part four: Accountability and Value for money (VFM) audit

9. The following list indicates the accountability mechanism and the evaluation of the quality, equity and efficiency of services delivered by the executive agencies. From each practice listed below tick one of the boxes as apply in your country.

Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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Accountability in relation to VFM		1	2	3	4	5	6
a	Transparently, agencies revealing the fact of their performance to the public						
b	Agencies have improved quality, equity, and efficiency of the services to the citizens						
c	Agencies have been following the rules and regulations						
d	There is high level of productivity, and high level of transparency, answerability and responsiveness about public revenue and expenditure						
e	Agencies have been facing consequence of their performance; punishments for non-compliance are largely enforced by the state						
f	There are strong internal controls on both the collection and the use of public resources, and high level of compliance to the ethical consideration by the government officials and agencies.						
g	The Citizens (general public) have been involved in decision-making						
h	The citizens (general public) can easily access financial information on the performance of the agency and audit findings						
i	The actions that the citizens can take if the agencies do not deliver quality, and efficient services are very clear and known by the citizens						
j	Measures to enforce agencies' lack of responsiveness are seriously taken by the government						
k	Public administrative reforms have largely improved quality, equity, and efficiency of the services given to the public						
l	Public administrative reforms have minimized the level of fraud and other irregularities in the government and agencies administrative system						
m	Public administrative reforms have improved the level of accountability, transparency and responsibility in the public sector						
n	Generally, the citizens' perception of the wasteful spending of public resources by ministries, Departments and Agencies (MDAs) is very low						

Part five: Position of the public in the stakeholders' relationship (the state, agencies and auditors)

10. The following list indicates the position and involvement of the citizens in the reform process, decision-making, and in the accountability mechanism. From each practice listed below tick one of the boxes as applied in your country.

Strongly Agree 1	Agree 2	Somewhat Agree 3	Somewhat Disagree 4	Disagree 5	Strongly Disagree 6
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	Involvement of the citizens in the reform process, decision-making and the accountability framework	1	2	3	4	5	6
a	The legislations clearly provide the formal relationship between the government, agencies, auditors and the general public in the accountability framework						
b	The law gives the citizens mandate to demand the transparency of the agencies performance						
c	The citizens are largely involved in the reform process and decision-making						
d	Citizens are free to question the performance of the agencies, and to take action when quality, equity, and efficiency of services are compromised						
e	The citizens are aware of the rule and regulations that governs the agencies						
f	Citizens are aware of the performance objectives given to the agency by the government						
g	Citizens are aware of the agencies' budget, the amount of resources allocated to each agency and the performance outcome of each agency						
h	The citizens can easily access financial information on the performance of the agency, and audit findings						
i	The actions that the citizens can take if the agencies do not deliver quality, and efficiency services are very clear and known by the citizens						
j	The citizens are involved in performing oversight functions to avoid miss use of public resources						
k	The citizens are free to access and question the audit findings						
l	The citizens are aware of functions of auditors						
m	Neither the government nor the agency care about informing the public on public resource utilization						
n	The citizens are able to take action in case they do not believe in the audit findings						
o	The citizens are able to take action if there are suspicious about the general performance of the supreme audit institution						
p	Citizens are highly involved in public reforms decision						
q	Citizens have mandate to sanction agencies in case of misuse of public funds						
r	The law gives mandate to NGOs and civil society organizations (CSOs) to participate in decision-making and in auditing						

s	NGOs and Civil society organizations (CSOs) are actively involved in auditing						
t	It is important that NGOs and CSOs are given mandate by the law and actively participate in decision making and in auditing						

11. What do you consider as major challenges facing auditors when executing their professional responsibilities?

.....

12. In your opinion, what should be done in order to improve the performance of the public financial oversight institutions/auditors (SAI) in your country?

.....

13. In your view, what are the factors that hinder the quality, equity and efficiency of service delivery in the public sector?

.....

14. In your opinion, what should be done in order to improve accountability, transparency and responsibility in the public sector?

.....

15. Do you think the involvement of NGOs and civil society organizations (CSOs) in auditing of the public revenue and expenditure is necessary? Yes/ No. If the answer is Yes, why do you think so?

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Appendix 2: In-depth interview guide

A. Evaluation of the agencies autonomy and performance

1. What do you consider to be the level of executive agencies' autonomy/independence and mandate in executing their responsibilities?
2. Are executive agencies influenced by the appointing authorities? Why?
3. Who do you think sets the performance indicators for the agencies, and who does the evaluation for their performance?
4. Do you think all executive agencies are undergoing value for money audit (performance audit)? Who does that?
5. Do you think the executive agencies reveal the facts of their performance? (how do you rank the level of transparency/Disclosure (high, medium or low)
6. Are the agencies follow the rules (comply with rules and regulations)?
7. Is there any mechanism for punishing the poor performing agencies and rewarding good performers? In your view, to what level is it implemented?
8. By looking at all the public administrative reforms, and the introduction of the executive agencies in your country, would you say the government is now more effective in service provision than before?
9. In your opinion, are executive agencies an answer to the performance and management of the public sector?

B. Evaluation of the public financial watchdog's autonomy and performance

10. What is the level of public financial watchdogs' (Supreme audit institutions) autonomy and mandate in executing VFM audit?
11. Has the CAG have the capacity to carry out VFM audit to all executive agencies in the country?
12. How often is VFM audit undertaken in each executive agency?
13. What are the challenges facing auditors when executing their professional responsibilities?
14. Do you think the involvement of NGOs and civil society organizations in the audit can improve efficiency and accountability in the utilization of public resources? if Yes, How?

C. Evaluation of the accountability mechanism in achieving VFM

15. In your view, is there any follow up and enforcement mechanism in responding to the audit findings? To what extent have they been implemented?

16. Do you think fraud and other forms of irregularities exist in the government and agencies' administrative system?
17. How do you rank the perception of fraud and irregularities in your country? (High, medium, low)
18. What factors are likely to hinder the achievement of value for money in the public sector?

D. Evaluation of the Position of the public in the stakeholder relationship

19. Do you think the law gives the citizens mandate to demand the transparency of the agencies performance?
20. Does the law clearly provide the actions that the citizens can take if the agencies do not deliver quality and efficient services?
21. In your opinion, what should be done in order to improve performance in the public sector in terms of accountability, quality, equity and efficiency in the delivery of public services?