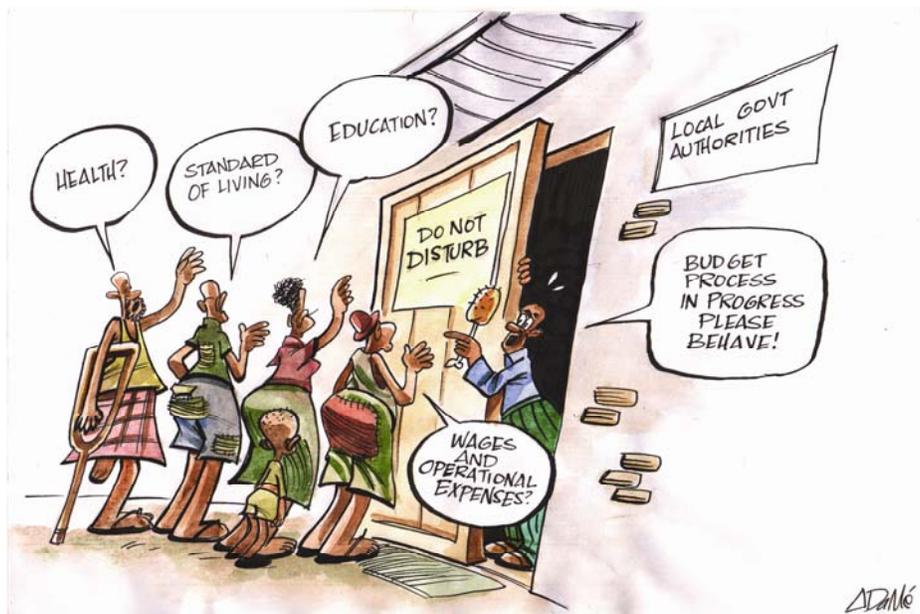


Understanding the Budget Process in Tanzania

A Civil Society Guide



HakiElimu & Policy Forum

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Acronyms

BOT – Bank of Tanzania
BWG - Budget Working Group of the Policy Forum
CAG - Controller and Auditor General
CDF – Constituency Development Fund
CFS – Consolidated Fund Services
CMT - Council Management Team
CSO – Civil Society Organisation
DP – Development Partner
EAC – East African Community
GBS – General Budget Support
GoT – Government of Tanzania
HIV/AIDS – Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HIPC - Heavily Indebted Poor Countries
IBP – International Budget Project
IFMS - Integrated Financial Management System
IMF – International Monetary Fund
JAS - Joint Assistance Strategy
LAAC - Local Authority Accounts Committee
LGA - Local Government Authority
LGCDG - Local Government Development Grant System
LGRP - Local Government Reform Programme
MC - Mtaa Council
MCA-T - Millennium Challenge Account (Tanzania)
MCC - Millennium Challenge Compact
MDA - Ministry, Department or Agency
MDG - Millennium Development Goals
MKUKUTA - Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MOFEA - Ministry of Finance and Economic Affairs
MTEF - Medium Term Expenditure Framework
MTP - Medium Term Plan and Budget Guidelines
NACSAP - National Anti-corruption Strategy and Action Plans
NGO – Non-Governmental Organisation
NSGRP - National Strategy for Growth and the Reduction of Poverty
O&OD - Opportunities and Obstacles to Development
PAC - Public Accounts Committee
PAYE – Pay As You Earn
PBG – Planning and Budget Guidelines
PE – Personnel Emoluments
PEDP - Primary Education Development Programme
PER – Public Expenditure Review
PET – Public Expenditure Tracking
PMO-RALG – Prime Minister’s Office – Regional Administration and Local Government
PRBS – Poverty Reduction Budget Support
PSRP - Public Service Reform Programme
RBA – Rights-Based Approach
RS – Regional Secretariat
SAM - Social Accountability Monitoring
SBAS – Strategic Budget Allocation System
TACAIDS – Tanzania Commission on AIDS

Understanding the Budget Process

TASAF - Tanzania Social Action Fund
TRA – Tanzania Revenue Authority
VAT – Value Added Tax
VC - Village Council
WDC - Ward Development Committee

Introduction

The budget has traditionally been considered the exclusive domain of technocrats, economists and accountants. But the Government's decisions about how to raise and spend money affect all citizens. The level of VAT and other taxes affect the price of household items and petrol. Government spending decisions determine teachers' salaries and whether dispensaries can be stocked with needed drugs and other supplies. At the same time, budgets provide us with a window through which to understand the 'real' policy commitments of government at both national and district level. Policies without resources to implement them remain pieces of paper.

Basically, the budget is about people's money. Unfortunately, the process of deciding how to spend the money and controlling that it goes where it is supposed to go is very difficult for the general public to access. Much of the relevant information is not provided to the public, and much of the information that is available is extremely difficult to understand. Therefore, most citizens do not have the opportunity to engage with the budget. Furthermore, many official processes are closed to the general public.

HakiElimu, in collaboration with the Budget Working Group (BWG) of the Policy Forum NGO Network, has prepared this guide in an attempt to bridge this gap in public understanding and allow for more active involvement on the part of citizens in the budget process. The guide builds on previous efforts by the BWG to simplify the budget each year and conduct basic analysis through the annual budget briefs series. We believe that greater public involvement and scrutiny of the budget will improve accountability and limit opportunities for corruption. We hope this guide will be useful to Members of Parliament and local representatives debating the budget, journalists covering budget issues, other civil society organizations looking to get involved in budget tracking or budget analysis, as well as other interested citizens.

The guide begins with an overview of the budget process. We discuss the major actors and key steps in the national and local budget processes. In Part II we go into greater detail and present the "fine print" about the legal and policy framework for preparing and implementing the budget, as well as more information for understanding and analyzing the two main components of the budget – revenue and expenditure. Part III discusses alternative views on the budget and the budget process in Tanzania, and offers suggestions for improvement. Finally, a list of relevant resources and a glossary of key budget terms are provided for further reference.

We focus mostly on theory (the way things are supposed to work) but also discuss the budget process in terms of practice (the way things actually work), and include some recent budget data. This guide is also available in Kiswahili, and a popular version will be produced in 2009.

Finally, it is worth noting that the budget process is dynamic, and understanding how it all fits together may be subject to interpretation. We have taken care to cite all sources used and check our facts with experts. However, it is possible that some of the information in this guide may be outdated or inaccurate. Readers are encouraged to contact us about any mistakes or omissions, which we will try to address in future editions.

Part I: The Budget Process

1. Budget Basics

The budget is a plan or contract for how the Government will collect and spend the people’s money. It explains how money will be collected from the public and allocated - to different levels and components of Government, and according to different priorities.

The Government’s income is commonly referred to as **revenue**. In Tanzania, the Government gets money from two main sources – **domestic revenue** and **foreign aid**. Domestic revenue refers to revenue that is raised within the borders of a country – from taxes paid by citizens, duties on imports, profits from privatization, and various other fees. In Tanzania, domestic revenue accounts for about 60% of the total Government budget¹. The rest of the budget is mostly funded by foreign aid - grants and concessionary loans² made by foreign governments such as the World Bank. More details about revenue can be found in Chapter 6.

Definition of Key Budget Terms

*Key budget terms throughout the text are highlighted in **bold** when first mentioned. Their definitions can be found in the glossary at the end of this guide.*

The other side of the budget is - how the Government spends money. expenditure is critical for understanding Government’s priorities, or choices.

expenditure
Analyzing

Since the amount of money that can be raised from domestic revenue and foreign aid is limited, the Government must choose how and where to spend it. If we look at the budget, we can see what these choices are, and question whether they are the right ones. For instance, how much does the Government plan to spend on workshops or cars, and how does this compare with the amount allocated for teachers’ salaries or textbooks?

We can look at expenditure in a number of different ways, such as who spends the money, what the money is spent on, and the nature of the expenditure (whether funds are being used to pay for wages and salaries, capital projects, or social services). More details about expenditure can be found in Chapter 7.

The budget in Tanzania is prepared and implemented on an annual basis. It should be noted that the budget in Tanzania runs according to the **financial year** (also called the **fiscal year**), rather than the calendar year. In Tanzania the financial year goes from 1 July – 30 June. The financial year is typically cited in terms of the year it began as well as the year it ended. For instance, the financial year that began 1 July 2007 and ended 30 June 2008 is referred to as “FY 2007/08.”

Budget estimates are prepared and presented to the public each June, just before the financial year begins. Although most of the attention around the budget focuses on ‘Budget Day’ – the day when the budget is presented to Parliament and unveiled to the public – the budget process is a cyclical process that is ongoing throughout the year. The national budget process is discussed in greater detail in Chapter 3 and the local government budget process is discussed in greater detail in Chapter 4.

The budget process is governed by a number of laws, including the Constitution, the Public Finance Act, 2001 (as amended), the Local Government Finance Act, 1982 (as amended), and various taxation statutes. These laws lay out the roles and responsibilities for various key actors in the budget process, including the President and

¹ In financial year 2007/08, domestic revenue contributed 58% of the total budget.

² Loans are not technically considered to be revenue but rather ‘resources.’

Cabinet, the Ministry of Finance, the Tanzania Revenue Authority, the Controller and Auditor General, and Parliament. Donors, local officials, the private sector and civil society also play an important role in the budget process.

Since the budget authorizes the Government to spend money in order to implement various policies and plans, it is also important to consider the policy framework that guides the budget process each year. Even though the budget is prepared annually, many of the relevant policies and plans span multiple years and outline longer term goals – for instance, the Tanzania Development Vision 2025 and MKUKUTA. The legal and policy framework for the budget are discussed in further detail in Chapter 5.

2. Major Actors in the National Budget Process

A number of individuals and public institutions are involved with the annual preparation and implementation of the budget.³ The way in which these various actors work together is discussed in greater detail in Chapter 3. The major actors in the local government budget process are discussed in Chapter 4.

2.1 Tanzania Revenue Authority

The Tanzania Revenue Authority (TRA) acts as a central body for the assessment and collection of specified revenue, administers and enforces the laws related to such revenue and provides for related matters of revenue in Tanzania mainland and Zanzibar. The TRA became operational in July 1996, replacing the former independent Treasury Departments of Income Tax, Customs, Sales, Inland Revenue and the Institute of Tax Administration.

2.2 President and Cabinet

The Cabinet through the Minister for Finance and Economic Affairs (MOFEA) is responsible for presenting the budget before the legislature for approval. The various cabinet ministers also present their respective sectoral budgets for their Ministries, Departments and Agencies (MDAs) for debate and approval by the legislature. The Cabinet has the responsibility of defending the budget and ensuring that it is passed by the legislature.

2.3 Ministry of Finance and Economic Affairs

The Ministry of Finance and Economic Affairs (MOFEA)⁴ plays a central role in the budget process and justifies separate mention. MOFEA makes projections, sets ceilings for budget allocations, negotiates priorities with all departments, collects revenues, and disburses funds. The Ministry also plays an important controlling function through the Accountant General, who is responsible for ensuring that all financial transactions and reporting is done according to the proper regulations.

2.4 Budget Guidelines Committee

The Budget Guidelines Committee includes representatives from MOFEA, Public Service Management, and the Prime Minister's Office - Regional Administration & Local

³ Main data sources for this chapter are CSA (2007), *Accountability and Service Delivery in Southern Africa: The Case for Rights-Based Social Accountability Monitoring, Report One: Tanzania* and URT (2005), *Medium Term Strategic Planning and Budgeting Manual*.

⁴ The Ministry of Finance and Economic Affairs (MOFEA) was previously known as the Ministry of Finance. In February 2008, the former Ministry of Planning and Economic Empowerment (MPEE) was combined with the Ministry of Finance.

Government (PMO-RALG)⁵. This committee is responsible for developing the Planning & Budget Guidelines, a process which is discussed in further detail in the next chapter.

2.5 Donors

Given the sizeable contribution of foreign aid to Tanzania's budget, donors also have an impact on the way in which the budget is prepared and implemented. Donors (also called development partners or DPs) participate in consultations that inform budget formulation, disburse funds, and monitor public spending and expenditure systems.

2.6 Parliament

The main responsibilities of Parliament in relation to the budget process are: scrutinising the budget through various standing committees; adopting or rejecting the budget in Parliament; monitoring the implementation of the budget and the performance of the MDAs; and overseeing the use of public funds. Parliament does not have the power to amend the budget in Tanzania or to reallocate funds. Although Parliament can refuse to adopt the budget presented by the executive, the consequences of this step are profound: the President has the constitutional power to dissolve Parliament in response.

2.7 Controller and Auditor General

The Controller and Auditor General (CAG) is the Supreme Audit Institution in Tanzania. The CAG is responsible for, among other things, ensuring that the expenditure of public monies has been properly authorised and applied for the intended purposes. It should also ensure that economy, efficiency and effectiveness have been achieved in the use of public resources. The CAG has extensive powers to subpoena officials and to obtain information. The wilful obstruction of the work of the CAG, or failure by any public official to provide the CAG with access to any item of information, constitutes a criminal offence.

2.8 Private Sector

In addition to contributing the majority of domestic tax revenue, the private sector plays a consultative role in the budget process. Most notably, the private sector participates actively in an annual consultation on the revenue framework, which occurs before the budget is formulated each year. Their concerns are often taken on board when designing or revising tax policies.

2.9 Civil Society

Civil society plays a number of different roles in the budget process, though its formal role is limited to a consultative one. The formal role of civil society has been participation

⁵ The Budget Guidelines Committee used to include representatives from the former MPEE. At the time of writing, it was expected that the committee would now include members of a planning commission expected to be formed after MPEE was merged into MOFEA.

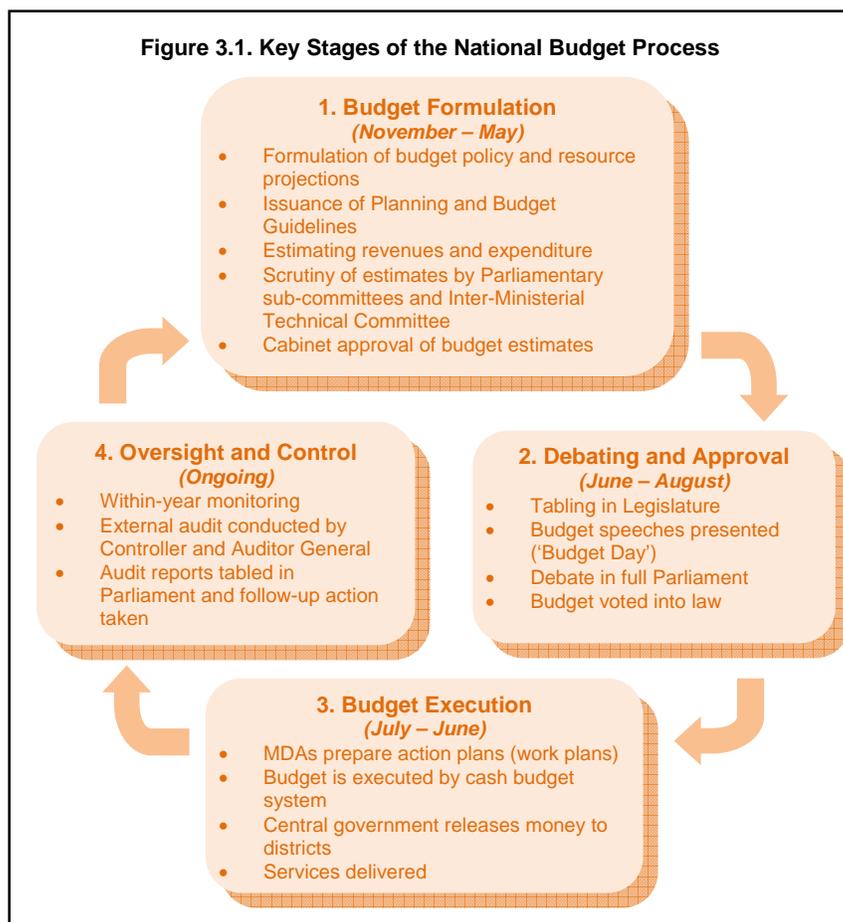
in the **Public Expenditure Review (PER)** and related processes, discussed in further detail in the following chapter. Informal roles include analyzing public budgets, producing simplified and popular versions of the budget and related documents, playing a watchdog role, tracking expenditure at the local level, and advocating for improvements in terms of specific requests and overall transparency and accountability. Civil society's informal roles are arguably more effective, particularly when combined with strategic use of media and citizen engagement.



3. Overview of the National Budget Process⁶

As noted in Chapter 1, the budget process is a cyclical process that is ongoing throughout the year. It is comprised of stages which feed into one another in a circular process. We can think of four main phases:

1. Budget formulation (Planning how to spend the money)
2. Debating and Approval of the Budget
3. Budget Execution (Spending the money)
4. Oversight and Control



The various phases of the budget process overlap. At any given point in the year, there may be multiple phases of the budget process occurring. For instance, while the coming year's budget is being prepared, the current year's budget is being executed, and the previous year's budget is being scrutinized. This means there are multiple opportunities for intervention at any point during the year.

3.1 Budget Formulation

The budget formulation stage is when decisions are made about *planning to spend the money*. This stage may be thought of in terms of three phases:

1. Formulation of Budget Policy and Resource Projections
2. Issuance of Planning and Budget Guidelines
3. Estimating Revenues and Expenditure by MDAs, Regions and LGAs

⁶ At the time of printing (June 2008) the authors were not able to have this chapter officially reviewed by the Ministry of Finance and Economic Affairs. Rather, we relied on key sources including the CSA (2007) *Accountability and Service Delivery in Southern Africa: The Case for Rights-Based Social Accountability Monitoring, Report One: Tanzania* and URT (2005), *Medium Term Strategic Planning and Budgeting Manual* and a description of the budget process on the MOFEA website.

3.1.1 Formulation of Budget Policy and Resource Projections

The budget cycle begins each year in November⁷ with consultations on the macroeconomic framework. This involves forecasting the size of the economy and expected revenues, in order to determine the **budget frame**. Forecasting of tax revenues is carried out by the Ministry of Finance and Economic Affairs (MOFEA) in collaboration with the Tanzanian Revenue Authority (TRA) while forecasts of non-tax revenues are undertaken by relevant MDAs and Regions.

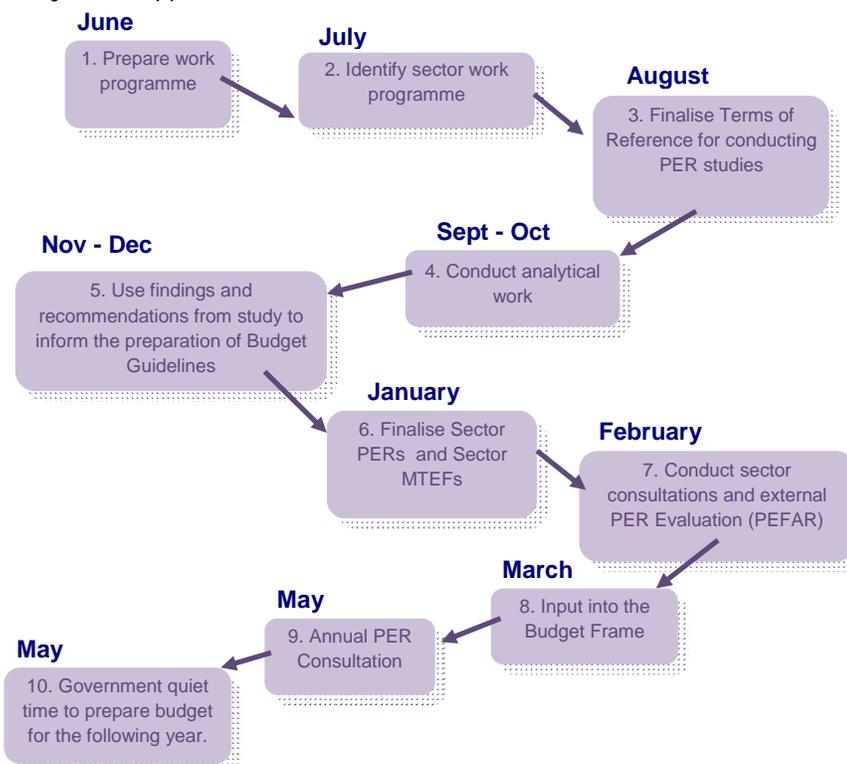
The Budget Guidelines Committee conducts a macro-economic review each year, which involves assessing the performance of previous budget assumptions and targets, the economic growth rate, the rate of inflation and Government finance and sectoral performance, especially those linked MKUKUTA. Formulation of budget policy and resource projections are also meant to be guided by findings and recommendations from the Public Expenditure Review (PER). (See box 3.1.)

MDAs begin preparations for the budget with a submission of their priorities and financial requirements for the coming year to the Planning and Budget Guidelines Committee. These requests are linked to MKUKUTA priorities and are typically very detailed. The requests are meant to be guided by projections from previous years, but this is often not done in practice. Thus the submissions are often much higher than what is actually available.

⁷ The dates of the different phases of the budget cycle are approximate, based on the authors' and expert reviewers' understanding of the process. It should be noted that in practice the dates are often different than the official schedule.

Box 3.1 PER: An Effective Opportunity for Participation?

The Public Expenditure Review (PER) process began an annual assessment conducted by the World Bank to evaluate the Public Expenditure Management systems of Government. The first PER in Tanzania was conducted in 1997 on a very secretive basis, as a condition for getting funds. Over time the PER has become more participatory and integrated into the budget process. The PER process includes annual studies which are supposed to be incorporated into the Planning and Budget Guidelines for the following year. The PER process is meant to facilitate better long term planning and ensure that expenditure is optimally budgeted and fully accounted for within the context of the national budget process. The diagram below outlines how the PER cycle is supposed to work:



The PER has revealed some problems related to the budget cycle, which have subsequently been addressed. For example, recent progress with Government audits can be attributed in part to discussions during the 2005 PER. Furthermore, the PER working group is now given the opportunity to comment on the Planning and Budget Guidelines prior to their release.

However, a number of challenges related to the PER must still be addressed. The process itself takes a lot of time. Competing priorities within Government mean that they do not always prioritize participation in the PER process to enable it to function efficiently and effectively. This has led some participants to ask whether or not government values this process as a useful tool for improved performance or whether or not it is seen as conditionality for donor funding. There have also been consistent delays in implementation and the timetable has yet to be followed, making it difficult for the PER process to inform the budget cycle as planned. Even when the studies have been done on time, it is not clear how much they have actually informed planning and budgeting.

Finally, the PER process still has too many donors in proportion to domestic participants. What's more, only a few civil society participants have access to this process and their participation is upon invitation from the MOFEA. Additionally civil society participants are not provided sufficient information early enough for them to perform their representative role effectively.

3.1.2 Issuance of Budget Guidelines

Following the submissions of MDA priorities and subsequent review by the Budget Guidelines Committee, the **Planning and Budget Guidelines (PBG)** is issued. The PBG are a set of instructions approved annually by Cabinet which are meant to guide MDAs, Regions and Local Government Authorities (LGAs) on how to prepare their annual plans, programmes and budgets. They contain the following information:

- A summary of macroeconomic performance in the previous year.
- Policy commitments and strategies.
- The influence the government intends to exert on the credit system and general **liquidity, inflation** and employment levels.
- Forecasted resources envelope and expenditure framework on recurrent and development budget.
- Expenditure ceilings to guide MDAs, Regions and LGAs in preparing their budgets.
- Instructions and formats to MDAs, Regions and LGAs that should be adhered to during preparation and implementation of their plans and budgets.

The PBG are supposed to be issued in December⁸ to inform central government MDAs of key spending priorities, expenditure ceilings and revenue targets for key programmes during the upcoming year.

Some CSOs have been successful in working together with the members of the Budget Guidelines Committee in deciding on key priorities, and ensuring that the guidelines incorporate specific cross-cutting issues, such as gender. However, much more needs to be done to open up this stage of the budget process to citizen participation and engagement.

3.1.3 Estimating Revenues and Expenditure by MDAs, Regions and LGAs

Once the Budget Guidelines are approved by Cabinet in January⁹ of each year, the Ministry of Finance prepares a consolidated budget overview and distributes the approved budget frame to the MDAs. The MDAs then revise their requested allocations according to the ceilings set in the budget guidelines to produce each Ministry's Medium Term Expenditure Framework (MTEF) and a corresponding action plan.

The Accounting Officer, in conjunction with the Budget Committee for each MDA, is then required to submit the MDA's budget to the Ministry of Finance (Treasury) for scrutiny. Additional review of MDA estimates is done by the President's Office - Public Service Management (for PE issues), the President's Office - Planning and Privatisation (for macro policy issues), and the President's Office - Regional Administration and Local Government (for issues related to Regions and Councils).

⁸ In reality, the PBG are often issued late. For instance, in 2007 and 2008 the PBG were not released until April.

⁹ This is the suggested timeline; as mentioned above the process of issuing and approving the PBG is often delayed.

Donor and Government consultations facilitate the budget process by confirming donor financial commitments in the coming annual budget and MTEF period. These discussions

Box 3.2 MTEF: A Way to Look Ahead?

The MTEF is a projection over 3 years that seeks to: i) cost programs; ii) seek commitments from donors; iii) harmonize foreign aid; and iv) influence sector strategies. Overall, the MTEF seeks to establish a link between country policies and the budget.

The MTEF is supposed to set out a prioritised three-year set of integrated estimates for recurrent and development expenditure (whether financed by Government or Donors) based on the performance indicators set out in the strategic plans of all MDAs.

In practice, however, implementation of the MTEF has stagnated. Outer year estimates are typically not credible and so each year the budget is usually prepared from scratch rather than being a rolling update of the outer years from the previous MTEF.

take place between Ministry of Finance or Sector Ministries and Development Partners. In addition, wider consultation is facilitated through the PER, which culminates in an annual public consultation¹⁰.

The Ministry of Finance and Economic Affairs (Policy and Research Department) then prepares a consolidated budget document, including Estimates of Revenue and Expenditure, which is scrutinised by Parliamentary Sector Committees in May. MOFEA can incorporate recommendations made by the sector committees into the final budget before it submits the budget to Parliament.

The pre-budget session with parliamentary sub-committees is the last opportunity for significant changes in the budget.

The sub-committees shape the final budget which is presented to full parliament. Moreover, detailed discussions and readings of sectoral budgets only take place in the committees. The discussions in Parliament on budgets also have an important function in bringing high level political debates into the public domain. Parliamentary plenary sessions are open to the public and key discussions are often televised live. Many of the important committee sessions are still closed to the public, which is not ideal, but even here can CSOs and other stakeholders have an impact through targeted lobbying.

>> Accessing Budget Documents

The Planning and Budget Guidelines are available on the MOFEA website, or through PER meetings.

Approved budget estimates are available on the Parliament (Bunge) website, as well as the Tanzania Governance Notice board. The approved estimates are also available in hard copy in the Budget Volumes, which CSOs can obtain through the PER or upon request from MOFEA.

More detail on how to understand and analyze the budget estimates is provided in Chapters 6 and 7.

Following approval by the sub-committees, the estimates are then submitted for scrutiny to the Cabinet Secretariat and Inter-Ministerial Technical Committee (IMTC), which is a committee of all Permanent Secretaries. After scrutinising the estimates, the IMTC, advises the Cabinet before they are approved. The MOFEA consolidates the final estimates and prepares printouts of the budget books. The printouts are then sent to the Government Printer for full production.

¹⁰ In previous years the PER consultation was always held in May but it now may move to October and be merged with the GBS Annual Review.

While limited, there are real opportunities for interventions on the part of civil society organizations during the formulation stage. Intervention at this stage is particularly critical, since it represents a chance to influence decisions before they are made. CSOs should consider building relationships with Parliamentary sub-committees, and working to understand which institutions or individuals are responsible for decisions affecting allocation of resources to given priorities – such as increasing teachers' salaries or subsidizing drugs and medical supplies. This can help to make advocacy more targeted and effective. CSOs can also work at this stage to increase the public debate on the budget, and advocate for greater transparency in the process.

3.2 Debating and Approval of the Budget

In addition to review and discussion of sectoral plans and budgets by parliamentary committees, this phase of the budget process includes presentation of a public speech on macro-economic performance and projections. This is typically followed by a presentation of the Government Budget Proposals to Parliament by the Minister for Finance and Economic Affairs through the budget speech. Both of these speeches are normally made on the same day, popularly known as 'Budget Day.'

Budget Day is normally selected to take place between 12 and 25 June each year. According to the East African Cooperation Framework, national budgets of all East African Community member countries are presented on the same day.

Reports by the Sector Parliamentary committees and that of the Economic and Finance Committee are finally debated openly in Parliament during the June-August session (the 'budget session.'). The level of debate during this session is rather general – a contrast to the detailed debate that occurs within the sub-committees. Parliament does not have the power to change budget allocations and the President is empowered to dissolve Parliament in the event the National Assembly refuses to approve the budget proposed by Government.

The parliamentary debate is followed by approval of the budget by passing an annual appropriation bill. It is important to note that the appropriation bill is much less detailed than the budget estimates released in June. This gives Government considerable room for shifting funds during the year. The parliament also passes an annual finance bill that empowers the Minister for Finance and Economic Affairs to raise the money and finance the budget.

The opportunity for participation at this stage is largely limited to Members of Parliament. Members of the general public or interest groups can participate by lobbying MPs to take positions on specific issues of interest. CSOs can contribute by making the budget estimates more widely accessible and easy to understand, and by conducting some analysis, as the Budget Working Group has done in previous years. This can contribute to a more meaningful public debate on the budget.

3.3 Budget Execution

Budget execution (spending the money) begins each year on 1 July and ends on 30 June of the following year.

Following the approval of the national budget by Parliament, MDAs are supposed to prepare detailed **action plans**, or work plans, which explain how they plan to implement

their activities in the coming budget year. The action plan is supported by a **procurement** plan, which describes when procurement steps are expected to start and finish, and a monthly disbursement or **cash flow plan**, which describes when funding or disbursement of funds is required by the institution.

Budget execution in Tanzania is based on a **cash budget** system. Under this system, the Government can only spend the money it has. Specifically, the system, which is managed by the Ministry of Finance and Economic Affairs (MOFEA), limits aggregate expenditure in a month to average revenue collection in the previous three months plus programme aid. The MOFEA collects revenues (through the TRA) and allocates money consistent with the approved budget. MOFEA also receives disbursements from Tanzania's many donor countries. The timing of these disbursements varies, as it is subject to the budget cycles and decisions made in the donor countries. The timing of the disbursements depends on the nature of the funding modality i.e. whether GBS, basket or project funds. For GBS, most of the money is usually disbursed during the first quarter of the financial year, where as for baskets and projects, disbursements largely depends on decisions in the donor country Headquarters.

The implication of a cash budget system means the Government sometimes cannot spend money as planned in the budget – for instance, if domestic revenue collection is lower than projected, or if donor funds come late or are lower than expected.

There is a provision for significant budget revisions to be made during the financial year, through **virements** (transfers within a given **sub-vote**) which may be approved by the relevant Controlling Officer and **reallocation warrants** (transfers across sub-votes or votes), that must be approved by MOFEA and must also be authorized by Parliament, although this may be done retrospectively.

Given the cash budget system and the various opportunities for shifting funds around, actual spending is often significantly different from the budget estimates presented in June. Actual spending has been less than the budgeted amount across many sectors in recent years. The main factors that contribute to under spending include shortfalls in budget support and low absorption capacity in spending units.

During this stage the possibility for formal participation is limited to the MDAs and donors. Ordinary citizens only participate as beneficiaries or consumers of services provided by government. However, CSOs can monitor service delivery and share information about the approved estimates to help people follow the money and make sure it is spent as planned.

3.4 Oversight and Control

There are various ways in which budget execution is monitored, controlled and evaluated. These processes are critical for enhancing accountability. Budget monitoring is or should be a continuous process which starts immediately after approval of the budget by parliament and disbursement of funds to the implementing agencies by MOFEA.

3.4.1 Within-year monitoring

There are a variety of monitoring mechanisms, most of which focus on the integrated financial management system (IFMS), through which the Accountant General's Department controls expenditure commitments, executes payments and generates financial reports. In addition, there is a poverty monitoring system which reports on the

implementation of MKUKUTA, and a public sector performance management system, which tracks the implementation of departmental strategic plans. The Ministry of Finance publishes quarterly Budget Execution Reports to maintain transparency on actual use of public funds in line with the budget estimates approved by Parliament. Unfortunately, these reports tend to be highly aggregated and presented in a format that is not user-friendly.

Internal audits are also conducted by internal audit departments within the implementing agencies

3.4.2 External audit

The Accounting Officers of all MDAs must report to the Controller and Auditor General (CAG) within three months of the close of the financial year. Their reports must include an account of expenditure against appropriated amount, an indication of revenue collection, details of assets, and a statement of the MDAs performance in delivering its outputs (against the performance criteria listed in the Estimates of Revenue and Expenditure).

>> Accessing Oversight & Control Documents

Quarterly Budget Execution reports are available on the MOFEA website.

Information on the implementation of MKUKUTA can be found on the Government's Poverty Monitoring website.

Audit reports are available on the CAG's website and upon request from the CAG office. They can also be downloaded from REPOA's Tanzania Governance Notice board.

The CAG is then supposed to determine and report on whether the use of public funds by MDAs complies with the relevant laws and regulations. The CAG is responsible for, among other things, ensuring that the expenditure of public monies has been properly authorised and applied for the intended purposes. The CAG should also ensure that economy, efficiency and effectiveness have been achieved in the use of public resources. The CAG is supposed produce an annual consolidated audit report within nine months following the end of the financial year. That is, the CAG's report is to be submitted to Parliament by March 31 each year and is to be tabled at the next parliamentary session.

The CAG has extensive powers to subpoena officials and to obtain information. The wilful obstruction of the work of the CAG, or failure by any public official to provide the CAG with access to any item of information, constitutes a criminal offence in terms of the Public Finance Act (sect 44(1)).

Perhaps the most important oversight role in Parliament is performed by the Public Accounts Committee (PAC) and the Local Authorities Accounts Committee (LAAC). It is significant that these two committees are chaired by members of the opposition. The PAC is responsible for reviewing the CAG's external audit reports for MDAs and for holding relevant ministers and accounting officers accountable for their performance. The PAC has the power to make recommendations to be followed up by the responsible MDA. The PAC also has the ability to call for a select committee of Parliament to be established to probe deeper into queries raised by the CAG. The LAAC has responsibility for scrutinising and responding to audit reports by the CAG on Local Government Authorities (LGAs).

Civil society organizations can play a role by

Figure 3.1 Excerpt from HakiElimu audit leaflet

Audit Data for Selected Ministries, Departments, and Agencies*											
(ranked in order of 2004/05 questioned expenditure)											
Vote	Name of Ministry	2002/03			2003/04			2004/05			2004/05 Rank (Best to Worst)
		Questioned Expenditure (Thousands of Tsh)	Questioned Exp as % of Discretionary Exp**	Auditor's Opinion	Questioned Expenditure (Thousands of Tsh)	Questioned Exp as % of Discretionary Exp	Auditor's Opinion	Questioned Expenditure (Thousands of Tsh)	Questioned Exp as % of Discretionary Exp	Auditor's Opinion	
20	State House	0	0%	Clean	0	0%	Clean	0	0%	Clean	1
25	Prime Minister	0	0%	Clean	0	0%	Clean	0	0%	Clean	2
26	Vice President	0	0%	Clean	0	0%	Clean	0	0%	Clean	3
30	President's Office and Cabinet Secretariat	0	0%	Clean	0	0%	Clean	0	0%	Clean	4
33	Ethics Secretariat	0	0%	Clean	0	0%	Clean	0	0%	Clean	5
59	Law Reform Commission	0	0%	Clean	0	0%	Clean	0	0%	Clean	6
24	Ministry of Co-operatives and Marketing	262,992	5%	Qualified	131,105	2%	Qualified	1,546	0%	Qualified	7
27	Registrar of Political Parties	311,494	4%	Clean	65,129	1%	Clean	1,940	0%	Qualified	8
60	Industrial Court of Tanzania	47,822	15%	Clean	37,875	10%	Clean	2,205	0%	Qualified	9
55	Commission of Enquiry/Commission for Human Rights	0	0%	Clean	0	0%	Clean	7,575	1%	Clean	10
41	Ministry of Justice and Constitutional Affairs	324,203	10%	Qualified	233,436	3%	Qualified	62,590	1%	Qualified	11
65	Ministry of Labour, Youth Development and Sports	432,469	9%	Qualified	82,440	1%	Qualified	77,936	2%	Qualified	12

publicizing the findings of budget execution reports and audit reports. In 2006 and 2007, HakiElimu produced leaflets that presented the main findings of the CAG reports for LGAs and MDAs in simple terms, and ranked Government bodies from “best” to “worst.” These leaflets helped to generate increased understanding and scrutiny of the audit reports – ultimately necessary to encourage action.

Civil society organizations and ordinary citizens can also conduct their own audits – sometimes referred to as “social audits.” Social auditing involves mobilizing community members to monitor whether and how public funds are spent, and publicize the results in order to encourage greater accountability.

4. Local Government Budget Process

Mainland Tanzania is divided into 133 districts, municipalities, cities and towns, known as Local Government Authorities (LGAs), each with its own elected council. Under the Government's Decentralisation by Devolution (D-by-D) policy, these LGAs are playing an increasingly important role, particularly in the delivery of social services, including primary education, health services, rural water supply, agriculture and local roads. Secondary education is expected to become the responsibility of local governments in 2008/09.

The Decentralisation by Devolution (D-by-D) related reforms have created valuable new opportunities for community members and civil society to engage with the budget process and influence how these important services are delivered. This section describes the budget process at LGA level and below, including describing the openings for civil society to get involved.

Box 4.1 The Local Government Reform Programme (LGRP)

The main goal (long-term) of LGRP is to contribute to the Government's efforts to reduce the proportion of Tanzanians living in poverty. Its purpose is to improve quality, access and equitable delivery of public services, particularly to the poor. These must be provided through reformed and autonomous local authorities. The reform aims at:

- Letting people participate in government at local level and elect their leaders (e.g. councillors, village, mitaa and vitongoji leaders)
- Bringing public services under the control of people through their local councils
- Giving local councils powers (political devolution) over all local affairs.
- Improving financial and political accountability
- Creating a new local government administration answerable to local councils and to local needs
- De-linking local administrative leaders from their former ministries
- Creating new central-local relations based not on orders but on legislation and dialogue
- Improving governance based on political and financial accountability, democratic procedures and public participation.

Source: PMORALG-SNV CDROM on Local Government Reform

4.1 Key Actors in the Local Government Budget Process

The **Ministry of Regional Administration and Local Government in the Prime Minister's Office (PMO-RALG)** is the central government body in charge of overseeing the operations of the LGAs and councils. PMO-RALG provides local government policies and guidelines to be followed by LGAs in the districts and councils.

The central government **line ministries** (such as the Ministry of Health and Social Welfare, or the Ministry of Water and Irrigation) set sector-specific policy guidelines and are consulted on allocations of resources to local government for their sectors.

At the regional level the **Regional Secretariat (RS)** headed by Regional Administrative Secretary (RAS) acts as a linking body between the central government and LGAs in the districts and councils. It also facilitates dissemination of relevant information and guidelines on planning, budgeting and implementation.

At LGA level, **council directors** (District Executive Directors or Municipal Directors) are responsible for overseeing budget formulation and implementation. The local heads of sector departments, the **Council Management Team (CMT)**, provide technical inputs and are responsible for the implementation of their respective sections of the budget.

Also at LGA level, the **council**, which is made up of elected ward councillors and local MPs, has a key role in reviewing and approving the proposed budget.

Below this there is the **Ward Development Committee (WDC)**, which is a coordinating body linking the district/municipal council to the villages, *mitaas* and *vitongojis* below. Members of WDC include the ward councillor, village/mitaa chairpersons and the ward executive officer.

In rural LGAs, each village has a **Village Council (VC)**, whose members are the village and sub-village chairpersons and appointed village leaders. Village and sub-village chairpersons are elected by the **village assembly**, which consists of every woman and man aged 18 years or over, providing the potential for real village democracy. Village assemblies ultimately 'own' the village resources in the name of all the people, including land, forests, water ways and other items. They are required by law to meet at least four times per year, although this does not always happen.

In urban councils (cities, municipalities and town councils), the closest equivalent to the VC is the **Mtaa Committee**, which has a coordinating function only. There is also the **Mtaa Assembly**.

4.2 Local Government Revenues

As with the central government, LGAs receive funds from a number of different sources. The vast majority of funding comes in the form of transfers and grants from the central government through a number of different channels, which are outlined below. In addition, a small proportion of LGA funds come from local tax revenues (also called "own source revenues") – these are discussed in the section 4.2.2 below. A very small amount (0.1%) comes from LGA borrowing. Finally, an important contribution is made by community members themselves towards the capital cost of new investments, such as classrooms. This is covered briefly in section 4.2.3 below.

4.2.1 Transfers and Grants from Central Government

The most significant grant mechanisms are as follows¹¹, and are compared in the chart at right.

Recurrent block grants

Each LGA is allocated a certain amount to cover recurrent costs (salaries and operating costs) in each of the key social sectors (health, education, rural water, agriculture and roads), as well as a *general purpose block grant* to cover general administration costs. The size of these block grants is decided by formula, linked largely to the size of population and to sector-specific criteria such as the number of school-age children or

¹¹ Note that the various channels for transferring funds from national to local government often change from one year to the next. This section was up to date at the time of writing in mid-2008, but is likely to change in the next 2-3 years. In particular, the mechanisms used to provide funding for particular sectors (such as secondary education, health, agriculture, roads and water supply) and for salaries are hotly debated and may well change.

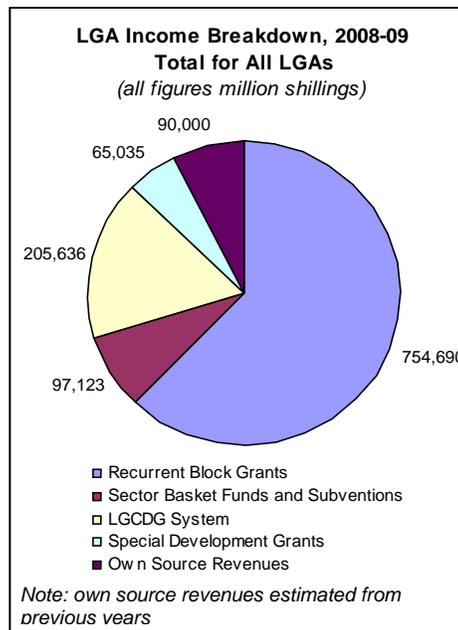
number of people without access to clean water. Salaries for teachers and health workers are paid from these grants. There are some conditions for what this money can be spent on – for example the road block grant can only be spent on maintaining existing local road networks, and the rural water supply block grant cannot be spent on the running costs for rural water schemes. On average, recurrent block grants provide just over 60% of each LGA's annual budget.

Sector Basket Funds and Subventions

These funding channels provide additional recurrent funding for key sectors direct from the respective ministries. The *Agriculture Sector Development Programme (ASDP)* and the *Health Sector Basket Fund (HSBF)* both provide funds to supplement the agriculture and health block grants, *TACAIDS* provides funding to all councils for HIV/AIDS-related expenditure, and selected councils get additional funds from the *Global Fund*. Finally, 30% of the *road fund* is distributed to councils for maintenance of local roads. In total, these basket funds and subventions provide an average of 8% of each LGA's annual budget.

The Local Government Development Grant System (LGCDG)

This grant is designed to provide LGAs with a significant and predictable amount of funding to spend on development (new or rehabilitated infrastructure) according to local priorities. The council can decide whether it should be spent on new classrooms, health facilities, rural water schemes, new roads, etc., in line with priorities put forward by the community through the Opportunities and Obstacles to Development (O&OD) process (see section 7.3 below). It is allocated by formula, linked mainly to the size of the local population, but only LGAs that meet certain criteria are eligible. (See below for more details of these criteria.) In addition, all LGAs are allocated a capacity building grant (CBG) that can be spent on activities to build their capacity so that they do meet the LGCDG's eligibility criteria. From 2008/09, the primary education, water and agriculture sectors now channel funding for their specific sectors through the LGCDG mechanism, with a certain amount of funding earmarked for those particular sectors, respectively. On average, the LGCDG system provides 17% of each LGA's annual budget.



Special development grants

Box 4.2 Which councils receive the LGCDG?

An annual assessment process measures all LGAs against two sets of criteria, known as the *Minimum Conditions* and *Performance Measures*, both of which judge the LGA's performance in financial management, planning and budgeting, procurement, transparency, and monitoring and evaluation. These assessments can make a big difference to how much money an LGA has available for development.

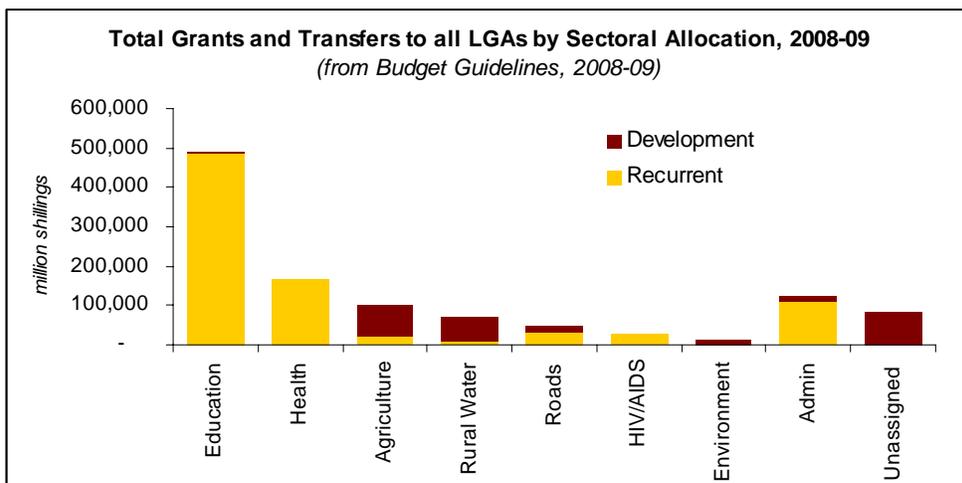
LGAs that fail to meet the minimum conditions do not receive the main Capital Development Grant, which represents approximately 70% of the funds LGAs have available for development. In 2008/09, 5 LGAs failed to meet these criteria. The most common reasons for LGAs failing to meet the minimum conditions are that they failed to submit financial reports, lacked internal audit capacity, were given *adverse* audit reports in the Controller and Auditor General's (CAG) annual audit, or had other financial irregularities.

The performance measures can reward well-performing LGAs with a 20% increase in their LGCDG allocation, but can also punish poorly performing LGAs with a 20% reduction. In 2008/09 42 LGAs received this bonus and 9 received a reduction. The +/- 20% bonus/penalty system is under review with some adjustments expected from 09/10.

In addition to development transfers under the LGCDG System, LGAs receive a variety of other development grants limited to specific regions (area-based programmes), sectors and purposes. These include some transfers such as the PADEP (Participatory Agriculture Development Empowerment Project), DASIP (District Agriculture Sector Investment Project), UDEM (Urban Development and Environmental Management), Participatory Forest Management (PFM) / Sustainable Wetland Management (SWM) Grants, district and village transportation grants (LGTP/VTTP), Council Premise Development Grant, and the UNICEF support for Social Planning and Budgeting, among others. The grants provide an average of 5% of each LGA’s budget.

4.2.2 Own Source Revenues (Local Taxes, etc.)

In addition to each of the above inter-governmental grants, local governments have some local revenue sources. The table below lists these sources.



Box 4.3 Local Government Own Source Revenues

- | | |
|--|---|
| <p>Taxes on property</p> <ul style="list-style-type: none"> • Property rates <p>Taxes on Goods and Services</p> <ul style="list-style-type: none"> • Crop cess (max. 5% of farm gate price) • Forest produce cess <p>Taxes on Specific Services</p> <ul style="list-style-type: none"> • Guest house levy <p>Business and Professional Licenses</p> <ul style="list-style-type: none"> • Commercial fishing license fee • Intoxicating liquor license fee • Private health facility license fee • Taxi license fee • Plying (transportation) permit fees • Other business licenses fees <p>Motor Vehicles</p> <ul style="list-style-type: none"> • Vehicle license fees • Fishing vessel license fees | <p>Other Taxes on the Use of Goods, Permission to Use Goods</p> <ul style="list-style-type: none"> • Forest produce license fees • Building materials extraction license • Hunting licenses fees • Muzzle loading guns license fees • Scaffolding/Hoarding permit fees <p>Turnover Taxes</p> <ul style="list-style-type: none"> • Service levy <p>Entrepreneurial and Property Income</p> <ul style="list-style-type: none"> • Dividends • Other Domestic Property Income • Interest • Land rent <p>Other Local Revenue Sources</p> <ul style="list-style-type: none"> • Administrative Fees and Charges • Fines, Penalties and Forfeitures |
|--|---|

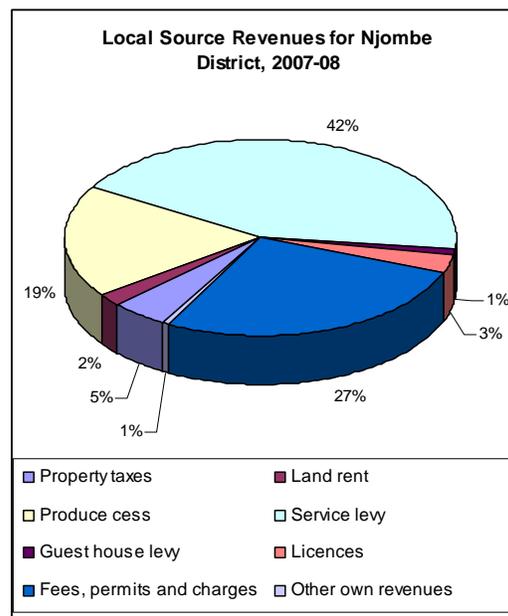
(Source: PEFAR, 2006)

“LGAs are not allowed to levy any taxes, levies or fees which are not on this list.”

On average, these local revenues provide LGAs with around 8% of the resources available to them. This is higher in urban centres, particularly the three municipalities that make up Dar es Salaam. The breakdown of these sources for a typical LGA (in this case, Njombe district) is shown in the chart below.

Property tax is paid by the owners of the buildings, structures or similar developments. It is paid on the estimated value of the property being taxed. Land is not taxed under the property rating since all land belongs to the State and is therefore liable for land rent collected by the central government.

Local government taxes on goods and services include tax on crop and forest produce when they are delivered to markets within the LGA (the crop cess). The rate is usually 5% of the farm gate price. Local government authorities may levy taxes on specific services, such as guest house levy, commercial health services, film and video shows. There are also other taxes on the use of goods, or permission to use goods. These include forest produce license fees, building material extraction license fee, hunting licenses fees, muzzle loading gun license fees and scaffolding/hoarding permit fees.



Previously, a significant contribution to local revenues came from the **development levy**, a fixed-rate tax on all adults. However, this tax was revoked in 2003 as it was seen as a burden on poor households and in some cases it cost nearly as much to collect as it earned in revenue.

4.2.3 Community Contributions

For development expenditure in many sectors, and all expenditure under the LGCDG system, a financial contribution from the community itself is required. Depending on the type of infrastructure, this can range from 2.5% to 30% of the total cost, but is generally set at 5%. These contributions are seen as important for sustainability – that when community members themselves have paid for something, they will feel a sense of ownership of the new facilities, and will therefore maintain them more effectively.

These contributions are a common source of contention at community level, particularly when community members are forced to contribute towards the costs of new infrastructure that they did not prioritise. They can also provide an opportunity for wealthy benefactors to develop patronage networks – a local politician may cover a village’s full contribution in order to gain popularity. This situation undermines the justification for the contributions, and creates an obstacle to less wealthy members of society who want to enter politics.

4.2.4 The Constituency Development Fund (CDF)

The Constituency Development Fund (CDF) has not yet been established in Tanzania as of the publication of this guide (August 2008). However, funds were allocated to it in the FY 2007/08 budget, and there have been strong indications that it will be established in the near future. As no information on the operational modalities has been published, this section is based on CDF experiences in Uganda, Kenya and elsewhere.

If established, the CDF would provide additional resources for development at the local level by channelling money to constituencies under the management of Members of Parliament. The CDF would thus supplement the existing funding mechanisms for local

government, although it may not represent an increase in funding, since funds will have to be taken away from other mechanisms in order to finance the CDF.

Resource Mobilization and Funding mechanism

The CDF is allocated in the budget of every financial year and after parliamentary approval, the funds are disbursed to the constituencies to be spent on development projects as identified and prioritized by local citizens. Every constituency receives funds whose exact amount is based on a formula that includes factors like population and size of the constituency

CDFs are typically managed by committees comprised of the area Member of Parliament (MP) and members nominated and elected by the residents of that constituency. In some instances, the MP is the chairman of the committee and thus also the chief accounting officer of the CDF.

The CDF committee is responsible for overseeing the management of the CDF. It plays a supervisory role and remains directly accountable to the CDF chairperson and citizens of the area. The CDF committee mobilizes local residents to identify community needs and priorities and propose projects to address these community needs. The committee then reviews and approves development projects for funding under the CDF.

A CDF can contribute to speeding up development at the local level. However, the challenges facing its implementation – see box below – make it a highly risky venture for government to undertake. Further, evidence from previous studies like PEFAR indicates that the poor quality of service delivery at the local level is not due to lack of funding, but more to poor capacity, political interference, low civic competency etc. The establishment of a CDF is likely to make this situation worse rather than better.

Box 4.4 Advantages and disadvantages of the CDF

On the positive side, a CDF can provide additional resources for communities to spend on priority areas like water, education, health, infrastructure or agriculture. A CDF can also provide an opportunity for ordinary citizens to have a stronger stake in deciding their local priorities and allocating funds and resources to meet these priorities

On the other hand, the CDF is vulnerable to abuse and has attracted significant criticism in countries such as Uganda and Kenya, including the following:

- A CDF erodes the oversight powers of the Parliament and MPs as they begin executing projects. This skews the separation of powers and may make it difficult for Parliament to maintain its advisory and supervisory role.
- The CDF creates a parallel structure alongside the existing local government structure and this increases the burden on the already overwhelmed local government officials
- Funding provided under the CDF is funding that is not provided through the existing local government system, thereby undermining local government.
- A CDF is vulnerable to manipulation by the area MP, who may use his/her position to influence the selection of committee members and projects, turning the CDF into a personal project fund.
- In Uganda and Kenya, guidelines were clumsy and led to a lot of funds being misused. In Uganda in 2006, most MPs failed to account for CDF money, leading to suspension of the entire CDF.
- The accounting structures of the CDF are not clear. Is the CDF Chairperson accountable to parliament, to the district finance officer or to both?

4.2.5 Tanzania Social Action Fund (TASAF)

The Tanzania Social Action Fund (TASAF) is a joint Government and World Bank program designed to provide funding for local infrastructural projects, and small temporary employment. TASAF has multiple elements, described in turn below.

The Public Works Programme provides cash transfers through short-term employment for public works at a wage rate set at 20% below the market casual labour rate – for example, rehabilitating a stretch of road. Community Development Initiatives support the implementation of sub-projects to improve social services, such as building schools or improving water. Finally, the Social Support Programme provides grants to vulnerable groups such as disabled, aged, etc. – for example training physically disabled people in bee keeping, poultry farming and financial and business management skills.

The first phase of TASAF covered 2000-2005, and was implemented in the 40 poorest districts across mainland Tanzania, and the two islands comprising Zanzibar. The second phase of TASAF – TASAF II – is currently being implemented and will run through 2009. It expands the reach of TASAF to all districts in Tanzania.

TASAF has been billed as a means of furthering decentralization reforms, by giving more money and decision-making power to people at the local level. However, by creating parallel funding streams and administrative structures, there are risks that it could reduce transparency and accountability in overall Government operations.

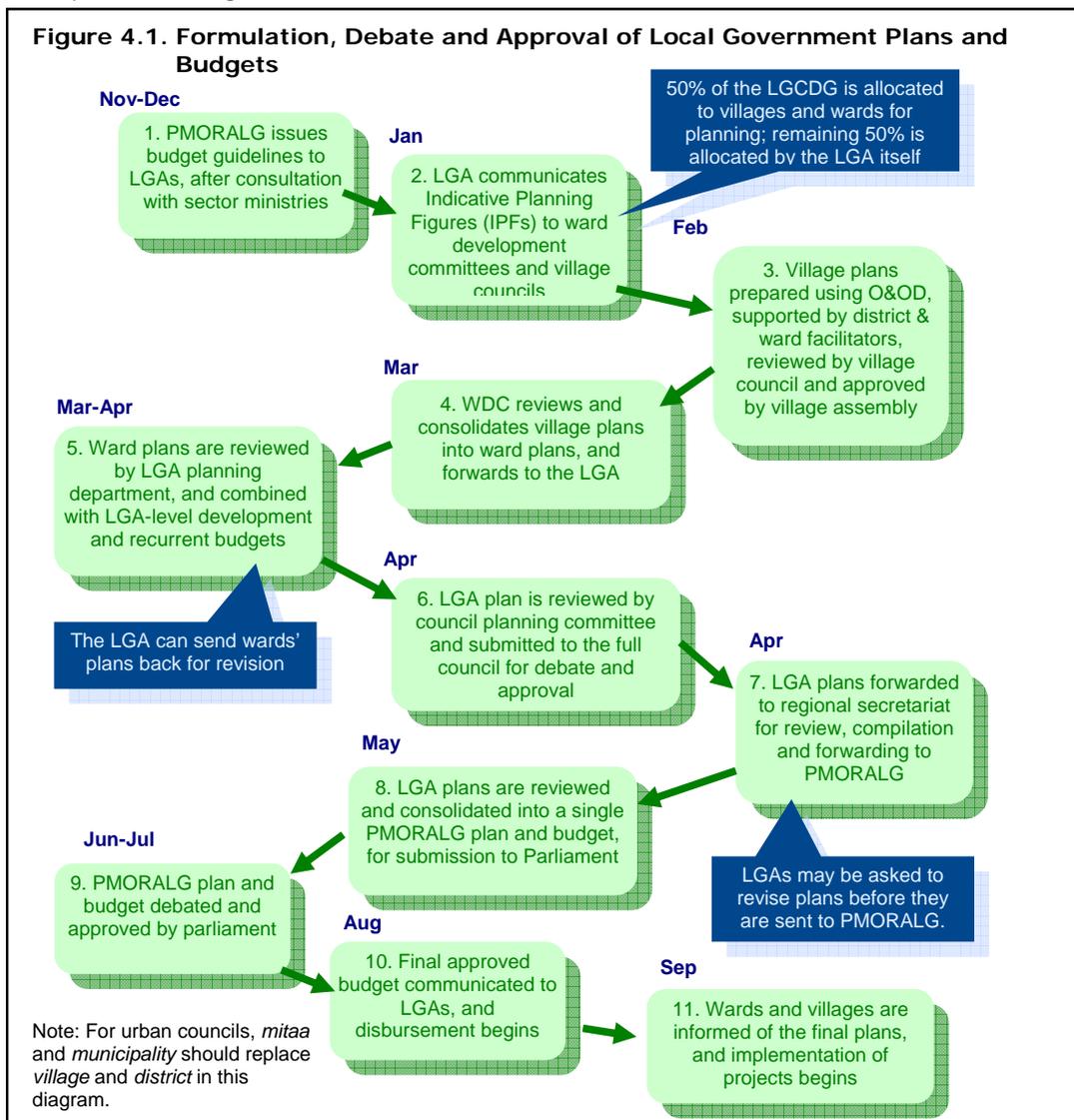
In a recent independent review of TASAF¹² the program was seen to be administratively well-integrated with local councils and seemed not to weaken the administrative structure. However, political favouritism was seen to be a potential weakness.

¹² Braathen, E (2003). *Tasaf – a support or an obstacle to local government reform?* Formative Process Research on the Local Government Reform in Tanzania, Project Brief No. 4

4.3 The Local Government Budget Cycle

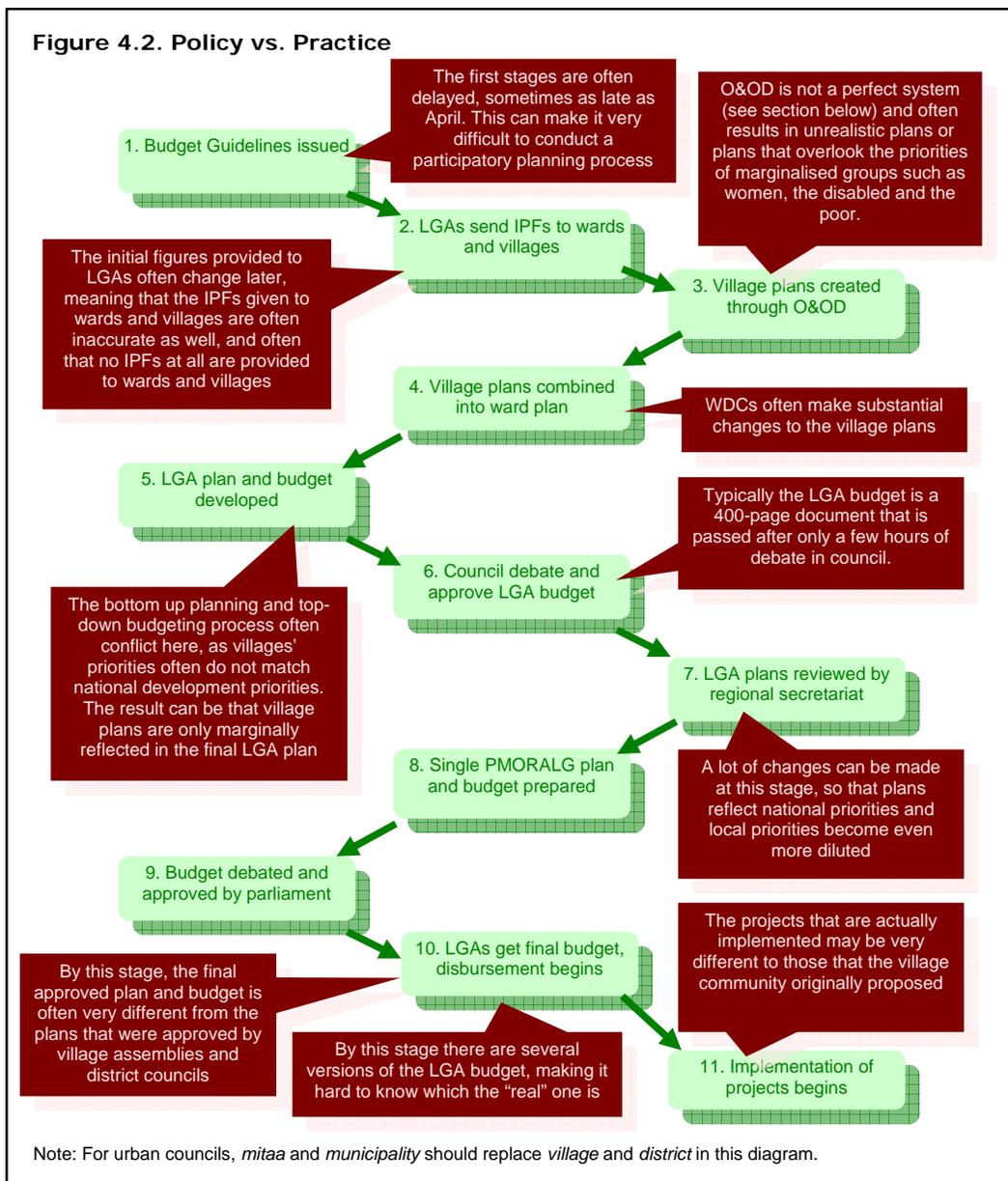
4.3.1 Budget Formulation, Debate and Approval

The process for formulating, debating and approving local government budgets is supposed to ensure that the needs and priorities of the community are heard. A village- and mitaa-level participatory planning process, known as Opportunities and Obstacles to Development (O&OD, see box below), feeds local priorities into a system of review, debate and approval that goes all the way up from village or mitaa level to national government, and involving ward, district and regional government. This process is explained in Figure 4.1.



Unfortunately, the reality of local government budgeting is not nearly as participatory as the official policy guidelines suggest. National development priorities have to be balanced against local preferences, and plans pass through so many hands before they are finally approved that there are often significant changes from the village and mitaa's original intentions. Furthermore, the process often starts late and with unreliable planning figures, which makes it hard to conduct meaningful participatory planning. These challenges are shown in Figure 4.2.

Opportunities and Obstacles to Development – O&OD



O&OD is a participatory process that has been designed to ensure that communities' needs and priorities are heard in the planning process, and to contribute towards the development of locally accountable governance and a sense of ownership. It is also built around a principle of positive thinking and self reliance rather than dependency.

The process of O&OD takes nine days per village, including an initial village assembly and a set of participatory techniques for identifying and analysing local opportunities and obstacles to development. Focus groups then develop a draft village plan, which is revised by the village council and presented to a second village assembly for their approval. In each village, this process is facilitated by a ward facilitator, who is supervised by a district O&OD facilitator.

Several challenges with O&OD have been identified,¹³ including the following:

- Key participants at village level often do not represent a full cross-section of the community.
- Village plans are sometimes very ambitious and unfeasible compared to available resources. This can lead to plans that are not implemented, which discourages the community.
- Village plans produced through O&OD often have only minor influence on final LGA plans.
- Other participatory approaches are also used, for example for TASAF, which can be confusing and inefficient.
- The process is expensive – costing as much as 25% of the available development funding, by one estimate – and there are not always resources available for it.

O&OD is being refined to address these challenges.

4.3.2 Budget Execution, Oversight and Control

Budget execution

Once Parliament has approved PMORALG's consolidated plan and budget, the LGAs and regional secretariats are sent copies of the approved budget books. The Treasury in the Ministry of Finance disburses allocations of funds to all ministries including PMO-RALG and LGAs on a monthly basis, although there are often delays particularly for disbursement of development funds. The disbursements are published in newspapers. At the local government level, district and urban councils inform wards, villages and mitaa that funds have been received, and details are placed on public notice boards.

LGAs issue expenditure guidelines to wards, villages and *mitaa* based on the approved budget, and begin project implementation.

It is possible for council directors to alter their approved budget during the financial year, and this often happens. In such cases, wards and villages should be informed promptly, including an explanation of the reasons behind the change.

Procurement

A large proportion of the LG budget is spent through private service providers. This includes engineering and construction works, material goods, consultancies and services. The procurement of works, goods, services and consultancies is governed by the Public Procurement Act of 2004 and the regulations made under it. The Act requires for each Local Government Authority to have a tender board for procurement of goods, services and works. The composition of a Local Government Authority Tender Board and the method of appointment of the members, and the procedures to be followed by such a tender board, shall be prescribed by PMORALG.

¹³ PMO-RALG & JICA (2006). *The Study on Improvements of Opportunities and Obstacles to Development (O&OD) Planning Process*, Progress Report, International Development Center of Japan, December 2006

Public procurement is regulated by the Public Procurement Regulatory Authority ('PPRA') which is established within the Ministry of Finance (s. 5 of the PPA). The key objectives and functions of the PPRA are set out in sections 6 and 7 of the Act. Notably, the PPRA's primary objective is to ensure that fair, competitive, transparent and non-discriminatory, and 'value for money' practices and standards are applied (s. 6(a) of the Act). Further, that the procurement policies and practices used by the Central Government, local government, and statutory bodies are harmonised (s. 6(b) of the PPA). In order to achieve its objectives, the PPRA is charged with a vast number of functions, including advising the Government on public procurement policies and procedures, monitoring and reporting on existing procurement systems and advising on necessary improvements, as well as developing training standards and competence levels for procurement officers. The Act also provides that Tender Boards for the procurement of goods and services shall be established within all para-statal organisations, local authorities, ministries, districts and regions (s. 28 of the Act). Each Tender Board is charged with, amongst other things, approving tenders and contract documents, ensuring compliance with the Act, approving procurement and disposal by tender procedures, as well as liaising with the PPRA on matters within its jurisdiction (s. 30 of the Act). Indeed, no contracts will be awarded by any public body without it first being approved by the respective tender board. The Procurement Management Unit is established to, amongst other things; support the functions of the tender board (s. 34 of the Act). Further a User Department is established to liaise with and report to the Procurement Management Unit (s. 36 of the Act). Finally Evaluation Committees are established to conduct evaluations and report directly to the Procurement Management Unit (s. 37 of the Act). As per s.38 of the Act, each of the Accounting Officer (or Chief Executive Officer), Tender Board, Procurement Management Unit, User Department, and Evaluation Committee are expected to act independently of each other in carrying out their respective functions and powers, subject to the provisions of the Act.

Importantly, the Act sets out the procurement principles and methods that should be followed by a procuring entity in Parts IV and V respectively of the Act. The emphasis being on transparency, clarity, and compliance with the procedures set out in the Act and related Regulations. The Dispute Settlement Procedures are set out in Part VII of the Act, and the Public Procurement Appeals Authority is established within the Ministry of Finance to settle disputes arising in accordance with the Act. However, it was acknowledged by the Minister for Finance and Economic Affairs, Hon. Mkulo, in his Budget Speech to the National Assembly on June 12, 2008 that a continued issue with public procurement is the lack of sufficient qualified procurement officers who are expected to apply the provisions of the Act and the related Regulations. It is anticipated for FY2008/2009 that by transferring the supervision of procurement officers from the Ministry of Infrastructure and Development to the Ministry of Finance and Economic Affairs as well as the Government's strengthening of the Procurement Units will contend with this issue.

In-year oversight

PMO-RALG monitors LGA accounts, revenues and expenditures on quarterly basis to ensure that plans and budgets are implemented and executed as planned. The reports that are sent to PMORALG are also presented to the full council, and are therefore theoretically public.

At village, Mtaa and ward level, the Village Council (VC), Mtaa Committee (MC) and Ward Development Committee (WDC) are also supposed to meet quarterly to review progress at their level. The VC and MC should present progress reports to the village assembly or mtaa assembly of all adult community members.

Audit

As with central government, the accounts of all LGAs are required to be audited by the national audit office (CAG). The Parliamentary Local Authorities Accounts Committee (LAAC) is responsible for reviewing CAG reports for LGAs and for holding accounting officers accountable.

However, given the multiple sources of funding obtained by LGAs, local councils can be subjected to a number of inspections and audits during the course of any given year. These include:

- a separate audit of the Road Fund by the CAG;
- an audit for the Health Basket funds;
- an audit for the education sector (PEDP);
- an audit of the local government reform programme; and
- audits commissioned by donors on their individual programme(s).

Finally, there is the Local Government Capital Development Grant Annual Assessment conducted in September of each fiscal year for all LGAs. This is the process by which LGAs are judged against the Minimum Conditions and Performance Measures that determine whether they qualify to receive the Local Government Capital Development Grant in the subsequent financial year, and whether they qualify for any financial bonuses or penalties.

4.4 Opportunities for Civil Society to Participate

The local government budget process presents several opportunities for civil society organisations (CSOs) to contribute. There are valuable opportunities at various stages throughout the cycle – formulation, approval, execution and audit – that civil society can take advantage of, and there are already many organisations that are doing so.

4.4.1 Opportunities for CSOs during budget formulation and approval

Several stages during budget formulation and approval have been designed to create a responsive planning process. These opportunities are presented in Figure 4.3, but the key opportunities are worth explaining in more detail here.

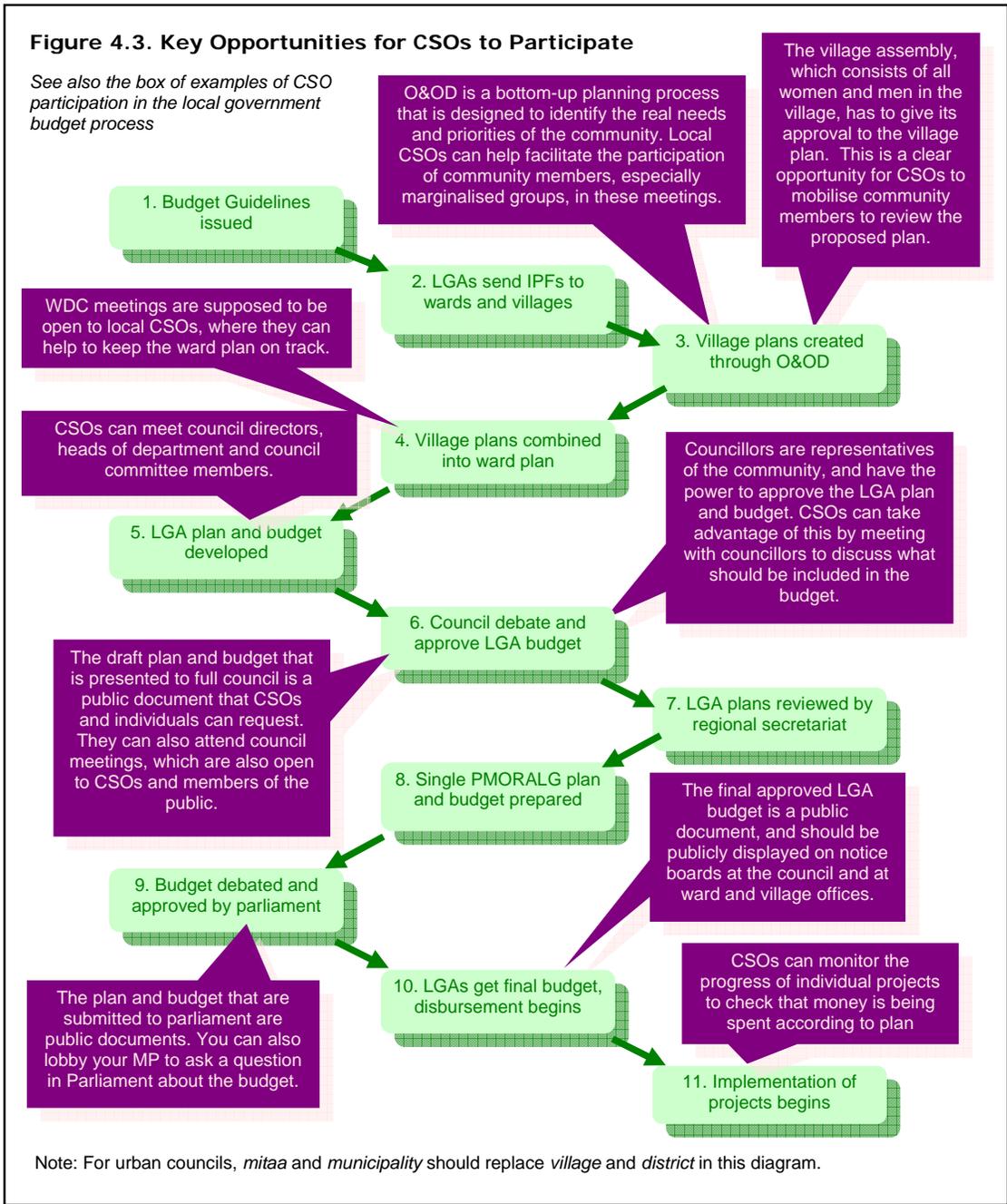
- **The O&OD process.** The participatory planning process, O&OD, is designed as a bottom-up mechanism to ensure that the voices of ordinary Tanzanians are heard. The first opportunity then for civil society to engage, is to support the O&OD process by mobilising women and men in the community to participate. It is recognised that a weakness of O&OD is that the voices of more marginalised groups in the community, such as women, the disabled and the poor, are not often heard. The effectiveness of their participation will depend on the extent to which community groups have successfully organized themselves, acquired the information necessary to back up the positions they wish to take in terms of policy/budget priorities, and have chosen effective spokespersons to make their views known, and to feed the results of such meetings back to their 'constituencies'.
- **Village Assemblies.** Various representative assemblies (the village and mtaa assemblies, the district council and Parliament) present CSOs with an opportunity to influence the planning process. The first such opportunity in rural districts is at village level, with the village assembly. The village assembly includes all women and men living in the village, and has two opportunities to influence the planning process. First they are consulted at the start of the O&OD process, and second

they have to give their approval to the village plan at the end of the O&OD process.

- **Ward Development Committee (WDC).** WDC meetings are supposed to be open to CSOs that operate in the ward, which presents CSOs with an opportunity to see what is being proposed, and to ensure that the interests of marginalised are reflected in the ward plan that goes forward to LGA level.
- **Council debate and approval.** The council is the second representative assembly where CSOs can engage with to influence the budget process. The council has to approve the LGA budget before it can be forwarded to the regional secretariat and national government. Councillors are elected as representatives of the community, and are in danger of not being re-elected if they do not act in the community's interests. CSOs can take advantage of this by encouraging councillors to perform their scrutiny and approval role in the interests of marginalised groups, perhaps through presenting research findings on the priorities of these groups, or by arranging for members of the groups to meet with councillors. The proposed plan and budget that is presented to the full council is a public document, which CSOs should be able to access from the Planning Officer or from their councillor. CSOs can also assist councillors by analysing the proposed LGA budget and publicly commenting on how pro-poor or gender sensitive the budget is.

Figure 4.3. Key Opportunities for CSOs to Participate

See also the box of examples of CSO participation in the local government budget process



Note: For urban councils, *mitaa* and *municipality* should replace *village* and *district* in this diagram.

4.4.2 Opportunities during budget execution control and audit

The budget formulation process provides an opportunity to ensure that the priorities of the poor and marginalised are heard, but it is also important to ensure that the money is spent as planned. First, this ensures that decisions made in favour of marginalised groups actually result in improved services. Second, it is important to ensure that local government delivers services as efficiently and effectively as possible. Several CSOs are already working in this area, using a variety of professional approaches including the following:

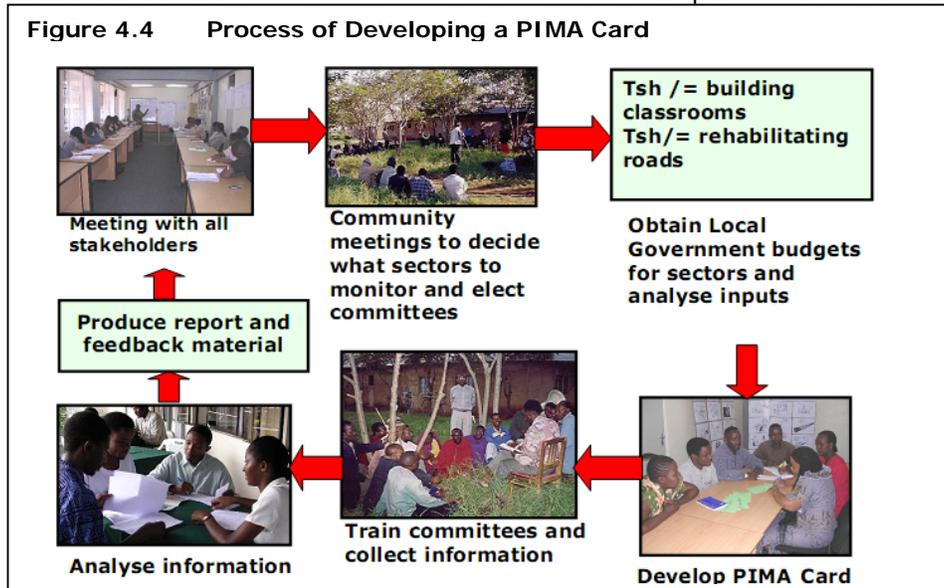
- **Public Expenditure Tracking.** Is the budget being spent as intended? Are disbursements flowing as planned? Does money allocated for a particular project actually get spent on that project? Are services improving as intended? CSOs are in a strong position to monitor the LGA’s progress against the budget. There are several examples of CSOs engaged in this work in different parts of Tanzania, including Hakikazi Catalyst, REPOA and TGNP.

Community Scorecards / PIMA Cards are an example of a PET approach being undertaken by Hakikazi Catalyst. Are women and men happy with the standard of services, and are they seeing and improvements? Citizens’ report cards are a simple way for CSOs to facilitate community assessments of local government performance. This can either monitor progress against budgets or can also be a very powerful input into the planning process. The table on the right is an example of a PIMA scorecard on agricultural extension, and the box on the next page presents the process. See the box below for more information on this experience.

Agriculture and Markets – Production Factors				
B1. Extension services				
B1.1 What types of extension advice were provided in your village last year and how satisfied are you with these services?				
	Not received	Poor	Satisfactory	Good
Pest management				
Improved seeds				
Advice on high return crops				
Crop processing advice				
Veterinary services				
Environmentally friendly farming				
Soil conservation				
Starting farmers’ associations				
Irrigation techniques				
Crop storage				
Crop processing				
Livestock Products processing				

- **Social Audits.** Does the LGA’s annual report reflect the true state of public services? Just as a financial audit looks whether financial statements represent a true picture, a social audit asks whether narrative reports reflect reality. CSOs can conduct independent monitoring of the state of public services, for example by physically visiting water points to check that they are functioning, to assess the standard of the official reports.

- **Financial Audit.** Once the office of the CAG has published its annual audit



reports, CSOs can pressure LGAs, perhaps through councillors, to give public explanations for any problems that have been highlighted, and to explain what measures they are taking to correct them.

With any of these approaches, it is important to think about how the data and analysis are used. Working in partnership with local government to improve planning processes and service delivery can be a very effective way of ensuring that the results of your work make a difference. And how will you make sure that they are available to members of the public?

It is again worth remembering that several important official documents are supposed to be publicly accessible, which can be very useful in holding local government to account. Details of what should be available and where it should be available from can be found in section 4.6 below.

4.4.3 Key sources on opportunities for civil society action at local government level

- Several NGOs are involved in work at LGA level. The NGO Policy Forum, SNV, REPOA, Hakikazi Catalyst and TGNP are all good sources of information on this type of work.
- The Public Expenditure Tracking resource book *Follow the Money*, published jointly by Hakikazi, REPOA and TGNP is an excellent source of information on PET and on community scorecards. It is available from www.hakikazi.org.

Box 4.5 Civil Society Organisations implementing Public Expenditure Tracking

Public Expenditure Tracking (PET) is 'following the money' from where it is disbursed by central government authorities, through local government, to end users such as schools and clinics. PET has many advantages in helping people to access and use financial information, and then to understand the relations between service provision, budget allocation and actual expenditure.

Information produced by PET can be useful for actors wanting to know whether there are leakages in the system, to understand the source of problems (e.g. lack of drugs in clinics), to know why the council is not carrying out its promises or plans, to ensure value for money, to target spending to achieve better results, and to improve reporting.

The main steps involved are as follows:

1. **Literature Review** – analyse local and national goals and policies paying particular attention to the groups, issues or sectors that concern you most. For instance, the Tanzanian coalition that developed the PETS methodology encourages users to maintain a gender perspective during the analysis, meaning that policies and budgets should be specifically examined to assess their different impacts on men and women.
2. **Map the budget process at district level** – it is important to map out the level and means of citizen participation as well as mechanisms to encourage such involvement. Equally significant is information on the most voiced opinions influencing budget priorities and the segments of society they emanate from.
3. **Talk with key actors about PET** – target key individuals in government and citizens who have the authority to influence decision-makers and develop a strong working relationship with them. An important outcome of this step is to get the agreement of key district officials to share the relevant financial information with you and to get information from citizens that will help you in developing an advocacy strategy.
4. **Introductory PET meeting** – The success of PET depends on the joint work of many individuals including PET implementers and those with budget and planning information that can add value to the findings produced through the exercise. The introductory meeting should include in its agenda a discussion of the findings from the first three steps already undertaken.
5. **Fieldwork** – The user should monitor the flow of funds to meet people's priorities at the district and village levels for a specific period of time – four weeks at least – so as to identify what monies are actually spent in village communities. It is vital that the collected information is carefully maintained as the data will then be compared with disbursements made at the district level for each of the communities in which data is collected.
6. **Feedback meeting at district level** – reporting back on the findings from community level and reflecting on the experience and lessons learned. This meeting can be very useful to get agreement for ongoing regular sharing of budget information.
7. **Systematic follow up** – PET is not a one-off event but rather an ongoing process of holding government officials accountable. Hence, participants should follow up on any assurances given by officials regarding access to information, develop a set of objectives, targets and indicators required to meet the needs of people and identify the actions needed to achieve the desired results.

Hakikazi Catalyst's PIMA Card in Action

Using the PIMA scorecard to implement PET, Hakikazi Catalyst in Arusha has managed to collect information such as:

- Whether available funds are sufficient or not to meet the demands of services required;
- Whether or not allocation of funds are pro-poor and equitable;
- Whether communities see the building of new classrooms as an important achievement under the National Poverty Reduction and Growth Strategy (MKUKUTA) and;
- Whether or not there is a lack of transparency regarding receipt and use of funds at the local level.

Sources:

- *Follow the Money: A Resource book for Trainers on Public Expenditure Tracking in Tanzania*, published by Policy Forum's Local Government Working Group under the stewardship of Hakikazi Catalyst, REPOA and TGNP.
- *Public Expenditure and Service Delivery Monitoring in Tanzania: Some International Best Practices and a Discussion of Present and Planned Tanzanian Initiatives*, Geir Sundet for USAID.

4.5 Challenges and Limitations of the Local Government Budget Process



The local government budget process is not perfect. Several challenges and limitations have been identified over the past 2-3 years by a variety of researchers and analysts.¹⁴ It is useful to understand what some of these challenges are, since they can result in the process being very different in reality from the way it is described in official policy. Some of the key weaknesses are as follows:

- **Lack of reliable budget data**

The planning figures provided by PMORALG and the MOFEA to LGAs are often subject to considerable revision after they are issued. This makes it hard for LGAs (and lower levels) to plan effectively, since they never really know how much money they will have available and what purposes it is earmarked for.

During the budget formulation process, the village and LGA budgets pass through several different government offices, many of which have the power to amend the budget. Sometimes, lower levels are not fully informed of such amendments until late in the process. When the final budget arrives at the start of the financial year, it may look very different from when it was passed by the district council or village assembly.

- **Local priorities get lost**

Related to the previous point, the priorities of villages and even LGAs can get lost as the budget passes through different offices. This may be due to concerns about capacity or budget feasibility, support for national government's development priorities, or even that more powerful figures are able to insist on their favourite projects getting support.

¹⁴ Key sources for this section are the 2006 Public Expenditure and Financial Accountability Review (PEFAR), which focussed particularly on local government, REPOA's local government research (see www.repoa.or.tz), and PMORALG's annual Local Government Fiscal Reviews (see www.logintanzania.net).

Local priorities can also get overlooked when funding that comes from national government is earmarked for sectors that villages have not prioritised. If a large proportion of development funding is pre-allocated to particular sectors, it restricts the freedom of district government to respond to local needs and priorities.

- ***O&OD and marginalised groups***
As discussed earlier, O&OD often results in plans that reflect the interests of wealthier, more influential community members. Women, youth, the disabled, the poor and people living with HIV/AIDS, for example, can find that their priorities are not heard.
- ***Multiple accounts, multiple accounting***
A concern for financial accountability has created a situation where a typical LGA may be operating up to **1,000** bank accounts, each assigned to a different institution, project or donor. They may also have multiple reporting requirements to several different sources of funds. This creates a very difficult financial management and reporting situation, where managers have to stay on top of such a large number of accounts. This problem has been recognised, and PMORALG has begun trying to address it, primarily by bringing more sectors within the LGCDG and block grant funding mechanisms and away from ministerial subventions.
- ***Limited HR autonomy***
The devolution of responsibility for recruitment and staff development to LGAs has lagged behind the other decentralization reform. This restricts the freedom of LGAs to plan according to local needs, in addition to reducing the accountability of local officials to the council and local community.
- ***Limited accessibility of information***
Although in principle, many of the key documents in the planning and budget process are public, it can often be very difficult to access this information. Much information stays on shelves or in computers rather than being on public display, and some public officials still have the attitude that access to information is not a right.
- ***Delays in planning process***
Delays at the start of the budget cycle create challenges that are hard to catch up from. For example, if the budget guidelines are issued late, it becomes very difficult for LGAs to carry out the O&OD process and budget in a meaningful participatory manner. For example, late issuance of guidelines makes it impossible to issue IPFs to wards and villages.
- ***Delays in disbursements***
Similarly, if funds are disbursed late, the annual implementation calendar becomes very short, and funds can easily remain unspent at the end of the financial year. This is a common occurrence.
- ***Capacity***
The financial management demands that are placed on LGAs are complex and require a certain level of expertise. This accounting and internal audit capacity remains a challenge for local government finance, with many LGAs lacking treasurers or internal auditors, or unable to retain such staff for long periods.

These challenges are recognised by the government, and they have committed themselves to addressing these weaknesses through reforming systems and building capacities. They have begun doing so, and have made a number of improvements during the past few years. Public participation and demands for accountability will be key for these improvements to be accelerated.

4.6 Where to Access More Information?

The Local Government Finance Act of 1982 (as amended in 2000) sets out requirements for Local Government Authorities to meet while drawing up their annual estimates of revenue and expenditure. This Act, along with the Local Authority Financial Memorandum of 1997, requires each council to advertise in the media and/or post information on the council notice boards key information including: receipts of funds from the government, expenditure, statements, budgets and signed audited accounts, tender advertised, as well as allowing the public to attend the full council meetings. It can however be difficult to access this information, as it may be late, there may be several different versions of key documents in circulation, and some officials may try to keep some information hidden.

In particular the documents listed in the table below are all intended to be public:

<i>Document</i>	<i>Available from</i>	<i>Available when (timings are often late)</i>
Local Government Planning and Budgeting Guidelines	PMORALG, www.logintanzania.net	Dec (but are often late pending release of the national budget frame)
Indicative Planning Figures (IPFs) for Wards, Villages and Mitaa	District Planning Officer, Ward Executive Officer, Village Executive Officer, ward and village notice boards	Jan (but often late)
Village Plan and Budget	Village Executive Officer, village notice board, village assembly meeting	Feb/Mar
Ward Plan and Budget	Ward Executive Officer, District Planning Officer, Ward Councillor, ward notice board	Mar/Apr
Proposed District Plan and Budget	District Planning Officer, full council meeting, district notice board	Apr
Approved District Plan and Budget	District Planning Officer, full council meeting, district notice board	Apr
National Budget Books	www.bunge.go.tz	Jun/Jul
Final Approved LGA Budget	District Planning Officer, district notice board, www.logintanzania.net	Jul/Aug
Final Approved Ward and Village Budget	Ward Executive Officer, Village Executive Officer, ward and village notice boards	Aug/Sep
Quarterly progress reports (village level)	Village Executive Officer, village notice board, village assembly meeting	Oct, Jan, Apr, Jul
Quarterly progress reports (LGA level)	District Planning Officer, district notice board, www.logintanzania.net	Oct, Jan, Apr, Jul
Disbursement notifications	National newspapers, district notice boards	Throughout

4.6.1 Key sources of local government budget data

In addition to information in the media and on notice boards the following sources can be useful means of accessing local government budget data.

- **Local council meetings** can be a very useful source of information. Full council meetings are open to the public, and all information that is presented there is public information. This includes proposed plans and budgets as well as quarterly progress reports.
- The website www.logintanzania.net provides a large amount of budget data from LGAs across Tanzania, including details of intergovernmental transfers, local revenues, sectoral expenditure plans, and expenditure reports. A large range of different report formats are available, and a huge amount of data. The site also has an excellent documents section that includes policy documents, annual reviews, audit reports and budget guidelines.
- The **Tanzania Governance Notice board** (www.repoa.or.tz/content/blogcategory/10/43/) also has some useful local government budget data online.

A detailed list of useful references describing the local government budget process is available in the Resources section at the end of this guide.

Part II: The Fine Print

5. Legal and Policy Framework¹⁵

The budget process described in Chapter 3 and Chapter 4 is governed by a number of laws and policies. Some of these have been mentioned in passing, but this chapter discusses them in greater detail. Understanding these laws and policies is important for designing certain advocacy efforts, since the legal framework lays out in detail the roles and responsibilities of various Government bodies, and the policy framework clearly outlines the Government's stated long-term goals. The ways in which civil society organisations can use legal and policy documents to back up their work is presented in further detail in Chapter 9 in the section on social accountability monitoring.

5.1 Legal basis for the budget

The legal basis for the preparation of budgets and the assignment of responsibilities to various actors in Tanzania includes the following provisions:

- Chapter 7 of the **Constitution of the United Republic of Tanzania** (1977) outlines the legislative function and the role of various bodies involved in the management of public finances, specifically Parliament (the Legislature), the President (the Executive) and the Controller and Auditor General (CAG).
- **The Public Finance Act 2001**, (as amended in 2004) and its subsidiary legislation (The Public Finance Regulations, 2001, (as amended in 2004), define in great detail the roles, functions and responsibilities in management of government revenue and expenditure (the Minister of Finance, the Paymaster General, the Accountant General, the Accounting Officers and Warrant Holders in ministries, departments and agencies as well as the Controller and Auditor General). These laws also define the accounting, control and reporting systems.
- **The Public Procurement Act, 2004** sets out rules and procedures for the procurement or purchasing of goods and services. This Act **replaced the Public Procurement Act, 2001** in order to improve the regulation of public procurement by establishing the public procurement regulatory authority, tender

>> Accessing Legal Documents

All Principal (i.e. Acts/Ordinances) and subsidiary legislation (e.g. Regulations), including Bills can be purchased from the Duka la Vitabu (Government Bookshop) located on Jamhuri St in **Dar es Salaam**, Tanzania.

Additionally, all the laws (including amendments as at **July 31, 2002**) of the United Republic of Tanzania have been consolidated into 21 volumes, and are commonly referred to as 'the Revised Laws of 2002,' or 'Revised Edition, 2002'. At the time of writing, the set can be purchased from Law Africa, 3rd Floor, Raha Towers, Maktaba St, P.O. Box 38564, Dar es Salaam, Tanzania. Tel: +255 22 2120804/5, Fax: +255 22 2120811; Email: salestz@lawafrica.com

Internet Sources:

The English version of the Constitution can be downloaded in full from the Tanzania National website available at: <http://www.tanzania.go.tz/>

English versions of all Acts of Parliament can be downloaded from the Parliamentary website: http://www.parliament.go.tz/bunge/PAMS_LS.asp.

Another website containing some Tanzanian principal and subsidiary legislation (in English) is available from the World Law Database, accessible at <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxwetan.htm>.

For local governments, the Local Government Finance Act and the attendant Financial Memorandum can be downloaded from www.logintanzania.net

¹⁵ This section draws heavily from CSA (2007) *Accountability and Service Delivery in Southern Africa: The Case for Rights-Based Social Accountability Monitoring, Report One: Tanzania*

boards, the principles and methods of purchasing goods and services, and dispute settlement. With respect to consultants, the regulations were updated in 2005 to outline specific guidelines for the selection, recruitment and payment of consultants.

- The annual **Finance Act** grants powers to the Minister of Finance to impose taxes.
- The annual **Appropriation Act** gives the Government authority to appropriate, or obtain funds from the Exchequer Account to cover spending by central and local government, departments, and agencies. The Act also allows the Minister of Finance to allocate money from the Consolidated Fund to individual votes (refer to glossary for definition of 'vote');
- The **Local Government Finance Act, 1982** (as amended in 2000) sets out requirements for Local Government Authorities to meet while drawing up their annual estimates of revenue (income) and expenditure (spending). This Act, along with the **Local Authority Financial Memorandum, 1997**, require each council to advertise in the media and/or post information on the council notice boards key information including: receipts of funds from the government, expenditure, statements, budgets and signed audited accounts, tender advertised, as well as allowing the public to attend the full council meetings.

Box 5.1 Tanzania Taxation Acts

- The Excise (Management and Tariff) Act, 1952
- The Hotels Act, 1963
- The Airport Service Charges Act, 1962; Port Services Charges Act, 1972;
- The Motor Vehicles (Tax on Registration and Transfer) Act, 1972; The Foreign Vehicles Transit Charges Act, 1995;
- The Stamp Duty Act, 1972;
- The Road and Fuel Tolls Act, 1985;
- The Vocational Educational and Training Act, 1994;
- The Tanzania Revenue Authority Act, 1995; The Tax Revenue Appeals Act, 2000;
- The Value Added Tax Act, 1997;
- The Land Act, 1999;
- The Pools and Lotteries Act, 1963; The Gaming Act, 2003;
- The East African Community Customs Management Act, 2004;
- The Income Tax Act, 2004;

- A number of **taxation acts** govern the way in which the government raises domestic revenue. These are shown in **Box 5.1**.

- At the time of writing **The Public Audit Act, 2008** (Bill No. 6, gazetted under GN No 9, Volume 89, dated April 18, 2008) was tabled for a second reading in Parliament. This Bill intends to strengthen and increase the independence of the Controller and Auditor

General (CAG). It includes a provision requiring the CAG's budget to be guided by the advice of the Public Accounts Committee, rather than determined by MOFEA alone. In addition, the CAG will be able to undertake its own recruitment rather than having to apply to MOFEA. If it is passed, the Public Audit Act, the CAG will have full freedom in terms of the scope and type of audits it conducts. The CAG's recommendations will be able to include revisions to any relevant law. The Bill represents a step forward in many ways, but still allows the President to appoint the CAG rather than the National Assembly (which would be a move toward greater independence of the CAG). Such a change would have required changing the Constitution. Thus the Bill stops short of meeting international standards for independence of Supreme Audit Institutions.¹⁶

¹⁶ See the Afrosai-E Level 3 ("Established Level") standards

5.2 Policy/Planning Framework¹⁷

The national frameworks which guide strategic planning by Tanzanian central and local government departments include the following:

5.2.1 The Tanzania Development Vision 2025

Vision 2025 was adopted in 1999 and sets out long-term aspirations the Government of Tanzania would like to see over the coming 25 years. Vision 2025 aspires to achieve the following by 2025:

- High quality livelihood
- A strong and competitive economy
- Good governance
- A well educated and learning population
- Peace, stability and unity

This vision is meant to guide the efforts of MDAs, Regions, LGAs, the private sector, Non-Governmental organisations (NGOs), civil society, cooperative societies, village assemblies, and all other social groups

5.2.2 The Medium Term Plan

The Medium Term Plan (MTP) was adopted in 2000 to give effect to Vision 2025 and to set out a policy framework for sector objectives, strategies and targets. The MTP also provides linkages between sector policies, programmes and strategies and articulates the roles and responsibilities of different sectors (public and private) in achieving Vision 2025. It also identifies priority areas to be focussed on by all players including those that are mainly the responsibility of the Government.

5.2.3 MKUKUTA

During the 2005/2006 financial year, the distribution of public resources was re-arranged according to clusters of outcomes identified by a National Strategy for Growth and the Reduction of Poverty (NSGRP). The NSGRP, better known by its Kiswahili acronym **MKUKUTA**, is a five-year strategic plan, starting in 2005 and ending in 2010. It looks at improvement through three clusters:

1. Good Governance and Accountability
2. Growth and Reduction of Income Poverty
3. Improved Quality of Life and Social Well Being

These three clusters were noted earlier, in terms of how Government expenditure is classified.

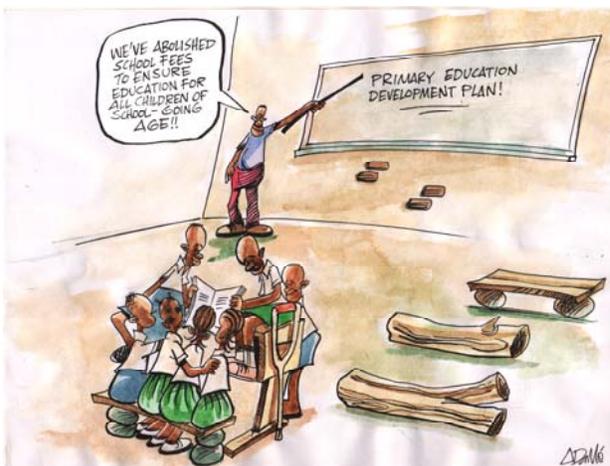
MKUKUTA includes targets and poverty reduction outcomes which are consistent with, and indeed in many cases go beyond, the **Millennium Development Goals** or MDGs. In September 2000 a large gathering of world leaders, including leaders from Tanzania, adopted the UN Millennium Declaration, committing their nations to reduce extreme poverty and setting out a series of eight time-bound targets, with a deadline of 2015:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS and Malaria
7. Ensure environmental stability
8. Develop a global partnership for development

¹⁷ This section draws heavily on URT (2005), *Medium Term Strategic Planning and Budgeting Manual*

5.2.4 Sector Policies and Strategies

While Vision 2025, MTP and MKUKUTA provide guidance on cross-cutting issues, sector policies and strategies provide guidance on sector-specific issues. These sector policies and strategies are usually linked to the national frameworks and show how to achieve the national goals and objectives by identifying sector interventions. Some of the sector policies and strategies include the National Energy Policy, Rural Development Strategy (RDS), Agricultural Sector Development Programme (ASDP), National Multi-Sectoral Strategy for HIV/AIDS, National Policy on HIV/AIDS, National Health Policy (NHP), National Water Policy (NWP), and the Rural Development Policy (RDP). Ministries, Departments and Agencies often link their initial budget requests to costings of sector policies and related plans.



Tanzania began systemic reforms in the mid 1990s when a team of independent advisers was commissioned to evaluate the country's aid relationships in the context of aid effectiveness.

Public Financial Management Reform Programme (PFMRP)

The largest and most comprehensive of the core reforms is the Public Financial Management Reform Programme (PFMRP). This programme aims to improve budgeting, public accounting, auditing and procurement and has strong links with all the other core reform processes. The components of the PFMRP generally aim to achieve the following:

Budget Reform – aims to strengthen budget preparation and implementation to enable budget allocations to link better with MKUKUTA targets through the Strategic Budget Allocation System (SBAS) computer software, to provide better financial controls through an integrated financial management system (IFMS) known as EPICOR, to force government ministries departments and agencies to justify their estimates with evidence from past performance (performance budgeting), to enable development partners and other non-government actors to monitor public expenditure management on a regular

>>Accessing Policy & Planning Documents

Vision 2025, the Medium Term Plan and MKUKUTA can be downloaded from the Government of Tanzania website. A number of policy documents are also available for download on the Tanzania Online website (<http://www.tzonline.or.tz/index.html>). In addition, Save The Children produced a simplified version of MKUKUTA in 2006, in English and Kiswahili.

Most sector policy documents are also available for download on the different Ministry websites, or upon request from the Ministry.

Information on local government reforms can be found at www.logintanzania.net

The Planning and Budget Guidelines have been available on the Ministry of Finance website, or through participation in the PER.

It is typically difficult for CSOs to access Ministry MTEFs.

5.2.6 Core reforms (*Maboresho*)

Maboresho or *core reforms* refer to a set of systemic improvements planned to ensure that there is efficient and effective management of resources available in the national budget in order to achieve MKUKUTA outcomes.

basis through the Public Expenditure Review (PER), and to evaluate performance in public financial management once a year through the (Public Expenditure and Financial Accountability Review) PEFAR.

Auditing – Efforts to improve auditing have already begun to bear fruit. While there used to be a considerable backlog, public audits are now timely, thanks to a strengthened, more independent and better resourced National Audit Office (NAO). Internal Auditing in MDAs and LGAs has been strengthened by hiring additional staff and frequent trainings to upgrade skill of the auditors and accountants. Audit reports are now publicly available online for central, regional and local level, as well as for parastatal organisations at www.nao.go.tz. The government is now planning to conduct value-for-money audits. Value-for-money audits are used to measure the effective and efficient use of funds, where the standard commercial or profit-oriented audits will not be sufficient or are inappropriate. The number of adverse and qualified opinions is still high but is slowly diminishing. However, the internal audit function is still an area of concern within the public sector.

Procurement – Most improper spending in government relates to the purchase of goods and/or services or procurement. The government has reformed its procurement systems considerably to ensure value for money, better financial control and to minimise corruption in this sector. This has been supported by a new law on procurement established in 2004 to set an appropriate legal framework, the establishment of the Public Procurement Regulatory Authority (PPRA) www.ppra.go.tz to monitor, regulate and build capacity for better procurement practices within the public sector. However, the outcomes in the area of procurement standards, procurement audits and reduced corruption largely remain to be seen.

Public Service Reform Programme (PSRP)

One of the first reforms to be implemented after the ‘Washington Consensus’¹⁸ was the Civil Service Reform Programme (CSRP 1991-99). Its main objectives were to reduce costs by rationalising core functions and restructuring. By 1999, the need to also address service delivery improvement became apparent and hence the birth of the Public Service Reform Programme (PSRP). This includes an elaborate system of performance management (including performance budgeting) that spans from ministry to local government to the individual public servant. It also starts to address direct accountability of public servants to the public by introducing client service charters, service delivery surveys, and public outreach programmes. The biggest challenge faced by PSRP has been that although reforms are planned within a department in the President’s office, their implementation is done by other parts of government. This not only requires considerable coordination but also means that they have to persuade other MDAs and LGAs to prioritise these reforms over all their other competing priorities and in an environment where there are significant incentives to maintain the current status of affairs. For this reason, PSRP has been generally slow in demonstrating outcomes and impact despite the considerable reforms that have been introduced.¹⁹

Decentralisation by Devolution (‘D-by-D’)

The Local Government Reform Programme (LGRP) was launched in 1997 and implemented from 1999 with the key objective of improving service delivery through decentralisation-by-devolution or ‘D-by-D.’ ‘D-by-D’ is meant to promote financial, political and administrative decentralisation of decision-making from central to local

¹⁸ The ‘Washington Consensus’ of 1990 was a list of disciplinary measures agreed by the developed countries through the World Bank and the International Monetary Fund. These were imposed on developing countries in crisis situation, like Tanzania.

¹⁹ For more information on the status of public service reforms see PO-PSM’s website: <http://www.estabs.go.tz/>

government level. Decentralisation is important to the budget process because an increasing proportion of national resources are now to be spent at local level. It is important that allocations to local level are made fairly, disbursed efficiently, and managed accountably to achieve development targets. Decentralisation is discussed in further detail in Chapter 4 on the local government budget process.

Other Reforms

There are other generic multisectoral and sector reforms that exist to support the 3 main core reforms. These include generic reforms such as the National Anti-corruption Strategy and Action Plans (NACSAP) aimed at creating an environment within the public sector where corruption is neither facilitated nor tolerated, the Legal Sector Reform Programme to overhaul the judicial system to ensure that cases are addressed in a fair, efficient and timely manner, multisectoral reforms, such as the Multisectoral HIV and AIDS Plan or Gender Planning and Budgeting within government, and sector reforms such as the Primary Education Development Programme (PEDP) or the Health Sector Reform Programme. All these other reforms are derived from and support the three core reforms discussed above, which in turn are derived from and support MKUKUTA.

6. Analyzing Revenue

This chapter discusses the main components of Government revenue in greater detail. It discusses different revenue sources in terms of their total contribution to the budget, and the advantages and disadvantages of relying on different types of revenue. Most of this discussion is focused on money raised by the central government. Local government revenues are discussed separately at the end of the section on domestic revenue.

>> Finding Information on Revenue

Most information about the Government's plans to raise revenue in a given year can be found in Volume I of the budget books. Additional information about the structure of Tanzania's tax system is available from the Tanzanian Revenue Authority (TRA), through their website or a variety of taxpayer information publications available upon request.

The Ministry of Finance's Quarterly Budget Execution reports also contain useful information about domestic revenue, both budgeted amounts and performance.

6.1 Domestic Revenue

Domestic revenue refers to revenue that is raised within the borders of a country – from taxes paid by citizens, duties on imports, profits from privatization, and various other fees. In Tanzania, domestic revenue accounted for about 60% of the total Government budget in 2007/08. For FY2008/2009, the Government expects domestic revenue to account for about 65.5%.

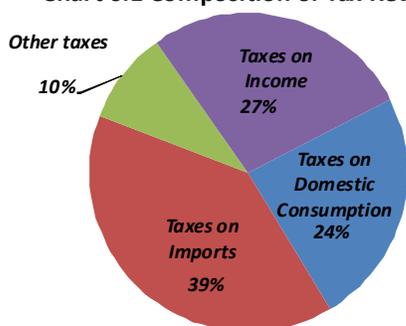
6.1.1 Taxes²⁰

In Tanzania, domestic revenue is mostly raised through taxes paid directly (i.e. income tax) or indirectly (VAT and import taxes) by citizens. In 2007/08, tax revenues accounted for about more than 90% of all domestic revenue. According to the TRA, the number of registered taxpayers as at May 31, 2008 stood at 393,410.

A **tax** is a compulsory transfer from an individual or a business to the Government. It is not paid in order to receive any specific service. Every tax is characterized by a **tax base** (what is being taxed) and a **tax rate** (how much is being taxed).

As shown in Chart 6.1, Tanzania's major sources of tax revenue are taxes on income, consumption and international trade.

Chart 6.1 Composition of Tax Revenue



Data Source: 2007/08 Budget, MOFEA

²⁰ The website of the Tanzanian Revenue Authority contains a wealth of information about the tax system in Tanzania. See http://www.tra.go.tz/info_admin.htm

Box 6.1 What is a Good Tax?

Not all taxes are created equal. But what makes a tax “good” or “bad”? The following criteria are useful to assess different tax types:

- **Effectiveness**
The main goal of taxation is to raise revenue. Thus, it is important to consider how much money a given tax type raises. A good tax should have an adequate and stable tax base.
- **Enforceability**
Taxes should be considered not just in terms of their theoretical ability to generate revenues, but also by their functional ability to do so. That is, how easy or difficult is it for the Government to enforce payment of different taxes? And how much does enforcement cost? A good tax should not cost too much to collect, relative to how much it raises (so-called nuisance taxes).
- **Equity**
Equity considers how “fair” a given tax type is – that is, how the burden of a given tax type is distributed across society. Equity takes into account the effect of a tax on overall distribution of income and wealth in the country. A good tax system should distribute the tax burden across tax payers in a manner that is consistent with accepted norms of fairness and equity.
- **Efficiency**
Efficiency refers to how a given tax affects the country’s economy as a whole. Taxes affect the economy by changing incentives and behaviour, in terms of how much people work, save, or invest. Economic distortion may occur if people shift away from taxed activities to untaxed activities – or from heavily taxed activities to lightly taxed ones. In addition, high taxes may encourage businesses and workers to operate in the informal sector.

There is often a trade-off between these different criteria. For instance, if all employees in the formal sector were required to pay 99% of their incomes in tax, the Government could raise an enormous amount of money – at least in theory. But that tax might be very difficult to enforce – and could also introduce distortions into the economy, as it would likely encourage people to seek employment in the informal sector. Such a tax might also drive away foreign investment.

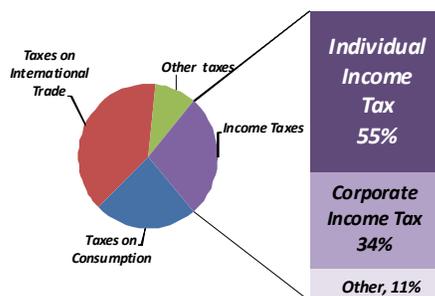
Income Taxes²¹

One of the major contributors to domestic revenue in Tanzania is the income tax – which is assessed on individuals and businesses.

The **individual income tax** is charged and is payable for each year of income by every person who earns income from employment, business and/or investment.

Tanzania’s income tax has a **graduated rate structure**, which means that the percentage of tax owed increases with a person’s income. Table 6.1 shows the income tax rates charged for different **income tax brackets²²**.

Chart 6.2 Composition of Income Tax



Data Source: 2007/08 Budget Estimates, MOFEA

²¹ The Ministry of Finance website has a number of useful references about the income tax, available here: <http://www.mof.go.tz/mofdocs/revenue/revincome.htm>. Also see the Tanzania Revenue Authority’s website on *Tax Administration and Structure*: http://www.tra.go.tz/info_admin.htm

²² For more information on how income tax rates are charged and applied, see http://www.tra.go.tz/income_rates.htm

Table 6.1 Individual Income Tax Rates in Tanzania, 2007/08		Individual Income Tax Rates FY2008/09	
0-80,000	0	0 - 100,000	NIL
80,000-180,000	15%	100,001 - 360,000	15% of the amount in excess of 100,000
180,000-360,000	20%	360,001 - 540,000	Tshs 39,000 plus 20% of the amount in excess of 360,000
360,000-540,000	25%	540,001 - 720,000	Tshs 75,000 plus 25% of the amount in excess of 540,000
540,000 and above	30%	720,000 and above	Tshs 120,000 plus 30% of the amount in excess of 720,000

How does the individual income tax look in terms of the criteria described above? In terms of effectiveness, it does well. In FY2007/08, the individual income tax is expected to raise TZS 483 billion, or 15% of all tax revenue. This makes the individual income tax the biggest generator of domestic revenue after the excise duty and VAT on imported goods.

The income tax is enforced by a few means - the most prevalent

and effective is the **'Pay As You Earn' (PAYE)** system. Under PAYE, the amount of tax owed is withheld by the employer and subsequently remitted to the Commissioner of Income Tax each month. While the PAYE system is a good way of automatically enforcing payment of the income tax, it only captures employment income from registered taxpayers in the formal sector. Given that so many people are employed in the informal sector, or do not register, this means that many people avoid paying individual income tax.

Yes, Allowances Should be Taxed!
 According to Tanzania's Income Tax law, **all benefits or allowances payable to employees are taxable** except duty allowance paid to an officer while on official duty.

The graduated rate structure of the individual income makes it a **progressive tax**, which helps reduce income inequality. Progressive taxes and other questions of tax 'fairness' are discussed in further detail in Box 6.2.

Box 6.2 What Makes a Tax 'Fair'?

Tax fairness may be judged by how the burden of paying tax is distributed across society. Taxes can be classified in the following ways in terms of how the burden is distributed:

- A **regressive tax** accounts for a smaller share of income for higher-income individuals than lower-income ones. The fuel levy is an example of a regressive tax, since it takes a larger relative "bite" out of a poorer person's income than a richer person's.
- A **proportional tax** is one that taxes everyone at a constant percentage of his or her income. The corporate income tax, which taxes all businesses at the same rate of 30%, is an example of a proportional tax.
- A **progressive tax** requires higher income people to pay a larger share of their income than lower-income people. Progressive taxes reduce income inequality. The individual income tax, with its graduated rate structure, is a progressive tax

Tax fairness can be judged according to the 'ability-to-pay principle' or the 'benefits principle.'

The ability to pay principle holds that people with a higher ability to pay (i.e. because of higher incomes) should pay more tax, and people with a lower ability should pay less. Such a view works to ensure horizontal equity, whereby people in equal positions pay the same amount of tax.

The 'benefits principle' holds that only the people who benefit from a particular government program should have to pay for it. The benefits principle regards public services as similar to private goods and regards taxes as the price people must pay for these services. In practice, the benefits principle is difficult to enforce, and as a result has a small role in designing tax policies.

Tax fairness should be assessed not only in terms of individual taxes but in terms of the entire tax system – the mix of all taxes and tax policies that affect citizens in society.

In theory, the individual income tax has a relatively small effect on the economy. It does not directly or strongly affect the prices of any one good over another, and it does not make people less inclined to work or to invest. Because it also targets everyone, there is little place to go to escape the tax, because there are few substitutes for a job. That said, it could be argued that the individual income tax encourages people to remain employed in the informal sector, although stricter Government regulations are working to expand its reach.

The **corporate income tax** is similar to the individual income tax except that it is assessed on businesses. The corporate income tax does not have a graduated rate structure, although a slightly lower rate is charged for a newly listed company to the Dar es Salaam Stock Exchange with at least 35% of its shares issued to the public for three consecutive years from date of listing. Some additional taxes are assessed on non-resident businesses.

The corporate income tax is also a significant revenue generator – in 2007/08 it was expected to raise TZS 304 billion, or 9% of all tax revenue.

Enforcement of the corporate income tax remains a challenge, as many businesses are not registered in the formal sector. Even in the formal sector, enforcement has been a challenge. For instance, the Government has failed to fully capture corporate income tax owed by some mining companies, due to under-reporting of profits or overstatement of losses. According to TRA, there are only about 350,000 traders registered to pay

Type of business	Resident	Non-Resident
Corporate Tax Rate	30%	30%
Newly listed company to DSM Stock Exchange	25%	25%
Total income of domestic permanent establishment	N/A	30%
Repatriated income of branch	N/A	10%

corporate taxes. However, and for the first time ever, as of July 1, 2008, a new minimum tax, known as an Alternative Minimum Tax, of 0.3% on gross turnover will be levied on companies that make taxable losses for three consecutive years. This is an effort by the Government to contend with companies that report losses due to favourable tax incentives, but are actually profitable entities.

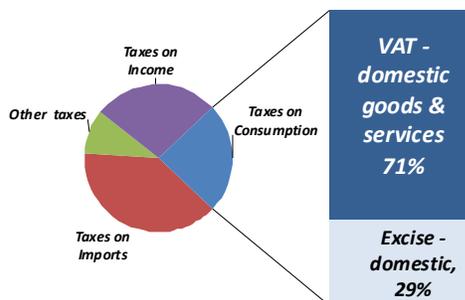
Although the corporate tax does not have a graduated rate structure like the individual income tax, businesses are more likely to be owned by higher income segment of population, so the tax may also be seen as a way to reduce income inequality.

As with the individual income tax, it has been argued that high corporate tax rates reduce economic growth and encourage tax evasion. Tanzania’s corporate tax rate is the same as neighbours Kenya and Uganda.

Consumption Taxes

Another major source of domestic revenue is tax on the consumption of goods and services. In Tanzania the most significant consumption tax is the **Value Added Tax** or **VAT**. VAT is charged by registered traders on all taxable goods and services. The VAT is levied at each stage of production and distribution chain up to the retail stage. (The tax is also levied on all taxable imports made by persons whether or not registered for VAT.) There are currently two rates of VAT -

Chart 6.3 Composition of Consumption Tax



Data Source: 2007/08 Budget Estimates, MOFEA

the standard rate of 20% and zero rate, which mainly applies to exports.

All traders or businesses that have a taxable turnover exceeding TZS.40 million in a period of 12 consecutive months are obliged to register for VAT. According to the TRA and as at May 31, 2008, there are 8,921 VAT- registered traders.

In terms of the criteria we have been using to assess different tax types, the VAT fares well in terms of its effectiveness – accounting for 17% of total tax revenue²³. In terms of enforceability, it also does well, at the individual consumer level, since VAT can be included in the price of goods. However, the significance of the informal sector reduces the VAT's enforceability, since many traders do not register.

Equity concerns are inherently more difficult to address with the VAT and other consumption taxes, since the same tax rate applies to all consumers, regardless of their income. The VAT may therefore cause low income earners to tax a higher proportion of their incomes for 'mass consumption' goods and services.



However, it is possible to address equity concerns by exempting certain 'necessities' from the VAT, or taxing them at a rate of zero. The following items are exempt from VAT in Tanzania: livestock, unprocessed edible meat and other animal products, unprocessed dairy products, fish, unprocessed agricultural products (edible vegetables, fruits, nuts, bulbs and tubers, maize, wheat and other cereals, meal flour, etc.), as well as certain health and education supplies.²⁴

An **excise duty** is also charged on certain consumer goods. Excise duties are usually levied to discourage consumption or importation of certain goods that impose **negative externalities**. Negative externalities refer to negative effects on society, and are often cited in terms of the impact on the environment or public health.

The excise duty is levied on specified scheduled goods and services including beer, cigarettes, soft drinks, wines, and spirits; mobile phone services plastic shopping bags and satellite television services. The duty is charged either at specific or **ad valorem** rates depending on the type of

²³ Based on 2007/08 Budget Estimates; refers to VAT on domestic goods and services only.

²⁴ For a complete list of all exempt items, see Schedules to the Value Added Tax Act No. 24 of 1997

goods. An ad valorem rate is a rate charged in accordance with the value of a good. Currently there are two ad valorem rates - 5%, and 15%. However, most of the locally manufactured goods are charged excise duty at specific amounts for a given number or quantity.

Excise duties are considered to be effective since they raise significant amount of revenue while affecting a relatively small number of people.

Taxes on Imports

In order to supplement national production and expand the market for goods and services produced within the country, Tanzania conducts trade and other business affairs with the rest of the world. In these transactions, various taxes and duties are imposed. Taxes on international trade are primarily administered by the Customs and Excise Department of the Tanzania Revenue Authority. The main taxes on international trade are: import duty, VAT on imports, and excise duty on imports

The **import duty** is levied on imported goods at an ad valorem rate. In Tanzania under the current Custom Duty rate structure, there are three tariff bands – 0%, 10%, and 25% - charged on different categories of goods as shown in Table 6.3.

<i>Item(s)</i>	<i>Rate</i>
Select inputs and supplies for agriculture, horticulture and mining, motor vehicles in complete knocked down form, raw materials, capital goods, computers, mobile phone handsets, machinery and equipment, motor vehicles, solar equipment and accessories	0%
semi-processed inputs and fully processed inputs and motor vehicle spare parts lubricating greases, pen nibs etc.	10%
Final Consumer goods	25%

Many imports from members of the **East African Community (EAC)** are exempt from the import duty. However some goods originating from the EAC are charged import duty but these are expected to be gradually phased out.

An **excise duty** is also charged on the importation of certain consumer goods, as shown in Table 6.4.

The **Value Added Tax (VAT) on Imports** is levied on all goods and services imported into the country unless such goods or services are specifically exempted under the VAT Act. All importers must pay VAT regardless of whether or not they are registered for VAT.

<i>Item(s)</i>	<i>Rate</i>	Excise Duty Rates on Selected Items 2008/09
cigars	30%	30%
Carbonated soft drinks	Tshs 48 per litre	Tshs 54 per litre
saloon cars, station wagons, & 4WD vehicles with engine capacity exceeding 2000 cc	10%	Cars with engine capacity 1000cc and less – 0% Cars with engine capacity 1001 cc but less than 2000 cc – 5% Cars with engine capacity over 2000cc – 10%
Mobile phone services	7%	10%

Concern has been raised about the negative impact of certain VAT charges, which automatically raise the cost of certain goods, beyond the reach of many poor women and

men. In the last budget, for example, an import tax [of 10%] was levied for the first time in recent history on medical drugs for human consumption, excluding ARVs. This measure increased the costs of care and treatment for people living with HIV/AIDS, given their reliance on antibiotics.

Goods for export are charged at a zero-rate VAT.

Other Taxes

In addition to the tax types described above, there are a number of other taxes (the revenue or income from these other taxes amounted to about 13% of total tax revenues in 2007/08).

One of the more prominent other taxes is the **skills and development levy**, which is based on the gross monthly salary paid by employers to employees and is governed by the Vocational and Training Act, 1974. It requires employers with four or more employees to pay the tax every month. The tax rate is 6% of the total gross emoluments paid each month. Two thirds of the collection goes to the Treasury and the remaining one third is remitted to the Vocational Education Training Authority.

Other taxes include the fuel levy, taxes on motor vehicles, and stamp duty.



6.1.2 Non-Tax Revenues

As noted above, tax revenue in Tanzania accounts for the vast majority (over 90%) of total domestic revenues. The remainder of domestic revenue is comprised of what is called 'non-tax revenue.' This includes revenue from licenses, fees, dividends from parastatals, privatization proceeds and revenues from **extractive industries** in the form of royalties and direct contributions. They are collected by the Ministry of Finance and other Central Government Ministries, Departments and Agencies.

Licenses

A **license** is usually an authority or liberty given by proper authorities to perform certain activities or to carry on a certain business, without which such activities would be illegal. It is a grant of permission or authorization, such as a driving license, intoxicating liquor license, business license or even a license to practice medicine or preaching. It covers a specified period of time. License proceeds are collected by the central government, Tanzania Revenue Authority, or are directly paid to the local authorities.

Fees

Fees are usually paid for as a reward or compensation for services rendered or to be rendered, especially payment for professional services. These include building permit fees, tender fees, refuse collection fees, auction fees and many others.

Parastatals

Parastatals are corporations which are wholly or partially owned and managed by the government. The definition can also be extended to include corporations where the government has shares and receives dividends. The Ministry of Finance Treasury Registrar is the custodian of all shares in Government Assets and Parastatals within and outside the country. The Ministry of Finance receives revenue from dividends from local and international parastatal enterprises. The revenue is collected and recorded by the Treasury Registrar's Revenue. Some local parastatals include Tanzania Ports Authority (TPA), Tanzania Petroleum Development Corporation (TPDC), General Tyre, Tanzania Cigarettes Co. Ltd, National Housing Corporation (NHC), National Insurance Co. Ltd (NIC), Tanzanian Investment Bank, and the Bank of Tanzania.

Tanzania also receives dividends from foreign investments, including the African Development Bank (ADB), ADB Shelter Afrique, International Bank Research and Development (IBRD), PTA Bank, IDA, Multilateral Investment Guarantee Agency and the African Reinsurance Corporation.

Privatization

Privatization broadly means transferring the control of an enterprise from the government to the private sector. Generally but not always, this also means transferring ownership of the public sector enterprise as well as control. Revenue from this transfer accrues to the government on a one-time basis. It can be accomplished by direct sale of assets or part or all of equity, leasing, management contracts or the contracting out of functions. The government can sell 100% of an enterprise or even a minority stake as long as the private sector is given full managerial control.

The government can also raise money by selling a smaller share without transferring control to the private sector. This process, **divestiture**, is not privatization as such.

Tanzania began the privatization process in 1985. Since then, the government has been receding from the control of public enterprises and allowing the private sector to play a more prominent role. In the financial year 2007/08, the government was expecting to raise Tshs. 15 billion as privatization proceeds, contributing about 0.4% of total domestic revenue. In FY 2008/09, the Government expects to raise Tshs 58 billion in privatisation proceeds, contributing about 0.8% of total revenue.

It can be argued that public services such as water, education and health should never be completely privatised, as a matter of principle. Is it not the government's responsibility to ensure that each citizen has access to quality public services of water, sanitation, health and education, without financial cost being a barrier to access?

Extractive Industries (Mining, fishing, logging)

Tanzania's natural resources – including its forests, fish, gold and other minerals – also provide revenue to the Government. The **extractive industries** of oil, gas, fishing, logging and mining are obliged to pay dividends, specified as *ad valorem* and royalties to a future generation fund and a percentage or fixed amount of revenues for development in the area where extraction is taking place.

Box 6.3 Privatising Water: The Case of Dar es Salaam

In 2003, the water supply infrastructure for Dar es Salaam was leased to a private company, City Water Services, on a ten year contract. This decision was taken with the aim of improved efficiency. Less than two years later, City Water's lease was terminated abruptly, and a government-owned company, DAWASCO, was set up to take over the contract on very similar terms.

A number of problems contributed to the failure of this privatisation experiment. City Water inherited a legacy of underinvestment, neglect and poor management that was always going to be difficult to turn around. They had very little reliable information available on the state of the infrastructure before privatisation. And, the legal system did not provide effective support when they tried to tackle the problem of illegal connections. At the same time, City Water failed to bring about the improvements in management and efficiency benefits that had been hoped for. In addition, City Water was given both the service providing and the regulatory role, which likely led to this failure.

Some cite the City Water experience as evidence that privatising public goods is bound to fail, especially in terms of delivering services to poor communities. But more fundamentally, the experience of City Water and of DAWASCO showed that delivering water services in Dar es Salaam is not currently a viable business. In such circumstances, the utility is forced to focus on communities that are most willing and most able to pay – the wealthier communities. Improving services to poorer parts of Dar es Salaam is unlikely to be prioritised. This is the case whether the utility is private, as with City Water, or publicly-owned, as with DAWASCO.

The question may therefore not be whether or not privatisation itself is a good thing, but how a utility can be encouraged to prioritise service delivery to the poor. A public utility can take a policy decision to prioritise un-profitable communities, although this raises questions of sustainability and risks undermining other efforts to improve efficiency. A private utility will only give these communities priority if it is made artificially profitable by well-targeted public subsidies or if they are forced to do so under the terms of their contract.

Recent assessments show that Tanzania is failing to capture a significant proportion of potential revenue from the extractive industries. A 2007 report by TRAFFIC²⁵ estimated that Tanzania fails to capture billions of shillings in potential revenue each year from logging, due to poor contracts and corruption. In April 2008, a civil society campaign ("Mama Misitu") was launched to address corruption and mismanagement in the forestry sector.²⁶

Recent investigations are probing whether gold mining contracts are structured in a way to optimally benefit the Government, after revelations that only a tiny fraction of the profits from gold mining flow to the Government, and allegations that many mining companies are deliberately under-reporting profits and earnings.²⁷

²⁵ See TRAFFIC (2007). *Forestry, governance and national development: Lessons learned from a logging boom in southern Tanzania*. Available for downloading from <http://www.traffic.org/>

²⁶ See <http://www.tnrf.org/groups/mama-misitu>

²⁷ For more information on the mining sector in Tanzania, see *Demystification of Mining Contracts*, a recent Analytical Think Piece produced by Policy Forum.

Tanzania is one of many countries around the world that has failed to capture significant revenues from its natural resources. What's more, in some other countries the presence of natural resources has led to conflict and destruction. Thus, people sometimes refer to a 'resource curse' (See box 6.4).

An international campaign called the Extractive Industries Transparency Initiative (EITI) aims to overcome the resource curse by encouraging governments and companies to make their contracts and dividends public. Tanzania has not joined EITI but there are some CSOs currently advocating for the Government to sign up to this initiative.

6.1.3 Local Government Revenues

Although Local Government Authorities get most of their money, around 90%, from grants and transfers from central government, they also collect their own local tax

Box 6.4 The Resource Curse

What is the resource curse?

The resource curse refers to the tendency of resource-rich countries to not only fail to develop their natural resources in such a way that leads to economic growth but to in fact become worse off (in socio-economic terms) once extraction of their natural resources begins. For the reasons described below, such countries also tend to be or become highly corrupt, undemocratic, and in worst case scenarios, violent.

Why does the resource curse happen?

- Large-scale natural resource extraction demands huge financial capital (rather than human capital) and therefore does not stimulate much employment. It also demands highly-skilled labour, which is often not available in the local labour force.
- Natural resources are subject to global price fluctuations, which makes long and medium-term budget planning difficult for those countries where the revenue obtained from natural resources is a significant component.
- Fluctuations in foreign exchange caused by the sale of natural resources results in the appreciation of local currency which then makes local goods expensive and therefore less competitive in the global market. This may then lead to a reduction in the sale of local goods which leads to loss of employment and income. This phenomenon is often described as the 'Dutch Disease.'
- Even though natural resources are finite, many countries lack a strategy to ensure current revenue obtained can provide for future generations. Further, in countries obtaining large revenues, leaders may use this current wealth as a shield from being accountable and exercising good governance.

How can we overcome the resource curse?

- There should be disclosure of contracts, amounts of natural resources produced and revenue obtained from sales.
- Revenues obtained should be directed specifically to meet development needs versus recurrent budget costs.
- CSOs should build capacity to effectively monitor revenues and to the furthest extent possible, engage in oversight of the extractive industries. Local CSOs should further build linkages with international organisations active in the sector such as the Publish What You Pay Campaign, Extractive Industries Transparency Initiative (EITI), Revenue Watch, and Global Witness.

Shultz, Jim. "Civil Society Work on Extractive Industry Revenues – An Overview." Follow the Money: A Guide to Monitoring Budgets and Oil and Gas Revenues. New York: Open Society Institute, 2005.

revenues (often referred to as "own source revenues"). Own source revenues, which on average make up 10% of a Local Authority's revenue, include property taxes, the produce cess and vehicle license fees. These different sources are discussed in more detail in section 4.2.2.

Local revenues are important for two reasons. First, unlike many of the intergovernmental grant mechanisms, they are not tied to any particular sector or type of expenditure, which gives LGAs some freedom to respond to local needs and priorities. Second, because these sources are raised from the local population, it can be argued that they strengthen the accountability of local government to the local community.

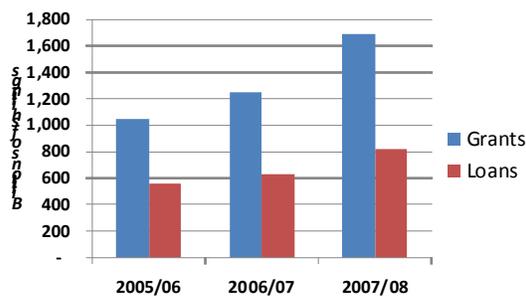
The local government revenue system has been the subject of some criticism. Lack of co-ordination between the central and local levels has led to an excessive number of sometimes duplicate taxes with different rate-structures that are difficult for taxpayers to understand and apply. There is also a mismatch between taxes imposed by local authorities and the national government’s development policies. For instance, some council imposes high taxes on export-crops, which is inconsistent with the policy of encouraging export-production.²⁸ Many local taxes can also result in the tax burden falling more on the poor.



6.2 Foreign Aid

Given that domestic revenue is not sufficient to finance the whole budget, the Government relies heavily on **foreign aid** as well. Foreign aid, also referred to as **development aid**, refers to financial assistance from foreign governments and **multilateral institutions** like the World Bank. Foreign aid makes up a significant portion of government resources every year – nearly 40% of the budget in 2007/08²⁹. In FY2008/09 foreign aid is expected to decrease and account for about 33.7% of

Chart 6.4 Composition of Foreign Aid



Data Source: 2007/08 Planning & Budget Guidelines, MOFEA

²⁸ Fjeldstad and Semboja, 2000

²⁹ According to the Budget Frame, 2007/08 Planning and Budget Guidelines

the budget. Foreign aid is often subject to certain **conditionalities**, in terms of how the money can be spent, and how it is monitored and reported. Some donor conditionalities go beyond requirements for spending and reporting and involve policy changes.



Foreign aid is provided in two main ways - through **grants** and **loans**. Grants are a form of financial assistance that does not need to be repaid. Loans refer to financial assistance that must be repaid at a later date, with interest. Most multilateral institutions provide financial assistance in the form of loans. Chart 6.4 shows the composition of foreign aid in terms of grants and loans over the past 3 financial years.

Given that loans must be repaid, they contribute to **debt** (see Box 6.5.).

Box 6.5 Debt and the Budget

In the context of the Government’s budget, debt refers to money that the Government owes to creditors. Debt can be classified into **internal debt** – contracted with a creditor within the country, or **external debt**, which refers to debt which is contracted with an external creditor – such as a donor country or a multilateral institution like the World Bank. In Tanzania the majority of debt is externally held.

Debt is significant in the context of development since each year money from the budget must be allocated to **debt service**. (Debt service refers to money that must be paid to a lender for a loan, and includes both interest and repayment of the loan itself). As of June 2007, Tanzania’s external debt stood at Tshs 4,488 bn, or 39% of **Gross Domestic Product (GDP)**. In the 2007/08 budget, debt service accounted for Tshs 345 billion, or 6% of the total budget.

Tanzania’s external debt used to be much higher. By the late 1990s, the debt had reached unsustainable levels – in 1999 external debt was equal to almost 90% of GDP. (“**Sustainable debt**” is the level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth. The IMF and World Bank define sustainable debt as being less than 150 percent of a country’s exports or 250 percent of a country’s revenues.)

The Government appealed to the World Bank and the International Monetary Fund (IMF) to be part of the Heavily Indebted Poor Countries (HIPC) Initiative. In 2005 the IMF Executive Board approved 100% debt relief for Tanzania on all outstanding debts incurred before this date. Tanzania’s external debt stock has declined significantly since the country was granted relief under HIPC.

However, it is assumed that debt relief is just temporary since saving and servicing will spread out over 20 years and Tanzania must continue to borrow. Thus many people demand for total debt cancellation. On the other hand, some argue that debt forgiveness encourages bad policy.

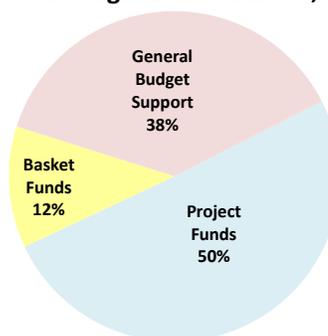
In FY 2007/08 debt relief was projected to contribute Tshs 206 billion, or about 8% of all foreign assistance.

Although it gets counted as revenue, debt relief does not typically entail any resource inflows into Government coffers. Rather, it represents money that the Government is no longer required to pay.

The way in which funding is administered can be further categorized in terms of **project funding, basket funding, and general budget support (GBS)**.

It should be noted that a significant amount of foreign aid in Tanzania does not appear in the official budget. This aid is said to be “**off-budget.**” According to a 2007 estimate, approximately 24 percent of all foreign aid is “off-budget”³⁰. It has been argued keeping such a significant amount of expenditure off-budget undermines the preparation of a budget based on comprehensive resources and jeopardizes the efficacy of public expenditures

Chart 6.5 Foreign Aid Modalities, 2007/08



Data Source: PRBS, September 2008

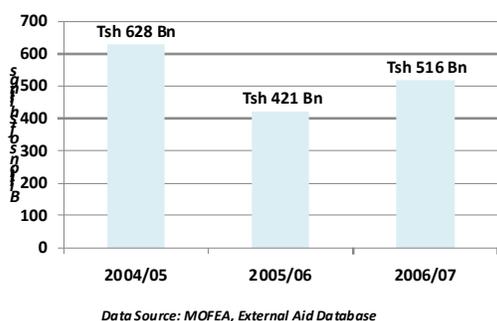
³⁰ Tilley, H (2007). *Public Financial Management Performance Report*, URT/EC, October 2007.

6.2.1 Project funding³¹



Project funding refers to funds that are earmarked for specific 'projects' and programs. Project aid was used extensively for infrastructure and social services in the 1960s, and poverty alleviation rural development in the 1970s. It is attractive in terms of donor accountability as it is highly visible to the citizens in both donor and recipient countries. Project aid is also attractive to donors since it may involve procurement of services and goods from the donor country.

Chart 6.6 Project Funding, 2004/05-2006/07



However, the effectiveness of project aid has been questioned in recent years. In addition, project aid has been criticized in terms of ownership, fragmentation, and weak impact at the sector level. Critics note that project aid tends to be donor-driven, encouraging donor dependency and undermining local ownership, which can have negative effects on project sustainability. They also say that concentration of funds on specific projects leads to lack of an overall view of the sector as a whole and lack of sufficient attention to policy, as well as the administrative and institutional environments

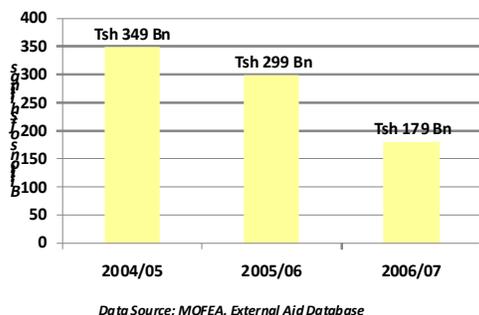
under which projects must operate. Project funds have also been noted to be highly unpredictable and have high transaction costs, in terms of extra monitoring and reporting requirements

Thus, project aid has been declining as the preferred aid modality in Tanzania. However, it is still a feature of the aid landscape. For instance, the first phase of the Primary Education Development Plan (PEDP) is an example of a donor project, mostly funded by the World Bank. Another example is the various HIV/AIDS care and treatment programs funded by the United States' President's Emergency Plan for AIDS Relief (PEPFAR).

³¹ Price WaterHouse Coopers (2007). "Rise and fall of Project Aid & rise of Sector-Wide Approaches (SWAPs) and Budgetary Support," <https://www.pwc.com/Extweb/pwcpublishations.nsf/docid/A16EAF8704D9F6508025727A002E8B8D>

6.2.2 Basket Funding

Chart 6.7 Basket Funding, 2004/05-2006/07



The growing dissatisfaction with the project aid in the 1990s led to the rise of sector-wide approach programmes, also known as SWAPs. Under this approach programme objectives are shared and resources from donors are pooled in a basket fund.

Donors have moved into basket funding for a range of programs or processes. They include the Local Government Reform Program, Agricultural Strategy, Rural Development Strategy, Road Program including TANROADS, Legal sector, Health sector, Education sector, and Agricultural sector.

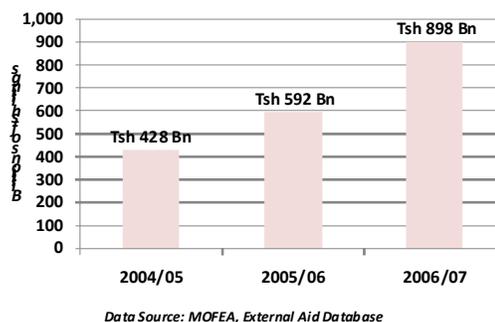
Despite being more flexible than project funding, basket funding is still plagued by some of the same problems as project support, in terms of encouraging donor dependence and undermining local ownership.

6.2.3 General Budget Support

In light of the criticisms that have been levelled at project and basket support, a new form of aid has emerged as the preferred modality in Tanzania in recent years. **General Budget Support (GBS)** is aid to governments that is not earmarked to specific projects or expenditure or spending items. GBS aims to support Tanzania's own strategy for development without any additional externally imposed **conditionalities**. It is disbursed through the government's own financial management system. An increasing number of donors (14 as of 2008, out of Tanzania's 19 main donors) are using GBS to give funds to Tanzania.

The Government of Tanzania also recently signed a bilateral agreement with the United States of America primarily to support growth and development in infrastructure through a [Millennium Challenge Compact Agreement \(MCC\)](#). The grant is administered through an independent body known as Millennium Challenge Account (Tanzania) or MCA-T. MCC is similar to general budget support, though it is not governed by the same set of rules as other GBS and thus is usually considered separately.

Chart 6.8 GBS, 2004/05-2006/07



PRBS Framework

The terms of the PRBS Framework are governed by a [Partnership Framework Memorandum](#). This Memorandum outlines the general conditions under which GBS will be provided. All budget support contributions go through the PRBS foreign exchange account which is managed by the Ministry of Finance and monitored by the Bank of Tanzania (BoT) under authorization and monitoring from the Ministry of Finance and Economic Affairs. Funds received by BoT from

>> Finding Information on Foreign Aid

Some information on foreign revenue can be found in Volume I of the budget books. Also, as explained in the following section on expenditure, some donor projects are identified in other volumes, under 'foreign development' expenditure.

The Tanzania Projects Database is a useful online resource listing current projects and compiling information such as project implementation status, outcome and related reports and publications.

The website of the Tanzania Development Partners Group (DPG) is another useful source of information, particularly on General Budget Support.

donors in the context of the PRBS facility are transferred in the same business day to the exchequer Account Deposits in the PRBS forex account, and transfers to the consolidated fund, are subject to an annual external audit. The Government of Tanzania and PRBS Donors also agree on a set of indicators for success in implementing MKUKUTA as elaborated in the PRBS Performance Assessment Framework (PAF).

The PAF is essentially a list of conditionalities, or agreed benchmarks. Progress against PAF indicators is continuously monitored during the GBS annual review cycle and concluded at a GBS Annual Review Meeting, which is usually held in October.

Box 6.5 GBS: Pros and Cons

In the late nineties, there was a general consensus that aid had not delivered development as had been expected. While there had been some remarkable projects, the benefits of these projects were often not sustainable and efforts to scale up projects to cover a wider population often failed. GBS was seen as a way to address some of the failures of project aid. **GBS is recognized as having the potential to be more effective for the following reasons:**

1. It channels funding through the country's own systems and institutions which will continue to exist in the long term. Therefore its benefits should be more sustainable.
2. It forces donors to work together on one agenda which makes it easier for the Government to manage them. The reduction in time spent dealing with donors is meant to leave more time for the Government to implement programmes and to build its capacity to serve the people of Tanzania better.
3. It makes a longer term commitment to provide funding, making it easier for Government to plan effectively over the longer term.
4. Since the money goes through the government's own systems and supports MKUKUTA, which is the Government's own strategy, the government has more control of its resources and should therefore be able to plan more effectively and to be more accountable to citizens when delivering services.

For these reasons, GBS is the preferred aid modality for the Government of Tanzania.

While there are many benefits with GBS, there are also risks. Some of these have been identified in recent evaluations of GBS mechanisms in Tanzania and in other countries. Several of these are listed below:

1. GBS is supposed to fund Government development programmes to reduce poverty. Because it goes through the government system and it is impossible to differentiate from the Government's own money, there is no guarantee that this money has been used for the intended reasons.
2. While GBS is supposed to make it easier to plan because funding is more predictable, often what is committed by donors in their forecasts is different from what is actually disbursed. Sometimes it is more and sometimes it is less. Both cases present problems for people who are planning and implementing programmes.
3. Money going through two government systems, the donor country and Tanzania, can face delays for bureaucratic reasons. This would not be as likely with project funding.
4. It is also easier for donors to cut GBS. Combined with delays, GBS as an aid modality can also be less predictable, which makes planning more difficult, not easier.
5. GBS assumes that there are strong accountability systems within Government to ensure that the money is used efficiently for the intended purpose. When this is not the case, it is possible that money can be diverted to other official or 'unofficial' purposes on the way so that not all the money disbursed to a district or village actually reaches its destination.
6. Particularly with the PRBS mechanism where a number of donors pool their GBS to government under one agreement, the collective influence of these donors in Government decision-making could become much stronger. This could provide an incentive for government to be more accountable to donors, who provide a large proportion of its resources, than to the citizens of Tanzania.
7. Specific equity and justice concerns and cross-cutting issues may be made invisible and thereby under-resourced with GBS. This has been noted by some critics with respect to funding for gender equity and women empowerment. For the reasons given above, it also becomes more difficult to properly track government – and donor – commitments these issues.

6.2.4 Joint Assistance Strategy

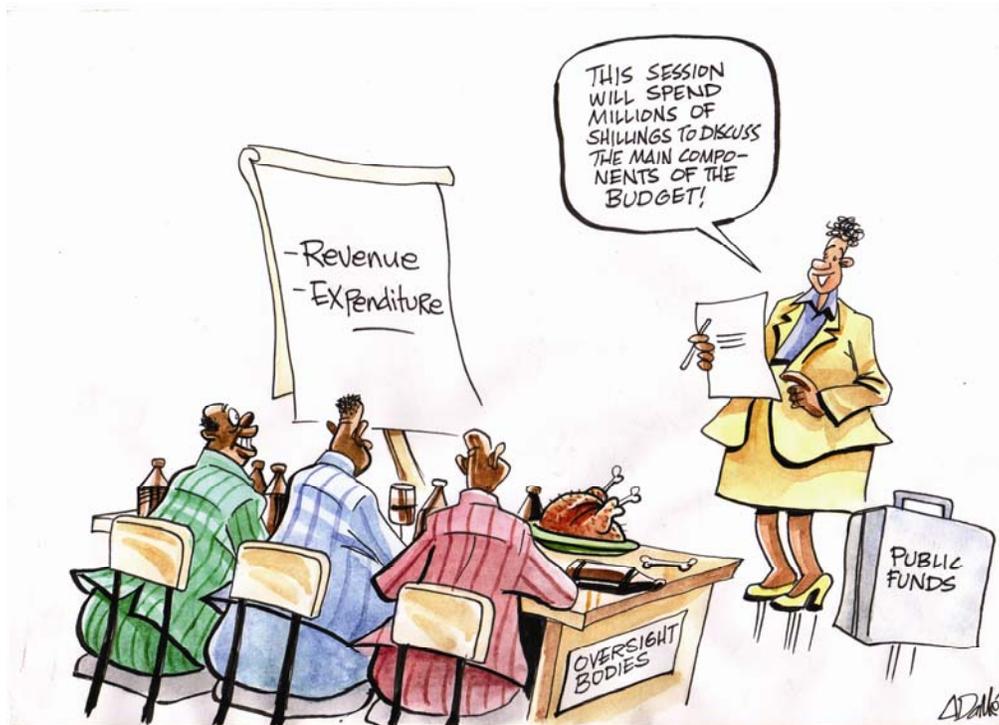
The coordination required of donors under GBS has led to a Joint Assistance Strategy (JAS), where donors and Government have agreed on a set of principles that will govern their interaction. The JAS is a framework to help the Government and donors manage their interaction better in order to achieve development goals and poverty reduction more effectively. The main aims of this framework are to strengthen local ownership of the development processes, to align aid to agreed budget and policy priorities, to harmonise donor/government negotiation processes in order to reduce the time spent by Government to service aid relationships, and to manage resources for mutual and domestic accountability and hasten development results. This framework lasts for five years and it is expected that it will be renewed at the end of this period. It should be noted that the JAS is meant to govern *all* foreign aid that goes through the regular budgeting process – that is, project, basket funding, and GBS (The 19 donors who signed the JAS provide about 95% of all foreign aid in Tanzania).

The JAS outlines the following principles for managing foreign aid in Tanzania:

- 1. Alignment:** The government will harmonise its own policy reform processes to ensure that they support each other in the achievement of MKUKUTA Goals. Certain periods within the annual budget cycle will be considered to be 'quiet time' for the Tanzanian government and donor missions.
- 2. Capacity Development:** Technical assistance to the Government of Tanzania (GoT) will be demand-driven and will be procured under GoT leadership. GoT will in turn support the capacity development of other development stakeholders, including civil society.
- 3. Division of Labour:** Both GoT and donors respectively will work towards more effective division of labour within their respective institutions and this will be monitored and evaluated on an annual basis.
- 4. Aid Modalities:** DPs will increasingly move towards the use of General Budget Support as the preferred funding modality for Tanzania.
- 5. Aid Commitments and Disbursements:** DPs will report to GoT through the PER process on how much funding they will commit for the current MTEF. All aid disbursements to both Government and Non-Government actors will be reported by donors to the Government on a quarterly basis.
- 6. Dialogue:** Dialogue between GoT, DPs and civil society will be guided by principles of transparent, timely, clear and accessible information-sharing.
- 7. Monitoring and Evaluation:** This agreement will be assessed regularly through 2 monitoring and evaluation mechanisms, an Annual Joint Review that includes representation from GoT, donors, and civil society using domestic policy process to measure progress, and a mid-term and final assessment by a jointly appointed Independent Monitoring Group (IMG).

More information on the JAS (including the entire JAS document) can be found at www.tzdp.org.tz.

7. Analyzing Expenditure



As mentioned previously, analyzing expenditure is critical for understanding Government's priorities, or choices. Spending also provides an indication of the Government's commitment to implement different policies. Unfortunately, the way in which information on Government spending is presented in official budget documents is often very difficult to understand. In this chapter we explain the different ways in which Government spending is classified, and how these classifications can be used to analyze the budget.

>> Finding Information on Expenditure

Information on the Government's expenditure plans can be found in Volumes II, III, and IV of the budget books.

Volume II contains recurrent budget estimates for MDAs, Volume III contains recurrent budget estimates for Regions (and includes an appendix with district budgets), and Volume IV contains development budget estimates for MDAs and Regions.

Information on actual expenditure by the central government can be found in quarterly budget execution reports (available on the Ministry of Finance's website) and in CAG (audit) reports.

Government expenditure can be classified in three main ways - **administrative classification** (who spends the money), **functional classification** (what is money spent on), and **economic classification** (nature of the expenditure, such as whether funds are being used to pay for wages and salaries, capital projects, or social assistance benefits).

Each of these classification systems has different advantages, and all are important for making sense of the information contained in the budget books. Expenditure by administrative unit indicates which government entity is responsible for spending the funds and ultimately will be held accountable for their use. Functional classifications indicate the programmatic purpose or objective for which the funds will be used, such as health, education, or defence, and are useful in terms of identifying

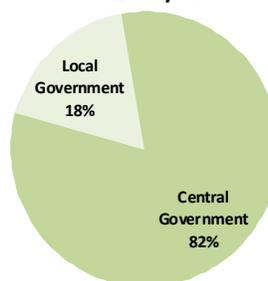
Government priorities.³² Economic classification provides information on the nature of the expenditure, such as whether funds are being used to pay for wages and salaries, capital projects, or social assistance benefits.

Unlike classification by administrative unit, which tends to be unique to each country, the functional and economic classifications have been developed and standardized by international institutions. This helps make it possible to compare expenditure across countries.

In Tanzania, all budget documents include administrative and economic classification, but functional classification is often lacking, at least in terms of the international standards. Currently, the Government is engaged in efforts backed by the IMF to improve classification standards.

Budgets are written using **nominal** figures. This means that the figures are based on prices payable during the year the budget is written. Projections for future years do not take account of inflation. In the past while inflation had become fairly stable in Tanzania, this was not a prominent part of CSO budget analysis. However, since last year, inflation has been steadily rising. This means that future year **real** figures are likely to be higher as well.

Chart 7.1 Central vs. Local Government, 2007/08



Data Source: 2007/08 Budget Estimates, MOFEA

7.1 Who spends the money?

Although the Ministry of Finance plays a key role in preparing the national budget, Government spending is divided across various ministries, departments and agencies, as well as across different levels of Government. The way in which resources are divided is discussed in further detail in the following sections on the budget process.

Spending is divided across approximately 99 budget “votes,” which correspond to 26 ministries, 52 department, and agencies, and 21 regional secretariats.³³ Each regional vote includes resources for all the local government authorities within a given region.

Decentralization reforms, which began to be implemented in 1998, began the process of shifting more resources to the local Government level. However, most Government spending still occurs at the national level. Chart 7.1 at right shows the division of resources between central and local level in FY 2007/08.

7.2 What is money spent on?

Spending by administrative classification gives us some sense of what money is being spent on, and what this says about relative priorities. For instance, we can compare the budget of the Ministry of Health (Vote 52) to the budget of the Ministry of Defence (Vote 38).

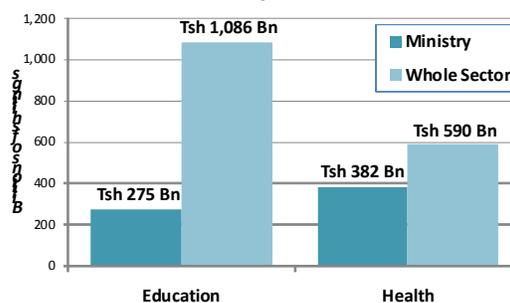
³² Some analysts identify functional and programmatic spending classifications as two separate categories. For the purposes of this manual we consider them together.

³³ In February 2008, President Jakaya Kikwete announced significant changes to his Cabinet, which reduced the number of ministries from 29 to 26, and thus will reduce the number of central Government “votes” in the FY 2008/09 budget and beyond.



But taking this approach means we may not see the whole picture of spending for a given sector. Given decentralization reforms, a lot of money for priority sectors like education and health is found in local Government budgets. So, to get the total amount going to a particular sector, it is often necessary to add the amount that goes to the relevant line ministry to the amount that is divided across the local government authorities. The Chart 7.2 below illustrates the differences in allocations between the line ministries for health and education and the total allocations to health and education in 2007/08.

Chart 7.2 Ministry vs. Sector Allocations, 2007/08



Data Source: 2007/08 Budget Estimates, MOFEA

In addition, spending in Tanzania is also classified in terms of whether it contributes to poverty reduction. Spending is linked to Tanzania's National Strategy for Growth and the Reduction of Poverty (NSGRP), better known by its Kiswahili acronym MKUKUTA.

7.3 What kind of spending?

In addition to understanding *who* spends the money and for *what purpose*, it is also important to consider spending in terms of its *economic* classification. This refers to spending by economic categories, such as personnel expenses, capital costs, and interest payments (on debts). This type of classification is particularly helpful in terms of thinking about the long-term sustainability of spending decisions.

The most notable division of spending in the Tanzanian budget is the division between **recurrent spending** and **development spending**. The recurrent and development budgets for each MDA are actually prepared separately and appear in separate budget books.

Recurrent spending refers to spending that *recurs* on an annual basis. This includes day-to-day expenditure by the government on salaries, pensions, running costs of

ministries, vehicles, fuel, and workshops. Information on recurrent spending can be found in Volume II (for MDAs) and Volume III (for Regions) of the budget books. In the Tanzanian budget, recurrent spending is further divided into “**Personnel Emoluments**” or “**PE,**” which refers to salaries, “**Other Charges**” or “**OC,**” and **Consolidated Fund Services (CFS)**, which is comprised of domestic and foreign interest payments, amortisation (payment of the debt itself) of foreign and domestic debts and other expenditures required to be paid by law each year.

Development spending typically refers to spending on infrastructure and other investments that do not necessarily recur each year. For instance, building roads, schools, and hospitals is part of development expenditure. (On the other hand, annual repairs to the roads, schools, or hospitals would come from the recurrent budget.) Information on development spending can be found in Volume IV of the budget books. It should be noted that a lot of foreign-financed project and basket funding is classified as development spending. Thus, the development budget is usually divided between “Local” and “Foreign.”

The classification of spending tied to foreign funding as “development” spending is largely a result of convention. Thus, not all spending which is classified as “development spending” in the Tanzanian budget should accurately be classified as such. For instance, in the 2007/08 budget, the PEDP capitation grant was classified under development spending, since it is donor-funded. The capitation grant is a recurring expense, however, meant to provide money for teaching and learning materials each year. Thus, the division between recurrent and development expenditure should not always be regarded with a high level of significance.

Given that recurrent and development spending are shown separately in the budget books, budget analysts must take care in determining total allocations to a given ministry, and add up the recurrent and development totals from the different books to get the correct total amount. For instance, if we are interested in the total allocation to the Ministry of Education, we would first need to consult Volume II (Vote 46) to get the total recurrent spending for the ministry, and then add this to the amount shown in volume IV to get the total development spending for the ministry. Only then would we manage to capture the total amount of funds going to the ministry.

Part III: Alternative Views & Suggestions for Improvement

8. Transparency and Accountability

Two important lenses for assessing the budget are transparency and accountability. In order to assess the budget according to these we can measure accordance with the internationally agreed upon principles,³⁴ compare with other countries' performance, and note accordance with relevant laws.

8.1 Principles of Transparency and Accountability

Prior authorization. The legislature should authorize measures involving expenditure, revenue collection and debt *prior* to action being taken by the executive.

Unity. All proposed annual expenditures, revenues to be raised and other government financial activities should be presented to the legislature in one single consolidated presentation, the executive's budget proposal. (In practice, this consolidated presentation takes the form of a primary document, with several supporting documents.)

Comprehensiveness. Not only should the government disclose its financial activities in its annual budget proposal, but documents should be issued at other times during the budget year to provide a comprehensive, updated picture of the government's actions.

Periodicity. The executive should adhere to regular deadlines in an annual calendar for drafting the budget, for presenting it to the legislature for debate, for executing the budget, and for presenting its final accounts to the public and to the Supreme Audit Institution. Timely and regular reporting on each of these four phases of the budget process is essential. The legislature and Supreme Audit Institution also have important roles to play in acting in a timely manner during the budget year, especially related to approval of the annual budget and to review of final accounts.

Specificity. The description of every budget item should result in a clear overview of the government's expenditure. The descriptions provided for budget items should not be so highly aggregated (presented as grand totals) that they are vague, and they should be presented according to internationally-accepted classification systems to avoid obfuscation.

Legality. All expenditures and activities should be in keeping with the law. Where the law does not adhere or promote basic principles of transparency and accountability, civil society should make recommendations to amend it.

User-friendly structure. A country's budget documents are its government's key accountability documents: they should be presented in a manner that is manageable and understandable by the wide variety of audiences that make up the legislature and public.

Publicity. All of a country's citizens should have the right, as individuals or in association in the form of civil society organizations, to make and express judgments on the country's budget. This requires that budget documents be widely available. This is especially the case for the executive's budget proposal, which should be available to citizens *before* it is adopted by the legislature.

³⁴ Description of principles draws heavily from the International Budget Project's guide for filling the Open Budget Questionnaire. See www.openbudgetindex.org/

Means and ends. Clear links should be drawn between the government's policies, plans, budget inputs and performance outputs. The explanation accompanying the budget should communicate clearly the aims of the budget in terms of inputs, objectives to be achieved and measurable results.



8.2 Legal and Policy Framework

Certain laws and policies articulate standards that should be followed in terms of transparency of budget documents and openness of the budget process. These include the Constitution, 1977, the Local Government Finance Act, 1982, the Local Authority Financial Memorandum, 1997, the Medium Term Planning and Budgeting Guidelines, the Public Procurement Act, 2004, and the Public Finance Regulations, 2001.

The National Framework on Good Governance (NGFF) emphasises the importance of accountability, transparency and integrity in the management of public affairs. It covers a wide range of issues, which have a bearing on good governance, and sets out the conditions under which accountability, transparency and integrity can prevail. However, it is not legally binding, and the challenge remains to create institutions that will implement the principles contained therein. Unlike the NGFF, the Medium Term Planning and Budget Guidelines is a clear directive to LGAs to share plans and budgets within the government system itself especially the district and regional administrative system. For instance, section 59, relates to the approval process of the plan and budget by the Full Council at the District Level. Specifically, the Council Director is required to widely publicise the Council meeting date for the meeting in which the plan and budget will be approved in order to facilitate the highest possible attendance and participation by the general public in the process as well as ownership of the resulting Council plan and budget. Copies of the approved budget and plan are then supposed to be specifically sent to relevant stakeholders including NGOs and CBOS (section 60), posted at public places of the Council offices, and extracts of the plan and budget posted in public places at the Wards, Villages and Mitaa (section 61). Additionally, LGAs are urged to design and implement awareness-raising campaigns to educate people on their rights, responsibilities and address all forms of abuse, intolerance, discrimination and stigma, as well as strengthen efforts to combat corruption, as measures to contend with misuse of office and mistreatment of citizens in offices (section 44).

Key Articles of the Constitution guarantee the right to participate in Government business in accordance with the Constitution (Article 8(1)(c) and as well as the right to free speech, access, and dissemination of information and ideas through the media and freedom from interference with her communication (Article 18(1)). As much as these Articles enshrine these rights and freedoms, they extent to which they can be exercised is limited by other Articles. For example, Article 30 provides exceptions to the fundamental right. The Article states that:

“Article 30(1): the human rights and freedom, the principles of which are set out in this Constitution, shall not be exercised by a person in manner that causes interference with or curtailment of the rights and freedoms of other persons or of the public interest.

Article 30 (2): it is hereby stated that the provisions contained in this part of the Constitution which set out the basic human rights, freedoms and duties, do not invalidate any existing legislation, or prohibit the enactment of any legislation or the doing of any lawful act in accordance with such legislation for the purpose of: (a) ensuring that the rights and freedoms of other people or of the interests of the public are not prejudiced by the wrongful exercise of the freedoms and rights of individuals.”

Article 30 can potentially be used to deny people access to (financial) information, since terms such as ‘public interests’ may be widely interpreted and therefore may easily be used to justify limiting access to information. With regards to transparency and accountability, Orders 89 to 94 of the Local Authority Financial Memorandum relate to the nature and scope of financial information that should be published by local

Table 8.1: Quality of Budget Information Provided to Citizens

Extensive Information	France	Slovenia	U.K.
	New Zealand	South Africa	U.S.A.
Significant Information	Botswana	Norway	South Korea
	Brazil	Peru	Sweden
	Czech Republic	Poland	
		Romania	
Some Information	Bulgaria	Jordan	Philippines
	Colombia	Kazakhstan	Russia
	Costa Rica	Kenya	Sri Lanka
	Croatia	Malawi	Tanzania
	Ghana	Mexico	Turkey
	Guatemala	Namibia	
	India	Pakistan	
	Indonesia	Papua New Guinea	
Minimal Information	Albania	Cameroon	Nepal
	Algeria	Ecuador	Uganda
	Argentina	El Salvador	Zambia
	Azerbaijan	Georgia	
	Bangladesh	Honduras	
Scant/No Information	Angola	Egypt	Nigeria
	Bolivia	Mongolia	Vietnam
	Burkina Faso	Morocco	
	Chad	Nicaragua	

of the principle Act to ensure that all public goods and services are procured by the Central Government, local government, and statutory bodies in transparent, clear, and lawful manner. However, and as further noted in Chapter 4, without procurement officers having the necessary capacity (both in number and skills), it will continue to be challenge for this law to lead to increased transparency and accountability in the procurement of goods and services, particularly at the Local Government level.

Section 8(5) of the Public Finance Regulations, 2001 (made under the Public Finance Act), state clearly that all Ministries, Departments, and Agencies are obliged to ensure that financial information relating to its activities are made available to the public. And to this end, each Ministry, Department, and Agency is obliged to prepare an annual report which will be publicly available and include the following financial information:

1. **the overall budget strategy;**
2. **the nature and objectives of each main program;**
3. **assessment of output and performance against objective;**
4. **a summary of the financial results for the fiscal year of the Ministry, Agency or Department in a form approved by the Accountant General;**
5. **the plans for the year ahead, as approved by Parliament; and**
6. **the provisional plans for the two subsequent years.**

According to the Office of the Controller and Auditor General in its Central Government General Report of 2005/2006 at page 110:

“In the 2005/2006 audit it has been established that not many MDAs/RAS have complied with this legal requirement. Accounting Officers of MDAs/RAS are forewarned that effective from the audit of year 2006/2007 the compliance of this requirement is going to be an auditable issue.”

8.3 Assessments of Transparency and Accountability

Tanzania's performance on many of these principles can be assessed in relation to other countries using the **Open Budget Index**. The index, updated every two years, rates countries on how open their budget books are to their citizens. The Index evaluates the quantity of information provided to citizens in the seven key budget documents that all governments should make public during the course of the budget year. In 2006, Tanzania scored a 48% out of a possible 100% on the Open Budget Index. This indicates that the government provided Tanzanian citizens with “some information” on the central government's budget and financial activities, but that there is much room for improvement. Table 8.1 shows how Tanzania compared to some other countries surveyed in 2006. The latest scores of the Open Budget Index can be found online: <http://www.openbudgetindex.org/>

Transparency and accountability in the budget process in Tanzania was also recently assessed by the World Bank and European Commission.³⁵ Their report ranked Tanzania as follows:

On the aggregate expenditure out-turn compared to original approved budget Tanzania scored a B grade. This was due to its improved performance in keeping the variance between actual expenditure from budgeted expenditure to below 10% during the year 2004/05 and 2006/07.

Tanzania scored a C grade on its composition of expenditure out-turns compared to original approved budget. This was because in 2005/06 and 2006/07 variances in expenditure composition and overall deviation in primary expenditure were well below 10% but slightly above 5% in 2006/07

³⁵ Public Finance Management Performance Draft Report released in October 2007

On budget comprehensiveness and transparency, Tanzania still performs poorly, according to this report.

8.4 Suggestions for Improvement

In addition to addressing the shortcomings highlighted in the reports cited above, the budget process in Tanzania could be reformed to give the public a more substantial voice. Participatory budgeting initiatives have proven to be successful in other countries, such as Brazil.

Enhancing access to budget documents goes beyond posting them on the Internet and public notice boards. A stronger effort could be made to produce all key budget documents in Kiswahili, and partnership with civil society organizations could be explored to produce popular versions as well.

Expanding access to budget documents would help civil society be more effectively involved in the budget process. But there is also a need to open up official Government processes to more effective civil society participation. This could involve outreach by the Ministry of Finance and other central government ministries to organizations that are based outside of Dar es Salaam, and issuing invitations to the various consultative meetings well in advance.

Box 8.1 What should be publicly available?

The *OECD Best Practices for Budget Transparency* is a useful reference against which to assess the adequacy and accessibility of key budget documents. According to the *Best Practices*, the following budget documents should be made accessible to the public:

- Pre-Budget Statement
- Executive's Budget Proposal
- Enacted Budget
- In-Year Reports
- Mid-Year Review
- Year-End Report
- Auditors Report

In recent years, only three out of these seven important documents have been made widely available. The pre-budget statement (Planning and Budget Guidelines) has not been made widely available to the public, and the Government does not produce a mid-year review or year-end report for public consumption.

There have, however, been encouraging steps to make audit reports more widely accessible. However, there is still great concern that inadequate action is taken on queries and recommendations made by the auditor.

9. Budgeting for Equity

9.1 Rights-Based Budgeting ('Social Accountability')

The Centre for Social Accountability, based at Rhodes University in Grahamstown, South Africa, has developed a detailed framework through which to assess Government's budgeting and planning processes.³⁶ Originally developed in the South African context, the framework has proven useful for civil society to engage in monitoring in countries all over Southern Africa.

9.1.1 Definition of Social Accountability

Social accountability can be broadly defined as the right to obtain justifications and explanations for the use of public resources (from those entrusted with responsibility for their management whether government officials or private service providers) and the performance of officials and services providers in progressively realizing the human rights of those they serve.

In other words, public service providers have a duty to provide justifications regarding their performance and additionally to take corrective actions in situations or instances where public resources have not been used effectively to realize human capabilities.

9.1.2 Social Accountability and Social Justice as a Human Right

The background to Social Accountability Monitoring is premised on the understanding that every person is entitled to social justice and by virtue of being a human being, every person is entitled to fundamental rights that must be protected by the state³⁷.

In other words, all human beings have equal dignity and equal claim to the resources they need to realise their fundamental human rights and capabilities. If society does not guarantee these fundamental rights and capabilities, it can not to be a just society, whatever its level of material wealth.

These rights include the right to economic social wellbeing and decent living. A strong state is one which ensures that all of its citizens are able to exercise their rights and realize their human capabilities, through self-organising and raising their views, as well as other processes.

The Right-Based Approach (RBA) to social accountability views social services as human rights and thus fundamental entitlements that are bestowed upon all human beings. They are inalienable, indivisible, and therefore can not be taken away by the state. They are viewed by international treaties and conventions as legally enforceable and performance standards to hold states and duty bearers accountable. They are elaborated in the national legislative framework and thus guaranteed from abuse.

RBA is also premised on an understanding that public officials are entrusted with public resources to ensure that these rights are progressively realized. Whenever these resources are not well spent, the progressive rights of citizens are violated and whoever violates these rights should be held to account. Social Accountability Monitoring

³⁶ More information on CSA is available on the organization's website

³⁷ PSAM: Hand out Notes on Monitoring the Social Accountability Framework, Rhodes University, South Africa, September 2007

therefore seeks to track the social delivery system to ensure or assess whether the state is doing enough to ensure its citizens progressively realize these rights.

9.1.3 Why Monitor the Social Accountability System?

A number of factors in Tanzania and many other countries make social accountability and delivery of quality social and public services difficult. Many developing countries (Tanzania included) are characterized by;

- Good legislative framework but weak implementation
- Lack of clear separation between the implementation and oversight arms of government. The Executive Branch of the State (President, Cabinet and Public Service) and the Oversight branch (Parliament) are closely linked and in most cases cabinet ministers double as Members of Parliament. This is even more acute at the local level in Tanzania.
- Tendency to rely on friendship, cronyism, party loyalties and to treat accountability as a personal favour to ordinary citizens
- Failure by most CSOs to use existing constitutional and legislative provisions to participate in governance processes, and failure to think beyond formalized consultations and workshops
- Over concentration on macro policy level and neglect of expenditure management issues at the site of service delivery
- As a result of the above, failure to implement constitutional provisions on socio-economic rights and wide spread acts of corruption, conflict of interest and existence or failure to deliver improved social services.

9.1.4 The International and National legal interface of the Right to Social Accountability

The International Bill of Human Rights, namely *the Universal Declaration of Human Rights* (UDHR, 1948), *International Covenant on Civil and Political Rights* (ICCPR, 1966) and *International Covenant on Economic, Social and Cultural Rights* (ICESCR, 1966), emphasise the universality, indivisibility, interdependence, and interrelatedness of *all* human rights. The interplay between the International Bill of Human Rights Law and nation-states (through their constitutions) lies within the various treaties and conventions signed by nation-states. The most relevant, international human rights treaty to Social Accountability Monitoring is the *International Covenant on Economic, Social and Cultural Rights* (ICESCR, 1966).

The ICESCR commits all 152 signatories (Tanzania included) to ensure progressive realization with in their available resources the rights to:

- Health
- Education
- Social Security
- Adequate standard of living (food, clothing, housing)
- Continuous improvement of living conditions

9.1.5 Approaches to Social Accountability Monitoring

There are three Rights Based Approaches to Social Accountability. These are;

1) Policy Monitoring and Analysis

This approach to social accountability monitoring focuses on analysis and amendment of policies, constitutional and legislative provisions governing the state. It includes analysis

of the macro policy making and budget analysis. Examples of organizations or work that may be linked to this approach include the Policy Forum's Budget Working Group, HakiElimu's Education Budget Analysis, Health Equity Group's Health Budget Analysis, and TGNP and Feminist Activist Coalition's Gender Budgeting Initiative.

2) Social Accountability System Monitoring

This approach focuses on monitoring of the various processes making up the social accountability system and mapping it on to the public resource management framework. It is at the interface between the policy formulation and project implementation – that is, the space between what the policies say and the mechanisms by which they are implemented. Examples of this kind of approach to social accountability monitoring include Policy Forum's Social Accountability Monitoring work with partner networks at the regional level and HakiElimu's recent analysis and advocacy related to the education budget process and the Open Budget Index.

3) Social Auditing:

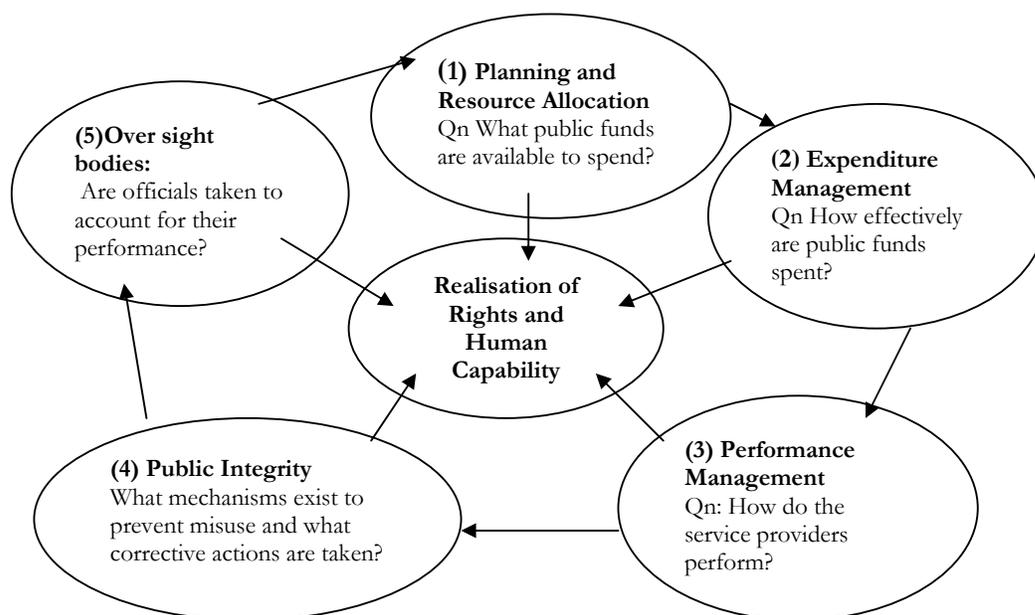
This approach focuses on verification of projects and implementation of public services delivery programs at the community level or constituency level. Examples of this approach include Hakikazi Catalyst's work with local communities in performance tracking 'pima' or score cards, MUHURI's (in Kenya) work in monitoring the CDF and the Uganda Debt Network's monitoring of service delivery and public expenditure in Uganda.³⁸

9.1.6 The Five stages of the Social Accountability monitoring system³⁹

There are five stages or processes for monitoring the social accountability system. These stages are derived from the traditional processes which require the state to produce justifications for the use of public resources and to ensure corrective action is taken in instances where these resources are misallocated. These stages can be diagrammatically presented as below:

³⁸ Good examples of all these can be found in the new IBP publication, Our Money, Our Responsibility: A Citizen's Guide to Monitoring Government Expenditures, available at <http://www.internationalbudget.org/resources/expenditure/index.htm>.

³⁹ Ibid



In monitoring the social accountability system, the five stages are mapped directly onto the public resource management cycle and service delivery process of the state. Civic actors use the same information used by service providers for internal management and reporting purposes to monitor their performance.

9.1.7 Monitoring the Five stages of the SAM Framework

This section explains why one might engage in monitoring a given stage of the SAM framework, what tools are relevant, and what sort of output could be produced by a civil society organization engaged in monitoring.

Stage 1: Planning and Resource allocation or Budget Evaluation

The first stage in the social accountability system is the planning and resource allocation stage. It is necessary to question what resources are available and what service providers plan to do with these resources. Poor planning and resource allocation will definitely have a negative implication on the quality of services delivered.

Sources of Information:

- Budget Documents
- Strategic plans
- Business plans
- Outsourcing contracts
- Service level agreements

Outputs:

- Budget Analysis, Strategic Plan evaluations
- Alternative budget proposals (e.g. gender budgets)

Stage 2: Expenditure Tracking

The second process within the social accountability system is the expenditure management process. In order to hold public officials and private service providers to account for the use of public resources, it is necessary to first question what resources

are available and what service delivery departments or private service providers plan to do with these resources⁴⁰.

However, it is insufficient for civic actors to only engage with government on allocation and planning processes. Since expenditure, and not simply the allocation of resources, results in service delivery, it is necessary to track public expenditure in order to hold public officials and private service providers to account for the progressive realisation of human needs and rights via the management of public resources.

Of course, expenditure does not necessarily equate to the realisation of socio-economic rights, since one must still question the *quality* of expenditure. However, when evaluating the efficiency of a district or department's performance and the effectiveness of its resulting public services, the comparison of expenditure with budget allocations provides a good starting point. Poor spending will inevitably have a negative impact on the department's performance and its delivery of services and may also exert a negative influence on its future resource allocations.

Sources of Information:

- Monthly Quarterly financial reports
- Audited Annual financial reports
- Internal Audit reports
- Data on receipts and expenditures from site of service delivery

Outputs:

- Expenditure tracking report

Stage 3: Performance Monitoring

A rights-based approach to performance management tracks whether resources were used efficiently, effectively and economically in order to realize socio-economic rights through the delivery of quality public services.

The performance of various ministries, departments or service providers must be monitored against the objectives, activities and service delivery commitments set out at the beginning of each year

Ministries, departments or service providers who fail to deliver as per the strategic plan at the beginning of each year must provide a justification and explanation as to why quality services were not delivered.

Performance management has a significant impact on the ministry, department or district's ability to implement effective resource allocation and strategic, planning systems as well as the ability of the oversight bodies to hold the department, ministries or districts accountable for their performance. Poor performance of departments, ministries or districts adversely affects the quality of services delivered.

Sources of Information:

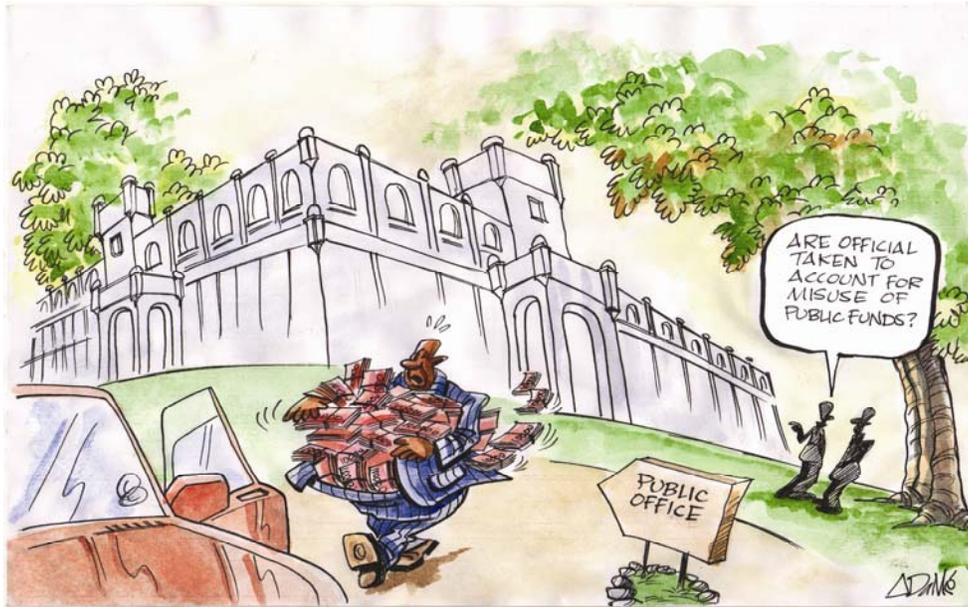
- Annual Reports
- Auditor General's Reports
- Internal Audit reports
- Reports on Business plans
- Reports on service providers reports
- Reports from Oversight bodies
- Infrastructure and Maintenance reports

⁴⁰ Ibid

Outputs:

- Performance monitoring reports

Stage 4: Public Integrity Evaluation



Public integrity traces its foundation from the recognition that the basis of a legitimate and effective government is built on public trust and confidence. Thus for a state to win public trust and confidence there must be consistent respect for and upholding in action social accountability by those responsible for management of public goods and resources.

Monitoring the public integrity system enables actors to establish whether corrective action is taken in instance where public resources are have not been served to realize people's rights, due to ineffective use or misuse of these resources. If the public integrity process is not monitored, could have adverse impact on other social service delivery. The necessary requirements for ensuring public integrity include comprehensive normative and regulatory framework governing the conduct and performance. It also includes the existence of institutional mechanisms to regulate and correct the conduct and performance.

Sources of Information:

- Declaration of interest forms
- Disciplinary databases
- Annual reports
- Oversight committee minutes
- Newspaper reports
- Auditor General's Reports

Outputs:

- Public integrity Evaluation
- Analysis of Cases of Misuse or abuse of public resources

Stage 5: Supporting the Oversight Bodies

Oversight bodies are very important in delivery of social services. As discussed previously, oversight bodies in Tanzania include the Controller and Auditor General (CAG) and parliamentary standing committees like the Public Accounts Committee (PAC) and the Local Authorities Accounts Committee (LAAC).

Oversight bodies can help ensure that public officials and service providers who fail to deliver quality services are taken to account for their failure to perform as agreed

The key issue here is to see whether the recommendations and views of the oversight committees in regards to the department, ministry of service providers' performance in the previous years were respected or flouted with impunity by public officials or those charged with managing public resources.

Failure of oversight committees to perform their duties and failure to respect their views and recommendations adversely affects the delivery of social services.

Sources of Information:

- Auditor General's Reports
- Oversight Committee Reports

Outputs:

- Accountability to oversight reports

9.1.8 Salient issues emerging out of the Right Based Approach to Social Accountability Monitoring



- Receiving social services is a right and not a favour from those entrusted with public resources to provide these social or public services
- Even when resources are limited, they should be distributed equitably and in a manner which is fair and just

- At the core of policy process and social service delivery should be the need for progressive realization of human rights and capabilities.
- The state should spend its resources in such a way which ensures that citizens realize their rights and human capabilities
- Those who control public resources or services should be able to provide justifications and explanations for failure to deliver social or public services
- Where public resources are squandered or misused, the oversight bodies like parliamentary committees, the CAG, PCCB must be seen to perform their oversight functions.
- Participation of civic actors is essentially based on the right to social accountability. In other words civic actors have a right to monitor the social accountability framework to establish whether resources are being spent as planned and where misuse of such resources exist, public officials are taken to task to account for their inept performance

9.2 Gender Budgeting

9.2.1 What is Gender Budgeting?

'Gender-sensitive budgeting' refers to a variety of processes and tools, which attempt to assess the impact of government budgets, mainly at national level, on different groups of men and women, through recognising the ways in which gender relations underpin society and the economy. Gender budgeting has much in common with the Social Accountability framework, and is also derived from a rights-based approach which features the rights of girls and women in the context of social gender analysis.

A gender responsive budget initiative does not aim to produce a separate budget for women or necessarily to increase the amount of money spent on women-specific programmes. Instead it aims to analyse any form of public expenditure, or method of raising revenues, from a gender perspective, identifying the implications for women and girls as compared to men and boys. They include analysis of gender-targeted allocations (e.g., special programmes targeting women); they disaggregate by gender the impact of mainstream expenditures across all sectors and services; and they review equal opportunities policies and allocations within government services. Gender-responsive budget initiatives can highlight the gaps between policy statements and the resources committed to their implementation, ensuring that public money is raised and spent in more gender equitable ways.



Gender responsive budget initiatives can be carried out at various levels (national, provincial and municipal). It may cover the overall budget or only its selected parts. The budget can be done within government, by the Ministry of Finance in conjunction with the Ministry for Community Development, Gender and Children, other spending ministries, outside government, or by CSOs and independent researchers. The practice of implementing gender budgets proves that especially effective are the initiatives supported within and outside of government and based on dialogue.

In Tanzania, the Tanzania Gender Networking Programme (TGNP) has played a lead role in gender budgeting initiatives, achieving notable successes and becoming an example in the international community.

9.2.2 Why do Gender Budgeting?

The main aim of gender budgets is to highlight the gap between policy statements and the resources committed to their implementation, in order to ensure that public money is spent in a more gender equitable way.

Gender responsive budget analysis provides a method to hold governments accountable for its commitments to gender equality and women's human rights. It is being done by linking these commitments to the distribution, use and generation of public resources. In other words, a *gender budget* outlines not just expected revenue and expenditures, but also responds to the budget impact on women and men. Gender responsive budget analyses also makes women's work economically visible and shows how revenue collection and changes in tax structure can impact women differently from men, especially in the case of single mothers and women in the rural economy and informal sector.

Box 9.1 Why Do Gender Budgeting?

Equality

Although national budgets may appear to be gender-neutral policy instruments, government expenditures and revenue collection have different impacts on women and men. The approach to budgeting based on rights helps to ensure that

gender equality becomes a goal as well as an indicator of economic governance. It becomes tangible measurement of the implementation of Convention on the Elimination of all forms of Discrimination Against Women and other human rights instruments.

Accountability

The five-year review process of several UN conferences of the 1990s and 2000s has shown difficulties in evaluating the extent to which commitments to equality have been translated into tangible results. Gender responsive budget initiative, linking commitment to gender equality to the ways in which government raise and spend money, give a concrete way to increase government accountability to its entire people.

Efficiency

Economic reports give the evidence that gender inequality leads to major losses in economic efficiency and human development. Macroeconomic policy is able to increase, reduce or leave unchanged the losses to society from gender inequality. It happens primarily through adjustments in fiscal policy (including revenues and expenditures). Gender responsive budget policies can go far to reconcile the objectives of gender equality and economic efficiency.

Transparency

Gender responsive budget initiatives engage members of civil society in a vital area of political and economic policy debate, especially women, who generally are marginalized from such discussions.

It has to be underlined that gender budgets are not separate budgets for women and their main aim is not increasing spending on women specific programs. Gender budget analysis helps citizens and governments to decide in what ways certain policies need to be adjusted and where there is the need of allocating the resources.

9.2.3 Gender Budgeting Tools

A number of possible tools for use in gender-sensitive budget analysis have been identified, including:

Gender aware policy appraisal:

An analysis from a gender perspective of the policies and programmes funded by the budget. The main focus of interest is to know in which ways the policies and the resource allocations that support them are likely to reduce or increase gender inequality.

Gender-disaggregated beneficiary assessment:

Participatory surveys or focus group studies designed to find out how men and women evaluate whether public services meet their needs and how existing patterns of public expenditure coincide with their priorities.

Gender-disaggregated public expenditure incidence analysis:

An estimate of the distribution of budget resources (or cuts in these resources) among males and females by measuring the unit costs of providing a given service and multiplying it by the number of units utilised by each group.

Gender-disaggregated revenue incidence analysis:

A calculation of the relative amount of direct and indirect taxes and/or user fees paid by women as opposed to men.

Gender-disaggregated analysis of the impact of the budget on time use:

A calculation of the link between budget allocations and their effect on how household members spend their time, using household time use surveys.

Gender-aware medium term macroeconomic policy framework:

An analytical tool to assess the impact of economic policies on women, focusing on aggregate fiscal, monetary policies and economic policies designed to promote globalisation and reduce poverty.

Gender-aware budget statement:

A government report that reviews the budget using some of the above tools, and summarises its implications for gender equality, with different indicators, such as share of expenditure targeted to gender equality, gender balance in government contracts or job training, or share of expenditure for public services used mainly by women.

To date, gender-aware policy appraisal is the main technique that has been adopted. Gender-sensitive budget analysis requires data to assess inputs (e.g., budget or staff allocations), outputs (beneficiaries) and outcomes (e.g., increased health, education, time availability). Therefore, systematic gender disaggregated data are necessary, e.g., on service use, time use, health and education status, employment.

9.2.3 Scope and Methods of Gender Budgeting

Gender budgeting can cover:

- whole budget;
- expenditure of selected departments or programmes;
- expenditure on new projects;
- selected forms of revenue (taxes, user fees etc);
- changes in the tax system; and
- implementation of new legislation

Gender budgeting can be used in any phase of the budget cycle (planning and identify objectives, appraisal to identify financial allocations to meet objectives, audit to identify any misappropriation of money, etc.)

THE MOST FREQUENTLY ASKED QUESTIONS IN GENDER BUDGETING:

- Who is the recipient?
- How is spending distributed? (what are the implications in the short and long term for the gender distribution of resources; and the issue of paid and unpaid work)
- Is provision adequate to the needs of women and men?
- In what ways and how policy affects gender norms and roles?
- In what ways is gender taken into account in policy formulation, design and implementation?
- What are the priorities given to reduce gender inequality?

We can distinguish different steps of preparation of gender responsive budget analysis:

1. examination of the position of women and men and boys and girls in each sector (GBI usually disaggregates data not only by gender and age, but also by rural-urban location, class or income level, and in some cases, ethnicity and/or race);

2. investigating whether government policies adequately address problems identified in the first step;
3. checking if adequate resources have been allocated to implement gender-sensitive policies; and
4. investigating the effectiveness of the use of resources in reaching the intended targets and goals.

9.2.5 Gender Budget Analysis Requirements

There are certain basic requirements necessary to carry out gender budget analysis:

1. Statistics disaggregated by sex:
 - o Expenditure and revenue;
 - o Unpaid caring economy;
 - o Micro analytic models over economic and other behaviour which is sensitive to gender differentials.
2. Sensitivity to gender segregation, cultural practices and gender norms (and how policy supports and reconstructs these);
3. Co-operation across government agencies and across policy processes;
4. Awareness of the scope of gender issues and ability to search out more hidden aspects of gender inequality;
5. Tools to assess the aims and priorities attached to policy;
6. Awareness of the complexity of gender inequalities in the process of setting goals and targets;
7. Ability to locate the policy in the particular concrete situation and specific context.

10. Useful Resources

The main documents used in the writing of this guide have been cited throughout the text. Below we highlight some of the most useful resources for the main subject areas covered in the guide.

National budget process

- Ministry of Finance website: www.mof.go.tz
- CSA (2007), *Accountability and Service Delivery in Southern Africa: The Case for Rights-Based Social Accountability Monitoring, Report One: Tanzania*
- URT (2005), *Medium Term Strategic Planning and Budgeting Manual*.
- Ngowi, D. (2005) *Effects Of Budgetary Process Reforms On Economic Governance: Evidence From Tanzania*, Economic and Social Research Foundation, June 2005
- Materials from *Demystifying the Budget Process in Tanzania: A Seminar to Promote Civil Society Advocacy* December 7-8, 2004 Hakikazi Catalyst Arusha, available at: www.hakikazi.org/papers/Budgeting-Seminar-Report.pdf
- Nashon Magambo and Ramadhan Hamisi, CHAPTER 8 Tanzania: Aiming reforms at better economic management
- REPOA et al (2005). *Understanding patterns of accountability in Tanzania Component 3: Analysis of values, incentives and power relations in the budget allocation process*, REPOA, Christian Michaelsen Institute and Oxford Policy Management, June 2005

Local government budget process

- **Local Government Planning and Budget Guidelines** – these are published annually by the PMORALG, and include a lot of information about inter-governmental grants as well as the budget figures themselves.
- **Local Government Fiscal Review** – this annual review by PMORALG of the state of local government finance includes summary financial information and identifies trends and challenges in the budget process at local government level.
- **Local Government Capital Development Grant System Planning Guidelines** – published by PMORALG
- **Annual Assessment for the LGCDG System** – published by PMORALG
- **Policy Paper on Local Government Reform** – this paper was published in 1998 by the Ministry of Regional Administration and Local Government. It outlines the intended local government reform process.
- **Public Expenditure and Financial Accountability Review 2006** – this review focussed particularly on local government, and identified a number of key challenges facing local government financial reforms.
- **REPOA's formative process research on local government reform** – this research programme includes several studies that look at different aspects of the local government reform process, and evaluate progress.

These documents are available from a variety of sources, but the majority are available from one or more of the following sources:

- www.logintanzania.net

- PMORALG's website, www.pmoralg.go.tz
- A CD-ROM published in 2007 by PMORALG and developed with close support from the Dutch NGO, SNV. This CD includes a huge amount of user friendly information on local government, and is available from SNV or PMORALG. It is expected to be available online soon.

Domestic Revenue

- Tanzania Revenue Authority: www.tra.go.tz
- Ministry of Finance: www.mof.go.tz
- Ellis, F. and R. James (2003), "Keeping People Poor: Rural Poverty Reduction and Fiscal Decentralization in Uganda and Tanzania," paper presented at the conference Staying Poor: Chronic Poverty and Development Policy, Manchester, 7–9 April 2003.
- Fjeldstad O-H. and J. Semboja (2001), "Why People Pay Taxes: The Case of the Development Levy in Tanzania," *World Development* Vol. 29, No. 12 pp 2059–2074, Elsevier Science.
- Ehrhart, C. and R. Mwaipopo (2003), "Vulnerability and Resilience to Poverty in Tanzania", *Working Draft*, Tanzania Participatory Poverty Assessment Team", ESRF, Dar es Salaam, Tanzania.
- Friedman, J. (2006) *A Guide to Tax Work for NGOs*. International Budget Project, October 2006: www.internationalbudget.org/GuideTaxWork.pdf
- TRAFFIC (2007). *Forestry, governance and national development: Lessons learned from a logging boom in southern Tanzania*. Available for downloading from <http://www.traffic.org/>
- *The Demystification of Mining Contracts*, an Analytical ThinkPiece produced by Policy Forum in May 2008.

Foreign Aid

- Tanzania Development Partners Group website: www.tzdp.org.tz
- Benedict Clements, Sanjeev Gupta, Alexander Pivovarsky, and Erwin R. Tiongson (2004), *Foreign Aid: Grants versus Loans*, Finance & Development, September 2004
- Price WaterHouse Coopers (2007), "Rise and fall of Project Aid & rise of Sector-Wide Approaches (SWAPs) and Budgetary Support," article on website: <https://www.pwc.com/Extweb/pwcpublishations.nsf/docid/A16EAF8704D9F6508025727A002E8B8D>, Accessed 16/4/08
- General Budget Support in Tanzania: A Snapshot of Its Effectiveness † Brian Frantz ‡ Version: 3 April 2004, This paper was prepared to inform the development of USAID/Tanzania's Country Strategic Plan for the period 2005-2014.

Transparency and Accountability

- Open Budget Index: www.openbudgetindex.org
- OECD (2001). *OECD Best Practices for Budget Transparency*, OECD, May 2001
- Extractive Industries Transparency Initiative: <http://eitransparency.org/>
- Tilley, H (2007). *Public Financial Management Performance Report*, URT/EC, October 2007.

General Reference

- **International Budget Project** website:
 - *A Guide to Budget Work for NGOs*, December 2001: <http://www.internationalbudget.org/resources/guide/index.htm>
Includes glossary of key budget terms
 - *Our Money, Our Responsibility*, March 2008: LINK

Public expenditure tracking guide

- Deardorff's Glossary of International Economics: <http://www-personal.umich.edu/~alandear/glossary/>
- PACT advocacy tools. More information on these tools can be obtained from PACT Tanzania whose website is: <http://www.pacttz.org/>. They may also be reached at 298 Chake Chake Street, P.O. Box 6348, Dar es Salaam, Tanzania. Tel: 255 22 2600305/6, Fax: 255 22 2600310, E-mail: pact@pacttz.org
- **Tanzania On-line.** A Gateway to Information on Development Issues in Tanzania. <http://www.tzonline.org/index.html>
- **Tanzania National Website.** <http://www.tanzania.go.tz/>
- **Tanzania Development Gateway.** <http://www.tanzaniagateway.org/>
- **Tanzania Parliament Website:** <http://www.parliament.go.tz/bunge/bunge.asp>
- **Tanzania National Audit Office Website:** <http://www.nao.go.tz>
- **Deloitte & Touche (Tanzania) Website:** http://www.deloitte.com/dtt/section_node/0,1042,sid%253D75203,00.html
- **Price Waterhouse Coopers (Tanzania) Website:** www.pwc.com/TZ/
- **Research on Poverty Alleviation (REPOA) Website:** www.repoa.or.tz

Glossary⁴¹

Ad valorem rate: Tax rate charged in accordance with the value of a good

Administrative classification: Expenditure classification indicating which government entity is responsible spending the funds and ultimately will be held accountable for their use.

Basket fund: A pool of resources from donors for a particular sector or program objective.

Budget frame: Framework that sets out the Government's expected total resources and total expenditures for the coming financial year.

Cash budget: Accounting system that constrains Government spending to short-term availability of resources. The cash budget system was adopted in January 1996 to control inflationary spending and reduce budget deficits.

Conditionalities: Rules and regulations attached to certain types of foreign aid, which affect how money is spent and reported. Some conditionalities have involved policy changes and reforms, the most famous of which is 'structural adjustment.'

Consolidated Fund Services (CFS): The portion of the recurrent budget which is comprised of domestic and foreign interest payments, amortisation of foreign and domestic debts and other expenditures required to be paid by law each year.

Consumption tax: A tax payable on the consumption of goods and services, such as the Value Added Tax (VAT).

Corporate income tax: a tax that is assessed directly on business income.

Debt relief: Any arrangement intended to reduce the burden of debt on a country, usually including forgiveness of part or all of what is owed to creditors who may include private banks and other entities, government, or international financial institutions.

Debt service: Money that must be paid to a lender for a loan, and includes both interest and repayment of the loan itself.

Development spending: spending on infrastructure and other investments that do not necessarily recur each year. For instance, building roads, schools, and hospitals is part of development expenditure.

Divestiture: The sale of a smaller share of a public enterprise to the private sector, without transferring control to the private sector. Excludes equity dilution, leases, concessions and management contracts.

Domestic revenue: Revenue that is raised within the borders of a country – from taxes paid by citizens, duties on imports, profits from privatization, and various other fees.

East African Community (EAC): A regional intergovernmental organization of the Republics of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania with its headquarters in Arusha, Tanzania. The EAC countries established a Customs Union in 2005 and are working towards the establishment of a Common Market by 2010, a Monetary Union by 2012 and ultimately a Political Federation of the East African States.

⁴¹ Draws from "Glossary of Key Budget Terms" in IBP's *A Guide to Budget Work for NGOs* and some other useful glossaries, listed in the Resources section of this guide.

Economic classification: Expenditure classification providing information on the nature of the expenditure, such as whether funds are being used to pay for wages and salaries, capital projects, or social assistance benefits.

Excise duty: A tax charged at a specific rate on certain consumer goods. Excise duties are often levied to discourage consumption or importation of certain goods that impose negative externalities.

Expenditure: Refers to government spending (or outlays). Expenditures are made to fulfil a government obligation, generally by issuing a check or disbursing cash. Expenditures may pay for obligations incurred in previous fiscal years or in the current year.

Extractive industries: Industries involved in the activities of prospecting and exploring for natural resources, acquiring them, further exploring them, developing them, and producing (extracting) them from the earth.

External Audit: Audit conducted annually or for a specific purpose (ad hoc) by external (independent) qualified accountant(s). In Tanzania external auditing of Government bodies is performed by the Controller and Auditor General.

Fees: Form of non-tax revenue. Usually paid for as a reward or compensation for services rendered or to be rendered, especially payment for professional services, of optional amount or fixed amount by custom or laws.

Financial year: Period of time over which the annual budget of a Government or company is implemented. In Tanzania, the financial year goes from 1 July to 30 June of the following calendar year.

Fiscal year: See 'financial year.'

Foreign aid: Resources accruing to the Government in the form of grants and concessionary loans made by foreign governments as well as international institutions such as the World Bank.

Functional classification: Expenditure classification indicating the programmatic purpose or objective for which the funds will be used, such as health, education, or defence, and are useful in terms of identifying Government priorities.

General Budget Support (GBS): A form of foreign aid that is not earmarked to specific projects or expenditure items.

Graduated rate structure: A tax structure in which the percentage of tax owed increases with a person's income.

Grants:

1. Funds that the national government disburses directly to lower levels of government, corporations, non-profit organizations, and individuals.
2. Type of foreign aid that the Government is not required to pay back to the donor government or multilateral institution

Gross Domestic Product (GDP): Total value of final goods and services produced in a country during a calendar year. Economic growth is measured by the change in GDP from year to year.

Import duty: Tax charged when a good is brought into the country, typically at a rate in accordance with the good's value.

Income tax brackets: Parameters between which a given tax rate is charged.

Income tax: A tax that is assessed directly on the incomes of individuals and businesses.

Internal audit: Audit performed within an entity (such as a central Government ministry) by its staff rather than an independent certified public accountant

Individual Income tax: A tax that is assessed directly on an individual's income received from employment, business and/or investment. Income tax must also be paid by individuals with a domestic permanent establishment that has repatriated income for the year of income, or who receive a final withholding payment during the year of income.

Inflation: Increase in the overall price level of an economy

License: An authority or liberty given by proper authorities to perform certain activities or to carry on a certain business, without which such permission would be illegal.

Liquidity: The ability and availability of assets to be readily converted into cash.

Loan: Type of foreign aid that must be repaid at a later date, with interest. Most multilateral institutions provide financial assistance in the form of loans.

Medium Term Expenditure Framework (MTEF): Planning and budgeting document prepared by each Government Ministry. The MTEF is a projection over 3 years that seeks to: i) cost programs; ii) seek commitments from donors; iii) harmonize foreign aid; and iv) influence sector strategies. Overall, the MTEF seeks to establish a link between country policies and the budget.

MKUKUTA: Kiswahili acronym for the National Strategy for Growth and the Reduction of Poverty (NSGRP). A five-year strategic plan, starting in 2005 and ending in 2010, which looks at improvement through three clusters:

1. Growth and Reduction of Income Poverty
2. Improved Quality of Life and Social Well Being
3. Good Governance and Accountability

Multilateral institution: Institution that represents a group of countries, such as the World Bank

National Strategy for Growth and the Reduction of Poverty (NSGRP): See MKUKUTA.

Negative externalities: Negative effects on society, often cited in terms of the impact on the environment or public health.

Nominal budget figures: Budget figures derived from current prices which do not take account of inflation/deflation.

Non-tax Revenue: Revenue that does not accrue from taxes. Includes fees, levies, dividends from parastatals, privatization proceeds and revenues from extractive industries in the form of royalties and direct contributions.

Other Charges (OC): The portion of the recurrent budget which does not cover salaries (PE).

Parastatals: Corporations which are whole or partially owned and managed by the government.

Pay as You Earn (PAYE): System through which payment of the income tax is enforced. Under this system, the amount of tax owed is withheld by the employer and subsequently remitted to the Commissioner of Income Tax each month.

Personnel Emoluments (PE): The portion of the recurrent budget which covers salaries

Planning and Budget Guidelines (PBG): A set of instructions approved annually by Cabinet which are meant to guide MDAs, Regions and LGAs on how to prepare their annual plans, programmes and budgets.

Privatisation: The transfer of control of an enterprise from the government sector to the private sector. Generally but not always, this also means transferring ownership of the public sector enterprise as well as control.

Procurement: Act of buying goods and services for the government.

Progressive tax: A tax that requires higher income people to pay a larger share of their income than lower-income people. Progressive taxes reduce income inequality.

Project funding: A type of foreign aid that is earmarked for specific projects and programs.

Property tax: An ad valorem tax that is paid by the owner of the real estate or other property. It is paid on the value of the property being taxed.

Proportional tax: A tax that taxes everyone at a constant percentage of his or her income.

Real budget figures: Budget figures that are derived at actual market prices payable during the projected year. Here for future years, inflation is estimated and for past years, deflation is taken into account.

Reallocation warrants: Transfers across sub-votes or votes that are approved by the Minister of Finance and Economic Affairs and must also be authorized by Parliament.

Recurrent spending refers to spending that *recurs* on an annual basis. This includes day to day expenditure by the government on salaries, pensions, running costs of ministries, vehicles, fuel, and workshops.

Regressive tax: A tax which accounts for a smaller share of income for higher-income individuals than lower-income ones.

Resource curse: The tendency of resource-rich countries to not only fail to develop their natural resources in such a way that leads to economic growth but to in fact become worse off (in socio-economic terms) once extraction of their natural resources begins. Such countries also tend to be or become are often highly corrupt, undemocratic, and in worst cases scenarios, violent.

Revenue: The Government's income. In Tanzania, Government revenue is primarily composed of domestic revenue and foreign aid.

Sub-vote: Administrative classification referring to a subdivision of a budget 'vote.'

Structural adjustment program: The list of budgetary and policy changes required by the IMF and World Bank in order for a developing country to qualify for a loan. This "conditionality" typically includes reducing barriers to trade and capital flows, tax increases, and cuts in government spending.

Sustainable debt: The level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth. Defined by the IMF and World Bank as being less than 150 percent of a country's exports or 250 percent of a country's revenues.

Tax: A compulsory transfer from an individual or a business to the Government. It is not paid in order to receive any specific service.

Tax base: The amount on which a tax is levied – typically income or consumption.

Tax rate: the percentage of the tax base that is paid in the form of a tax.

Value Added Tax (VAT): Tax charged by registered traders on all taxable goods and services. The VAT is levied at each stage of production and distribution chain up to the retail stage.

Virements: Transfers within a given sub-vote which may be approved by the relevant Controlling Officer

Vote: Administrative classification of expenditure. In Tanzania the budget is divided across approximately 99 "votes," which correspond to 26 ministries, 52 department, and agencies, and 21 regional secretariats.