



BUDGET WORKING GROUP'S 2023/24 PRE-BUDGET STATEMENT: SECURING SUSTAINABLE DEVELOPMENT THROUGH BUDGET RELIABILITY AND FISCAL SUSTAINABILITY

1. Preamble

It is our pleasure to present to you the analysis of the FY 2023/24 national budget. Policy Forum commends the government's economic reforms aimed at promoting private sector-led growth and enhancing the business environment and emphasizes the importance of budget credibility in achieving sustainable development goals¹.

In this position paper, we continue our efforts to contribute to the budget process, discourse, and performance. Our analysis reviews budgetary allocations and expenditures, examining budget credibility. We highlight key sectors and programs that will be targeted by the government in pursuit of development, while also striking a balance between funding critical sectors and maintaining fiscal sustainability.

Our analysis includes a look at the government's revenue estimates, spending and resource distribution to sectors including education, agriculture, water, and trade. We recognize the various challenges facing Tanzania, such as the effects of COVID-19 and the post-pandemic quest for recovery, high inflation, and a significant debt burden. Therefore, effective implementation and monitoring of the budget will be critical to ensuring that the intended outcomes of each sector are achieved.

This position paper carries with it valuable insights that ought to be considered throughout the execution of the fiscal year, building a potential impact on the country's sustained economic growth.

2. A Synopsis of the National Budget

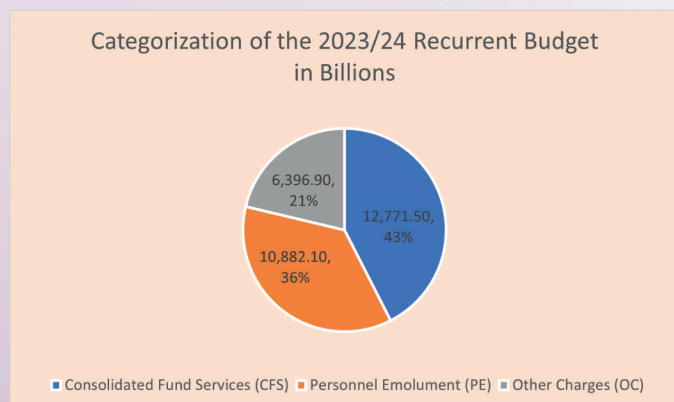
While the National budget for the Financial Year (FY) 2022/23 increased by 12%, the 2023/24 budget reflects an increase of 7% from TZS. 41,480.6 billion in 2022/23 to TZS. 44,388.1 billion. Of this total budget, development expenditure receives an allocation of TZS. 15,156.0 billion, representing 34.2% of the budget, while TZS. 29,232.1 billion, accounting for 65.8%, is designated for recurrent expenditure. The Minister of Finance and Planning released this proposal on 13th March 2023, which also outlines the National Plan and Budget ceilings for the financial year 2023/24.

As for the development funds, TZS. 11,873.9 billion (equivalent to 78.3%) is to be sourced internally while TZS. 3,282.1 billion (equivalent to 21.7%) is expected to be sourced externally. On the other hand, out of the recurrent budget, TZS 12,771.5 billion (43.8% of the total recurrent budget) is intended to service the national debt. Therefore, with the national debt aside, the recurrent budget is TZS. 16,460.6 billion constituting TZS 10,882.1 billion for personnel emolument and TZS 6,396.9 billion for other charges.

According to the recent 2021/22 CAG report, the tax-to-GDP ratio was 13.4% which is lower than the international standard of 15%. The government needs to address the challenges faced in revenue collection from the previous fiscal year and take necessary measures to enhance tax compliance and tackle issues of tax evasion and corruption including addressing the recommendations raised by the Controller and Auditor General.

¹SDG Indicator 16.6.1: Primary government expenditures as a proportion of the original approved budget, by sector (or by budget codes or similar)

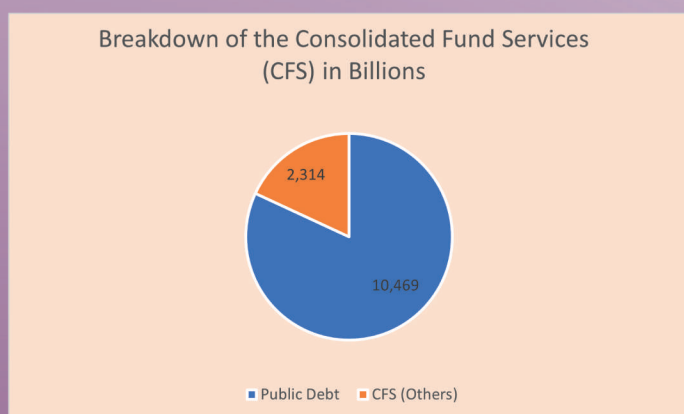
Figure 1 Breakdown of the 2023/24 Recurrent Budget in Billions



Source: Statement by the Minister of Finance and Planning presented to the National Assembly on 13th March 2023.

It is worth noting that the allocation for servicing the national debt represents a significant portion of the recurrent budget (about a third as noted within the Consolidated Fund Services as noted in Figure 2). This highlights the importance of debt management and sustainability but the Government needs to ensure that it has adequate resources to meet other critical expenditure needs, such as operational expenses which are equally important.

Figure 2: Breakdown of the Consolidated Fund Services

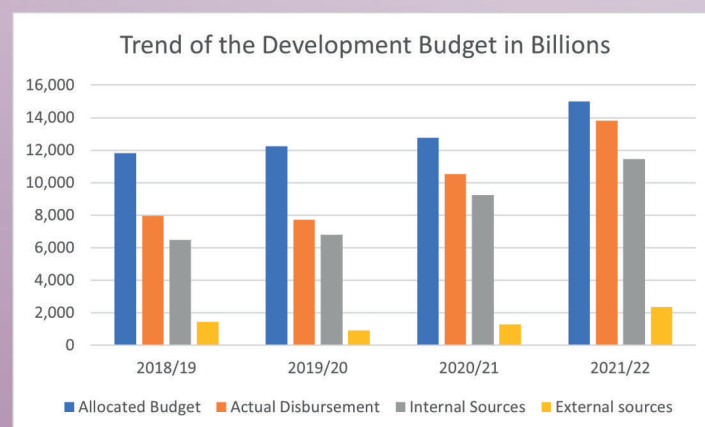


Source: Statement by the Minister of Finance and Planning presented to the National Assembly on 13th March 2023.

Moreover, it is important to take into consideration concessional loans over commercial loans because the former have lower interest rates, typically have longer repayment periods making it more affordable for the country, may offer more flexible repayment options and are often used to support development and infrastructure projects such as schools, hospitals, and roads. For the 2023/24 budget, there are revenue projections reflecting grants and concessional loans of TZS 5,466 billion and non-concessional loans of TZS 7,540 billion. Solid justifications need to be rendered in the quest for such high non-concessional loans.

While the 7% budget increase demonstrates the government's commitment to meeting social needs, historical trends indicate that actual performance may fall short of the approved budget. In its expenditure reports, the government has acknowledged this problem, citing unfulfilled pledges from development partners as key contributor (as illustrated in Figure 3).

Figure 3: Trend of the Development Budget



Source: Budget Execution Reports

Efficient revenue mobilization is essential for the successful implementation of development plans and efforts should be made to progressively realise this including the target set out in the FYDP III on tax revenue as a percentage of GDP of 14.4% in the year 2025/26.

Additionally, improving fiscal discipline and strengthening financial management systems are crucial to ensure effective disbursement of funds.

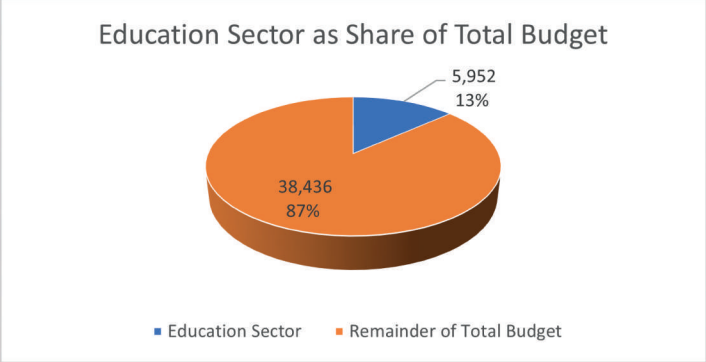
This involves streamlining processes, enhancing transparency, and mechanisms to monitor and evaluate the utilization of allocated funds.

3. Highlights of the Budget Shortfalls from Key Sectors

3.1 Education Sector

The total budget of the sector has increased by around 20% from TZS 4,720 billion in 2020/21 to TZS 5,952 billion in the fiscal year 2023/2024. This has been an average increase of 5% per year.

Figure 4: Education Sector Vs Share of Budget



The Education sector allocation of TZS 5,952 billion as a share of the total government Budget of TZS 44,388 billion is 13.4%, a slight decrease in share from 2022/23, where the allocation was TZS 5,684 billion, and a 13.7% share of the total budget of TZS 41,481.

Most of the 2023/24 education sector budget allocation goes to basic education (75%) and Higher education (20%).

The education sector allocation for 2023/24 is at a 4.7% increase compared to the previous year's budget, meaning that the increase has just managed to keep up with the inflation rate of 4.7% as stated by BOT as of March 2023. The increase in the education sector budget is also small in comparison to the overall increase in the total government budget allocation, which is projected to increase by 7% from 2022/23.

The Education Sector Development budget allocated TZS 353.4 billion for COVID-19 relief and the construction of 12,000 classrooms, 3,000 satellite schools, and 50 dormitories for students with special needs. TZS 160 billion was provided for the construction of 8,000 classrooms for more than 400,000 Form I students in 2023. The government is also building 26 girls' schools for science studies, costing about TZS 30 billion or nearly TZS 1 billion per school. While this is only a portion of the overall budget, the government aims to prioritize improving infrastructure in basic education to create a better learning environment for Tanzanian students.

The government has also expanded the scope of Fee-Free education by increasing the budget of TZS 10.3 billion for fifth and sixth-form students, while the budget for free education for primary and secondary education students (Fourth Form) increased from TZS 364.2 billion in 2021/22 to TZS 390 billion in the Fiscal Year 2022/23. The loan budget for higher education students also increased by 14.7% from TZS 570 billion in 2021/2022 to TZS 654 billion in 2022/2023. The subsistence allowance for higher education students has also increased from TZS 8,500 to TZS 10,000 per day.

The government has prioritized several initiatives to improve access and quality of education for Tanzanian students, as well as improvement of the learning environment, as shown by its focus on infrastructure improvements and the strong push towards fee-free education. However, the challenges in our education system are still prominent. To continue to find solutions to these challenges, this statement recommends the Government consider the following priorities when the Parliament sits to review and approve the plans and budget for the financial year 2023/2024.

A. Consideration of priorities and budget specified in the Education Sector Development Plan (ESDP III)

The Third Education Development Plan (ESDP III) lists the priorities and estimated budget needed to implement the provision of education in the country for the five years of 2021/22-2025/26.

In the past two years, the Government has failed to comply with the costing recommendations as outlined in this Plan. While the ESDP III estimated costs of TZS 7,116 billion for the fiscal year 2021/2022, the government allocated and approved TZS 5,645 billion which is equal to only 79.3% of the estimate.

For the Year 2022/2023 ESDP III estimated cost was TZS 7,587 billion, while the government approved and passed TZS 5,684, which is equivalent to only 75.5%. Finally, for 2023/24, the ESDP estimated cost was TZS 8,128 billion, while the government has estimated an allocation of TZS 5,952 billion for the education sector, which is just 69.9% of the total estimated cost for the ESDP implementation for that year.

We recommend that the Government, through the relevant Ministry of Education, Science and Technology, the Office of the President TAMISEMI, the Standing Committees of the Parliament for Education and Services as well as the Members of Parliament; ensure that the budget planning of the education sector is governed by and allocate funds that are consistent with the estimates under ESDP III. Specifically, we ask the government to allocate approximately 16 - 20% of the National Budget for the Education Sector.

An increase in allocation would be beneficial not only in ensuring that adequate funding is available to implement the education sector strategic plan, but would also contribute to fast-tracking of initiatives to improve the learning environment of students in key areas such as infrastructure, quality of teaching, as well as general monitoring and evaluation.

B. Allocate Budget for the Construction and Repair of Basic Education Infrastructure

The great efforts made to strengthen the secondary education infrastructure in the past two years have been crucial in addressing the shortage of classes in secondary schools and ensuring that a large number of primary school graduates have the opportunity to join Form I. However, this focus on Secondary schools should not diminish efforts to expand infrastructure for Primary Schools where enrollment is increasing.

According to the Basic Education Statistics for Tanzania (BEST) issued by the Ministry of Education and PO-RALG for the Year 2021; the pupil-classroom ratio for primary schools is 1:74 instead of the recommended 1:45. In 2021, the number of primary school classrooms was 151,315 while the number of primary school students was 11,196,788. For this number of students, several 248,818 classrooms are needed to achieve a ratio of 1:45. Since there are already 151,315 rooms, the government needs to build 102,485 additional rooms to cover this shortage in primary schools.

Pupil to Classroom Ratio (BEST 2021)	# of Students	# of Classrooms	Pupil to Classroom Ratio	Ratio Standard	Classrooms needed
Primary	11,196,788	151,315	1:74	1:45	97,503

We recommend that the Government should come up with a plan to build 25,000 classrooms per year so that within the next five years we can resolve this challenge. If each construction of one primary class will cost TZS 15 million, then in the Financial Year 2023/24; the government should allocate TZS 375 billion for the construction of classroom infrastructure in primary schools only. This construction of new classrooms should go hand in hand with the construction of pit latrine facilities. According to BEST 2021, the pit latrine ratio is 1:50 vs the standard of 1:25 for male students and 1:48 vs the standard of 1:20 for female students. Boys' latrines needed are 114,366, and girls' latrines needed are 164,946.

C. Resolving the Teacher Shortage Challenge

According to the Speech of the President's Office-Regional and Local Government (PO-RALG) for the Financial Year 2022/2023, Primary schools in the country are facing a shortage of 100,958 teachers, equivalent to a 37% shortage. The number of teachers available for Primary schools is 173,591 while the total amount of teachers required at the Primary school level is 274,549 teachers.

Pupil-Teacher Ratio (BEST 2021)	# of Students	# of Teachers	# of Teachers needed
Primary School	11,196,788	173,591	100,958

The government through PO-RALG planned to recruit 10,000 teachers in the financial year 2021/2022 and another 10,000 teachers in the financial year 2022/23. In September 2022, the Deputy Minister of Education, Science and Technology Omary Juma Kipanga speaking in parliament in Dodoma, told the MPs that the government has requested permission to hire more than 42,697 teachers and the priority will be for Science and Mathematics teachers. However, there is no official information from the government on the implementation of this commitment.

In the fiscal year 2021/22, our statement advised the government to set a long-term plan (5 years) to end the problem of the shortage of teachers in the country. In our recommendations, we urged the government should set a budget plan to recruit 40,000 teachers per year (25,000 Primary and 15,000 Secondary). This program will lead to a resolution to the problem of the shortage of primary and secondary teachers within the next five years. It is also our recommendation that for the Fiscal Year 2023/2024, the government plans and allocates a budget for the recruitment of 40,000 primary and secondary teachers. If this level is reached every year, we will end this challenge within the next five years.

D. Increasing the Budget for Monitoring & Quality Control

The government has made commendable efforts to improve monitoring and quality control in the education sector, including providing training for quality control staff, building offices, and purchasing equipment such as cars. However, the government's ability to reach schools and colleges that should be inspected annually is very low.

In the fiscal year 2019/20, the Government assessed the environment for providing education in 3,251 primary schools out of 17,804 which equals to only 18.3% and 837 secondary schools out of 5,289 which equals approximately 16% only. In 2020/21, the Government evaluated 4,700 Primary schools which equals 26.4% and 1,200 Secondary schools which equals only 23%. This is an indication that many schools are not always inspected or not inspected at all.

It is our opinion that the Government to set plans and allocate funds to monitoring and quality assessment for all schools, at least every two years.

In the fiscal year 2022/23, the government has planned to conduct a general assessment of 'comprehensive school inspections' in 19,800 institutions including 17,164 primary schools, which is approximately 96% of primary schools, and 2,578 secondary schools, equals 49% of secondary schools. This ambition is good, and we recommend that it is also the goal for the financial year 2023/24. It is our request for the government to make a deliberate effort to plan and allocate an adequate budget for monitoring and regular inspection activities in schools, especially public schools.

Recommendations

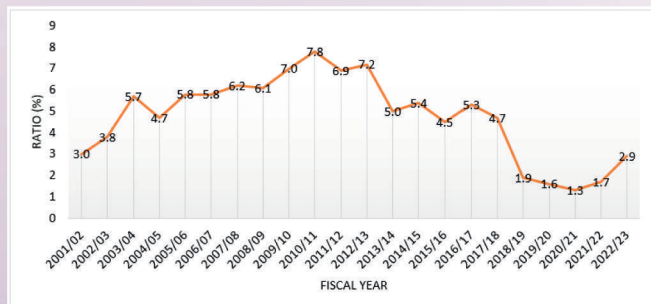
1. Increased allocation to the education sector that will be able to fully fund implementation of the ESDP III.
2. To prioritize the improvement of infrastructure and resolving the teacher shortage, which would provide benefit to the vast majority of Tanzanian students and increase their chances of future success in learning and the workforce.

3.2 Agriculture Sector

Budget allocation to the agriculture sector has increased significantly in 2022/23 compared to the previous year; to the Ministry of Agriculture (MoA) it increased from TZS 294 billion in 2021/22 to TZS 954 billion in 2022/23, to the Ministry of Livestock and Fisheries (MLF); from TZS 169 billion in 2021/22 to TZS 268 billion in 2022/23 (92 billion TZS for Livestock and 176 billion TZS for Fisheries) (MoF, 2022).

Nevertheless, looking at actual spending levels against the benchmark of the Maputo Declaration of 2003 and reaffirmed under the Malabo Declaration of 2014 in which the Heads of State of the African Union committed to allocate 10% of total public expenditure to agricultural development, the country is far in allocating sufficient resources as committed. The low public investment in the sector translates into food and nutrition insecurity, and abject poverty due to low income and economic growth.

Figure 5: Trends in Share of Agriculture Sector Budget Against Total National Budget, FY 2001/02 to 2022/23

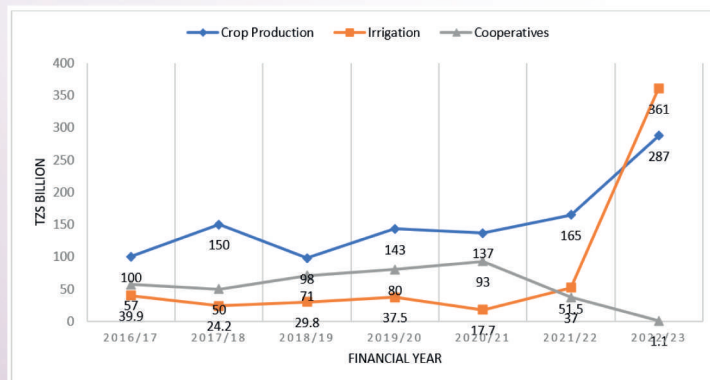


Source: MoFP Data

3.2.1 Trends in National Budget Implementation 2021/22 -2022/23

The development budget allocation in nominal terms for crop production has been increasing over time, except for the year 2018/19. The budget approved for development activities has increased from TZS 137 billion in 2020/21 to TZS 287.38 billion (internal source) in 2022/23 through vote 43. The disbursement for crop production (Vote 43) as of March 2023 was TZS 195.27 billion out of the internal fund approved. Likewise, in the irrigation area, the government put emphasis to support irrigation infrastructure development where the budget decreased from TZS 39.9 billion in 2016/17 to TZS 17.7 billion in 2020/21 and then increased to TZS 37 billion in 2022/23. For cooperative development, the budget allocation increased from TZS 57 billion in the year 2016/17 to TZS 93 billion in 2020/21 and gradually decreased to TZS 51.5 billion in 2021/22 and further to TZS 1.1 billion in 2022/23. The plan for the development budget in the cooperative for 2023/24 is around TZS 1.5 billion, whereas the plan for crop production in 2023/24 is TZS 460.67 billion, of which TZS 401.7 is from internal sources.

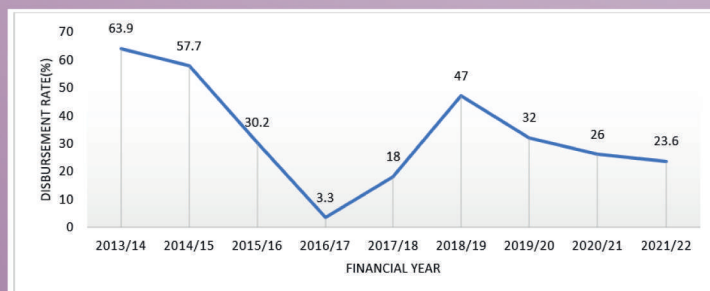
Figure 6: The Development Budget Allocation by Category for 2016/17-2021/22



Source: MoA Data

The disbursement for development expenditure at the Ministry of Agriculture (MoA) level has declined from 47% in 2018/19 to 23.6% in 2021/22 as indicated in Figure 7. The high performance between 2013/14 and 2014/15 was probably attributed to Big Results Now (BRN) efforts by the government in developing the agriculture sector. The low disbursement rate of 3.3% in 2016/17 was a period when the regime changed, and the priority shifted to other sectors. Moreover, the 2021/22 CAG Audit Report indicated that out of the TZS 36,169.67 million approved for 7 development projects in the Agriculture sector, TZS 27.688 billion (76.6%) was spent while unspent was TZS 8.480 billion (equivalent to 23.4%).

Figure 7: The Disbursement Rate for Development Expenditure against Approved Budget



Source: MoA

The livestock subsector budget increased from TZS 38.9 billion in 2020/21 to TZS 47.8 billion in 2021/22. The statistics show that the budget for development activities in the subsector between 2018/19 and 2021/22 has been below 40%.

Also, the disbursement for the approved budget was low, for example, in half of 2021/22 only 10% of the TZS 1.6 billion was disbursed. In the fisheries subsector, there was a huge increase in the budget from TZS 34.7 billion in 2020/21 to TZS 121.4 billion in 2021/22. While the development expenditure increased to TZS 99.1 billion in 2021/22 from TZS 13.1 billion in 2020/21. In 2022/23, out of TZS 168,248,787,000 allocated to Livestock and Fisheries (Vote 64), the total development budget allocation for livestock and fisheries was TZS 72.73 billion. Moreover, out of TZS 62.55 billion for development budget from internal sources, only 6.3% was spent as of 30th April 2022.

However, the Deputy Minister for Livestock and Fisheries reported that the government from the year 2021/22 to 2023/24 has allocated TZS 5.9 billion to build 257 cattle dip facilities in 80 LGAs, where 88 of them have been completed and the remaining 169 are in various stage of construction. Also, the government has provided subsidies for 52,560 litres of drugs with a value of TZS 2.3 billion. In addition, the government in Simanjiro district council at Narakauro village the dam was constructed for TZS 413 million in 2021/22 and the Lelarumo dam to be constructed in 2022/23 for TZS 364 million.

3.2.2 Key Strategic Initiatives and Financing

- **Improved Seed:** Increased budget allocation to Agricultural Seed Agency (ASA) from TZS 5.42 billion in 2020/21, TZS 10.8 billion in 2021/22 to TZS 43.03 billion in 2022/23 (MoA, 2023) has catalyzed increased production of sunflower seeds from 1,750 tonnes in 2019 to 3,750 tonnes in 2022 through expansion of cultivated land for seeds production by ASA.

- **Fertilizers:** The government came up with a fertilizers subsidy which lowered the prices of fertilizers (DAP, UREA) from TZS 120,000 to TZS 70,000 all over the country. By December 31, 2022, the farmers had purchased 175,829.33 tonnes of subsidies fertilizers worth TZS 192.46 billion (MoA 2022). However, the sustainability of the programme is uncertain since there is no clear strategic plan to conduct a needs assessment, and there are tycoons who are not farmers benefitting from the subsidy. Therefore, the government needs to develop a clear and sustainable financing programme for SHFs.

- **Building a Better Tomorrow (BBT):** In 2022, the government initiated the "Building a Better Tomorrow - Youth Initiative for Agribusiness (BBT-YIA)" programme to address youth and women challenges in the agriculture sector including access to land, capital, technology, and markets. The programme aims to increase 3 million jobs and 10% growth in the agricultural sector by 2030 and is implemented through various agricultural value chain projects under the block farming model for youth and women. The BBT-YIA estimated budget is TZS 356.199 billion of which 24% of the budget will come from the Government (MoA and PORALG) and the remaining 76% from Development Partners, NGOs and the private sector with the Ministry of Agriculture serving as the facilitator and coordinator.

These initiatives and arrangements need to be applauded because of the programme coverage and the number of beneficiaries targeted. However, the government has to draw lessons from ASDP II in implementing the BBT-YIA programme by avoiding ambitious plans, instead developing an implementable plan based on the resources (finance and human capital) available. Relying on other stakeholders for 76% of the budget may pose a challenge since they are not committed to the program, therefore the government should increase its funding in the implementation of the program and integrate Agricultural Sector Lead Ministries especially Livestock and Fisheries into the program implementation and budget allocation.

- **Climate Change:** In 2018/19 the Ministry of Agriculture plans had features of climate resilience financing, whereby its budget allocation increased by TZS 13.75 billion (equivalent to 40%) from TZS 25.50 billion in 2017/18 to TZS 39.25 billion in 2018/19 and was allocated to climate change adaptation and mitigation related activities. However, addressing climate change and variability is still an issue.

CAADP and ASDP II programs call for the government to enhance investment in climate change resilience and the Environmental Act of 2004 establishing the National Environmental Trust Fund (NETF) to finance environmental activities in Tanzania, but the fund is not yet fully operationalized due to some limitations including financial challenges.

ANSAF (2020) proposed several fund sources including emissions from vehicles (TZS 3,000 per vehicle), electronic waste fees (1% of the product value), tourism and hospitality industry (USD 0.5 per tourist), and drinks served on plastic bottles (TZS 0.5/ bottle).

- **Post-Harvest Management:** Despite the commitments from all groups to finance National Post-Harvest Management Strategy (NPHMS), 2018/19-2028/29, there has been low budget allocation to support the strategy. Based on this, both government and development partners have to enhance efforts in terms of finance and technical support in implementing the strategy.

- **Research and Development (R&D):** The African Union (CAADP program) recommends that countries spend at least 1% of their agricultural GDPs on agricultural research. ASDP II recommends the government set aside 3.8% of its agricultural budget for research and development. However, based on the available evidence, the allocation for R&D is minuscule. For example, the Ministry of Agriculture budget allocation was pegged at TZS7.35 billion in 2020/21, which increased to TZS40.73 billion in 2022/23. Thus, it is important to honour the guidelines and directives to ensure that agriculture (crop, livestock, and fishery) contribute to national growth and income.

- **Extension Services:** In recent years, the government through MoA has been making remarkable efforts in extension advisory services. Among the outstanding achievements is the development of the M-Kilimo platform which intends to bridge the extension advisory information access gap for smallholder farmers. Budget allocation has been increasing from TZS0.603 billion in 2020/21 to TZS14.5 billion in 2022/23, hence facilitating the provision of the necessary equipment including motorcycles, soil scanners, and smartphones to extension officers to facilitate service delivery, especially in rural areas. However, the country requires 15,082 extension officers to effectively provide services to farmers in all wards and villages but currently, there are 7,974 officers which is only 50% of the requirement.

3.2.3 Loans to Agriculture Sector

The public institutions lending portfolio to the sector has been increasing since 2016. In the last five years, the government loans disbursement to various agriculture value chains actors through Tanzania Agriculture Development Bank (TADB) has increased from TZS0.34 billion in 2018 to TZS 61.74 billion in 2021, then declined to TZS 48.47 billion in 2022.

Moreover, in 2021/2022 the government reduced interest rates from between 17% and 20% to 9% for agricultural loans from commercial banks to increase farmers' access to inputs on time, and revive and establish small-scale value-addition industries. The Banks' lending to private sector activities shows that lending to agriculture increased from TZS 952,883.8 million in 2018 to TZS 1,592,519 million in 2021 and increased to TZS 1,993,626.4 million in June 2022. However, lending to fishing has been decreasing, whereas according to the Bank of Tanzania (BoT) lending to fishing has declined from TZS 74,022.3 million in 2018 to TZS 33,725.3 million in June 2022.

Recommendations

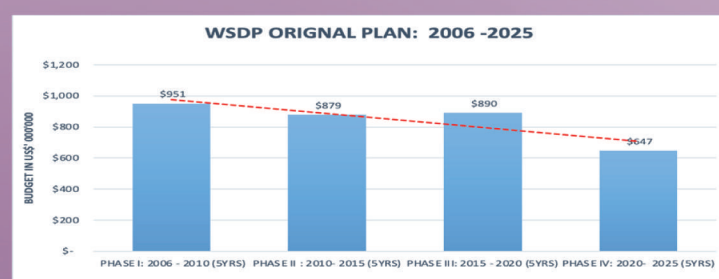
1. 2023/24 budget should focus on establishing strong systems such as large-scale farming and cooperatives for high productivity of cereal crops (maize, rice) to address the issue of food insecurity.
2. Budget allocations to key agriculture areas should correlate with sufficient disbursements to the same for high results realization.
3. Development of long-term policy for agro-processing enterprises is paramount to enable them to make predictable investment decisions.
4. At least 20% of revenue collected by LGAs from the agriculture sector should be allocated to agriculture sector development projects and should be legalized (10% to agriculture, 5% to livestock and 5% to fishery).

3.3 Water Sector

The initial review of the Water Sector Development Programme (WSDP) Phase II set the budget for Water Resources Management (WRM) at 26%, (Rural Water Supply and Sanitation) RWSS 26%, Urban Water Supply and Sanitation (UWSS) at 46%, Sanitation and Hygiene(S&H) at 5% and Programme Delivery Support (PDS) at 3%. However, the actual allocation of the received amount completely changed the structure of the revised WSDP II budget. Allocation to the WRM component was only 4%, RWSS at 44%, UWSS at 46%, the S&H at 3% and PDS at 2%. The WSDP III, which started in July 2022, is more ambitious, depicting a budget of US\$ 6.464 billion, an increase of US\$ 3.19 billion above the budget of its predecessor WSDP II, (US\$ 3.2 billion). The increased funding is aimed at meeting the targets of providing access to safe drinking water to 85% and 95% of the population in rural and urban areas, respectively, by 2025.

This analysis examined the budget trends across the two first phases of the WSDP about the sources from which budget commitments were made, actual allocations; disbursement and where possible, the expenditures. The planned budget for the entire 20-year implementation period was US\$ 3,366.38 million; distributed to the four phases at US\$ 951.08 million for Phase I; US\$ 878.79 million for Phase II; US\$ 889.72 million for Phase III; and Phase IV; 646.79.

Figure 7: Figure 8: WSDP Original Plan

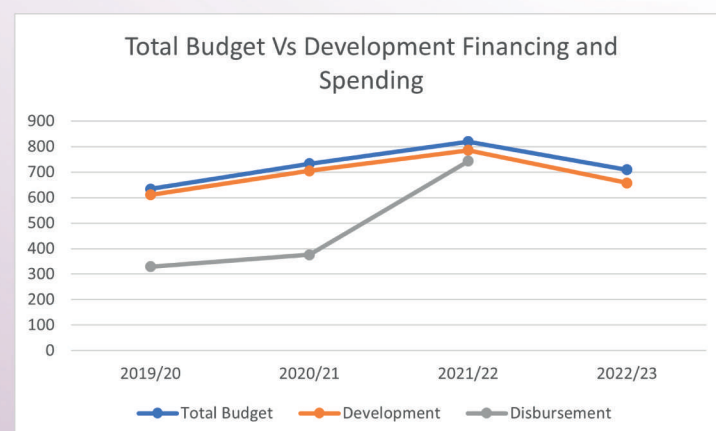


Source: Ministry of Water

Similarly, there have been significant disparities between budget allocation and disbursement in the water sector. While the government recognizes the importance of water resources and infrastructure development, the actual disbursement of allocated funds has faced challenges.

However, in 2021/22 the disbursement was at 95% which showed that the Government made enormous efforts in making sure that the vision of implementing the development projects is attained.

Figure 9: Water Sector Budget Allocation Vs Disbursement



Recommendations

1. Divergences experienced during WSDP II's implementation affected the programme's planning, budgeting, financing, monitoring, and evaluation. The Government ought to learn from the experience.

2. Both Basket Funding and Earmarked Funding data could be found in the government reporting although with noted differences. The depth of information on commitments, allocation, disbursement and expenditure varied between these two WSDP's funding modalities. The Basket Funding data is more consistent and readily available either through the Water Sector Status Report (WSSR), the budget speeches and Vote Book 049. However, different sources of information provided the Earmarked Funding information, but sometimes with gaps. Several WSSRs indicated that the information on Sector Financing is provided but with missing information on Earmark Funding. The Government ought to address this situation that hampers completeness in reporting and may distort among other things a legitimate link between efficiency and effectiveness and equitable WSDP financing.

3.4 Trade Sector

The role of trade is to promote sustainable economic growth through promoting market access to all produced products and services.

This role can never be achieved if other social groups in the community including women and youth who play an important part in promoting trade are excluded. The government needs to allocate enough financial resources for various activities that will lead to the development of the trade sector.

For the Trade and Industry Sector, the government had planned a total budget of TZS 112.7 billion for the fiscal year 2021/2022, but only TZS 55.6 billion (48%) was disbursed. In the following fiscal year, 2022/2023, the planned budget decreased by 12.1% to TZS 99.1 billion. The recurrent budget, which includes expenses such as salaries and routine operations, was planned at TZS 59.6 billion, of which 74.9% was disbursed in 2021/2022. For the fiscal year 2022/2023, the recurrent budget increased by 14.6% to TZS 68.3 billion. On the other hand, the development budget, which includes expenditures for improving infrastructure and other long-term investments, was planned at TZS 53.1 billion, but only 29.8% was disbursed in 2021/2022. In the fiscal year 2022/2023, the development budget decreased by 41.9% to TZS 30.7 billion (see Table 1):

Figure 10: General Resources Allocated in the Trade and Industry Sector

Budget category	Planned Budget in 2021/2022	Disbursed Amount (% of the planned amount)	Planned Budget in 2022/2023 (% of planned previous year budget)
Total Budget	TZS 112.7 billion	TZS 55.6 billion (48%)	99.1 billion (-12.1%)
Recurrent Budget	TZS 59.6 billion	TZS 44.7 billion (74.9%)	68.3 billion (+14.6%)
Development Budget	TZS 53.1 billion	TZS 15.9 billion (29.8%)	30.7 billion (-41.9%)

As of March 2022, only 30% of the funds allocated for development projects in the 2021/2022 budget under the purview of the Ministry of Investment and Trade were disbursed from domestic sources.

Furthermore, no disbursements have been received to date from external contributors. Regrettably, this presents a significant hurdle to the competitiveness of women and youth in the market.

The Ministry, however, identified various obstacles that hinder the involvement of women and youth in investment and trade. These are poor policies, laws, and strategies. Poor business environment and limited access to funding, and lack of women's business skills. Also, in recent times, the sector faced a drop in employment opportunities. For instance, in 2020 total employment was 370,485 while in 2021, the number decreased to 345,615. This shows that the sector has challenges in influencing and creating new job opportunities, especially for youth who are looking for jobs desperately.

The government has taken steps to encourage investment through the implementation of Investment Law No. 10 of 2022 and the establishment of the Tanzania Electronic Integrated Investment Window (TeIW) to expedite new investment initiatives in the country. However, it is concerning that the engagement of the Small and Medium Enterprises (SMEs) subsector has not been adequately addressed, given that SMEs are the primary contributors to the national economy.

3.4.1 Gender Issues in the Trade Sector

The shortfalls pose a challenge in the planning and implementation of projects related to improving the capacity enhancement of women and youth to access markets and increase the value of their products. On market development, the financial year 2023/2024 sub-votes 4002 on commodity market development and 4949 on support for trade mainstreaming have been given TZS 200 million. While for the previous financial years 2012/2022 and 2022/2023 there were no funds in that vote.

Recommendations

1. Allocate resources towards streamlining the certification procedures to support SMEs, especially those run by women and youth. The government can also introduce a special certification mark for SMEs' products to facilitate their access to lucrative markets.
2. Recommend increasing budget for 2023/24 to support SIDO centres establishment in more rural areas and renovations to have modern equipment that reflects the current environment and serves young entrepreneurs both men and women.
3. Encourage Implementation of Local Content Policy: Employment policies and guidelines that influence job creation and provision mostly to investors in the country should be improved. The government should encourage the implementation of local content policies to provide more job opportunities to Tanzanians.

Conclusion

This comprehensive budget analysis for the fiscal year 2023/24 reveals that there are significant disparities between the plans and allocated funds on one hand, and the actual disbursements on the other. As seen in the education sector analysis above, a lack of budget credibility can have significant consequences on people and may impede progress towards accomplishing Sustainable Development Goals. Failure to meet cost targets in the education sector, for instance, raises questions about the commitment to resolving the various issues that contribute to a poor learning environment for students: overcrowding limiting students from getting the required amount of attention from teachers; poor pit latrine ratio restricting a hygienic environment; and low monitoring and evaluation limits the accountability needed to improve the sector.

To address these issues, it is crucial to enhance financial discipline, align planning and execution, improve accountability mechanisms, and establish robust monitoring and evaluation systems. By doing so, institutions can ensure optimal utilization of allocated funds, achieve desired outcomes, and foster trust among citizens which will ultimately foster sustainable

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