



policy forum



ACCELERATION IN WATER RESOURCES MANAGEMENT TOWARDS SUSTAINABLE SOCIO-ECONOMIC GROWTH IN TANZANIA

Key message

Sector Financing

Considering high demand for services contributed by high population increase and the decline of external budget support, there is a need to opt for other ways of financing the water sector. Involvement of Private sector and Financial Institutions should be taken as an alternative window to fill the sector financial gap.

Special eye to WRMD

Water Resource Management and Development (WRMD) is the key pillar for sustainable water resources in the country. Budget share for its operation is not convincing, therefore it is highly needed to increase to meet demand for the water resource sub-sector.

Dialogue Mechanism

Constructive arguments lead to effective planning, budgeting, and implementation. This suggests strengthening collaboration and dialogue among the sector stakeholders to ensure all are engaged and participating fully as reflected in the framework. Also, it is important to expand seats and include the private sector to be part of it.

INTRODUCTION

The Financial Year (FY) 2022/2023 marks the commencement of Water Sector Development Programme phase three (WSDP III) implementation, starting from July 2022 to June 2026. The WSDP III is the last phase of the Water Sector Development Programme (WSDP) spanning for the period of 2006 –2025. The first phase of the programme (WSDP I) started in July 2009 and ended in June 2016 while the second phase of the programme (WSDP II) started in July 2016 and ended in June 2022.

According to the Evaluation Report of WSDP II (2021) for instance, implementation of WSDP II witnessed improvement of functional rural water points from 32,846 to 114,354 water points serving 28,174,250 people, increase of water supply service level in rural and urban areas to 72.3% and 86% respectively, households connection to convention public sewer systems in regional centers to 13%, rural areas sanitation facilities to 36%; people living in water supply network areas from 72% to 86%; reduced Non-Revenue Water from 44% to 36.6% and improved access to latrines from 42% in 2017 to 66% in 2021 alongside installation of hand washing facilities at the household level increasing from 14% in 2017 to 40% in 2021.

MINISTRY'S BUDGET ALLOCATION FOR THE FY 2023/24

During the Financial Year 2023/24 therefore, the Ministry of Water (MoW) through Supply budget Vote 49; allocated and approved a total of TZS 766.2 billion to cater for recurrent and development expenditures aiming at strengthening sector institutions for integrated water resources management and improved access to water supply and sanitation services. The MoW's budget for the FY 2022/23 was TZS 709.4 comparatively lower by 13.47%, a decrease of TZS 110.43 billion from TZS 819.8 billion allocated

during the Financial Year 2021/22.

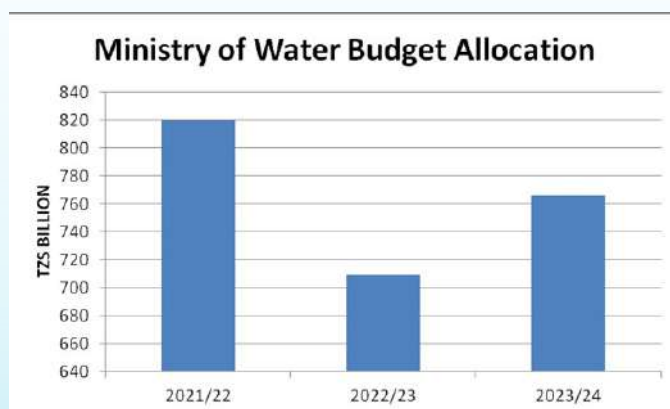


Figure 1: Ministry of Water budget Allocation

According to the Ministry's budget books, the 13.47% allocation decrease was largely attributed to non-allocations of specific budget to address the impacts of COVID 19 which was included during the FY 2021/22 under the Covid-COVID 19 Recovery Plan. During the Financial Year 2021/22, the Ministry of Water allocated and approved only TZS 680.4 billion to cater for both recurrent and development expenditures. However later when Tanzania received financial support from multilateral organizations particularly International Monetary Fund (IMF) and the World Bank to support the COVID - 19 Socio-Economic Response & Recovery Plan, additional TZS 139.4 billion was added to the ministry's approved budget, making the total Ministry's budget for the FY 2021/22 to be TZS 819.8 billion.

MINISTRY'S BUDGET PROPORTION TO THE NATIONAL BUDGET AND GDP

Aligning the sector's budget with the Gross Domestic Product (GDP) and national budget is vital in many ways. Apart from enabling optimal resource allocation, it also ensures expenditure are pegged within the affordable limits defined by the national budget. It ensures spending is directed towards priority areas and sectors that contribute most significantly to economic growth and development. It also allows citizens and stakeholders to assess how public funds are allocated and spent, ensuring that resources are directed in line with national priorities.

This FY 2023/24 the proportion has slightly increased to 1.73%. During the FY 2022/23 therefore, the allocation to the Ministry of Water in the National budget dropped to 1.71% where the approved national budget was TZS 41,481 billion from 2.16% allocated during the financial year 2021/22 where the national budget was TZS 37,981 billion. With increased national budget, it is expected economic factors such as inflation and rising costs of procurements would also strike and hence increased demands and provision costs. It was therefore expected that the proportion allocation of Ministry budget would increase with increased national budget. By increasing the MoW's budget, the government would be able to allocate sufficient funds to meet rising operational costs alongside maintaining the quality of services.

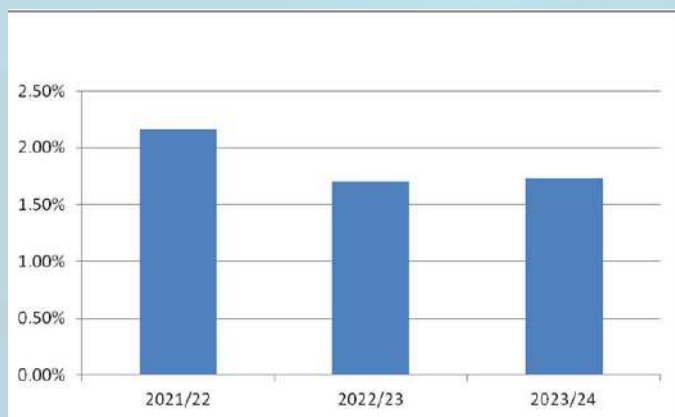


Figure 2: MoW's budget as Proportion to the National budget (2023/24)

Although there is no fixed recommended proportion of water sector's budget allocation in the national budget set for the Sub-Saharan Africa countries, the African Union has set a goal for its member states to allocate at least 10% of their national budgets to agriculture, including water resources management. Moreover, since the agriculture and water sectors in Tanzania are administered from different ministries it is complicated to establish what the specific percentage threshold is for the water sector. During the FY 2022/23 however, the water sector was allocated with the smallest share compared to other social sectors. A following figure demonstrates;

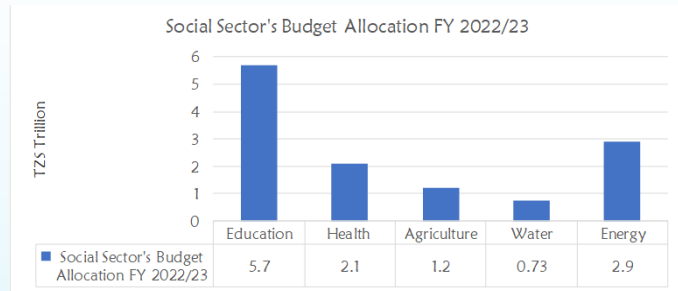


Figure 3: Social Sector's Budget Allocation FY 2022/23

On the need to align sector's budget to country's Gross Domestic Product (GDP), the United Nations Development Programme (UNDP) recommends that countries allocate at least 1-2% of their GDP to the water sector, which includes financing for both capital investments and ongoing operations and maintenance. According to the UNDP, allocating 1-2% of GDP to the water sector allows countries to develop and maintain water infrastructure, implement effective water management policies, and improve water governance. It also enables governments to address issues such as water scarcity, water pollution, and inadequate access to sanitation facilities.

According to the Tanzania Bureau of Statistics data, Tanzania's Gross Domestic Product (GDP) was estimated to be TZS 156,375.3 billion in 2021 and TZS 170,255.6 billion in 2022. Computing this to the MoW's respective year's budget, the government allocated only 0.52% and 0.42% of the GDP for the MoW's budget during the financial year 2021 and 2022 respectively.

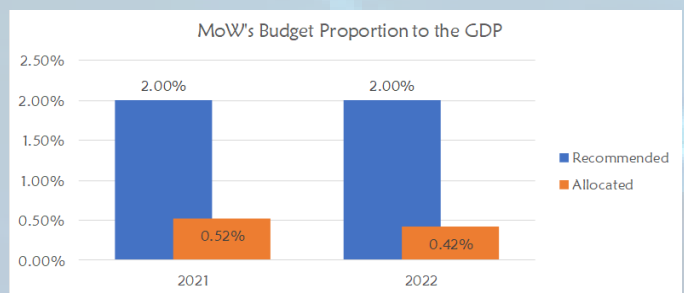


Figure 4: MoW's Budget Proportion to the GDP

MINISTRY'S BUDGET ALLOCATION ALIGNMENT TO THE WSDP III

In Tanzania, the budget of the Ministry of Water is always expected to align with the financial requirements under the Water Sector Development Program (WSDP). The WSDP III is a strategic plan that outlines the goals, objectives, and financial needs of the water sector. Alignment to the WSDP III does not only help the Ministry to ensure that the necessary funds are allocated to key projects and initiatives outlined in the WSDP but also provides a clear roadmap for the allocation of funds, ensuring that resources are allocated efficiently and effectively to achieve desired outcomes.

Being the first tool toward implementing the commencement of the WSDP III, the Ministry's 2022/2023 budget was expected to align with the financial requirement identified or proposed under the WSDP III. To the contrary, however, while according to the WSDP III financial requirement, government was expected to allocate a total of USD 777.6 Million or equivalent to TZS 1,905.1 billion (at 2,450 July 2023 exchange rate) to cater for the Water Sector's budget for the FY 2022/23, only TZS 709.4 billion was allocated through the Ministry of water which is only 37.24% of the required amount.

It is vital to note that there are a range of negative consequences that may arise due to failure to align the ministry's budget to the financial requirements under the WSDP III, including inadequate funding may slow delivery progress, poor accountability, missed targets and poor services.

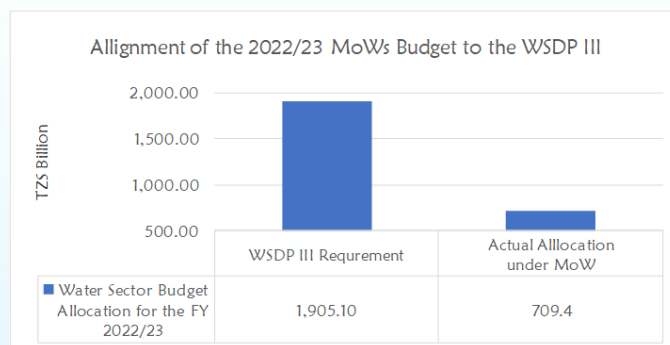


Figure 5: Alignment of the 2022/23 MoW's Budget to the WSDP III

DISBURSEMENT AND ACTUAL SPENDING OF MOW'S BUDGET

Budget Disbursement for the FY 2022/23

According to the Ministry of Water's budget Speech for the FY 2023/24, the government's resources mobilization and disbursement had significantly improved. According to the budget speech for instance, during the FY 2022/2023, a total of TZS 709.4 billion was approved by parliament in June 2022 and budget utilization commenced in July 2022. However, until April 2023 (third quota of the 2022/23 FY's budget implementation) a total of TZS 686.4 billion, equivalent to 96.76% of the approved budget, was disbursed to different spending functions.

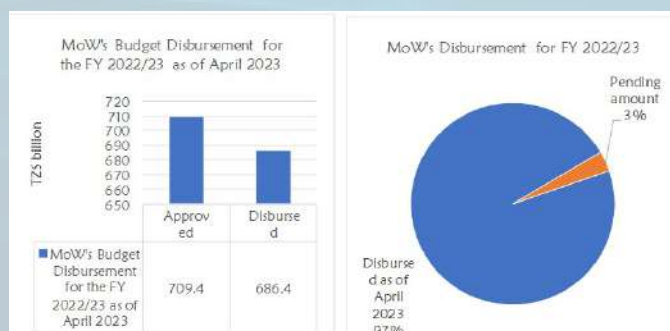


Figure 6 Mow's Budget Disbursement for the FY 2022/23

Recurrent Budget Disbursement FY 2022/23

According to the Ministry's Budget Speech for FY 2023/24, in the financial year 2022/23, the Ministry of Water approved a total of TZS 51.5 shillings for Recurrent Expenditure.

Out of these funds, TZS 34.8 billion was for salaries of Ministry employees, RUWASA, and Water Institute, and 16.7 billion was for Other Expenses (OC's). As of April 2023, a total of 42.34 billion, equivalent to 82.28 percent of the funds, was approved by the Parliament of the United Republic of Tanzania had been disbursed by the Treasury for Recurrent Expenditure. Among these funds, 31.53 billion was for salaries of MoW's employees and 10.82 billion was for Other Expenses (OC).

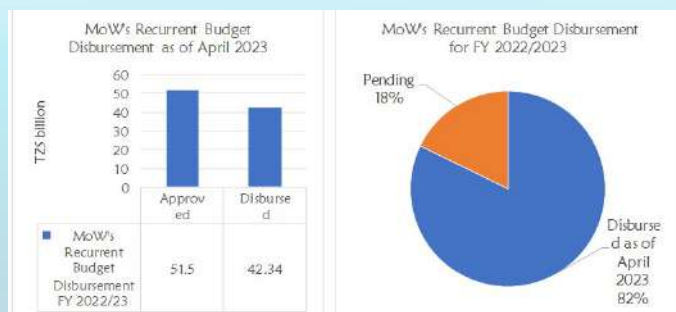


Figure 7: MoW's Recurrent Budget Disbursement FY 2022/23

Development budget Disbursement

In terms of development projects, during the year 2022/23 the Ministry of Water, Vote 49, was approved with a total of TZS 657.9 billion. This amount included TZS 407.1 billion from domestic sources and TZS 250.8 billion from external sources. As of April, the Ministry had received a total of 623.75 billion, which is equivalent to 94.81% of the budget approved by the Parliament of the United Republic of Tanzania for the implementation of development projects for the year 2022/23. Of the funds received, 374.79 billion, equivalent to 92.07%, were from domestic sources and 248.96 billion, equivalent to 99.25%, from external sources.

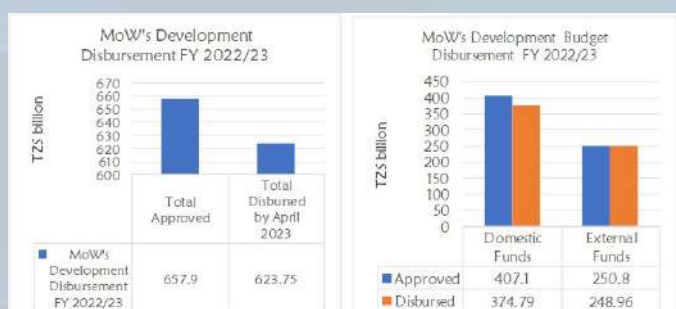


Figure 8: MoW's Development Budget Disbursement FY 2022/23

From the figures presented in the Ministry's Supply Vote 49 and budget Speech, the disbursement rate is generally commendable for recurrent expenditures and development expenditures including both from domestic or local and external sources. If by the third quota of the FY's 2022/23 implementation (that is April 2023), the average disbursement for the MoW's budget was 95.38%, this indicates certainty of reaching 100% by June 2023. From the figures below, the disbursement rate is higher from external sourced at funding than to domestic funding. This would imply a high-level Development Partner's commitment by development partners and adherence to meeting their promises.

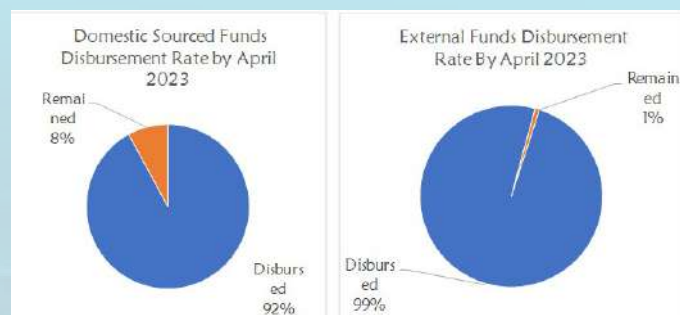


Figure 9: Domestic Sourced and External Funds Disbursement by April 2023

Comparatively, disbursement rate for the Ministry of Water's budget was also impressive for the FY 2021/22 approved budget. According to the Budget Books, a Total of TZS 819.8 billion was approved for the ministry's expenditure in the FY 2021/22. Towards the end of Implementation year June 2022, a total of TZS 829.3 billion was approved and spent for various water sector components spending. The expenditure was equivalent to 101.2% of the approved budget.

Equally, the disbursement and spending under the MoW's FY 2021/22 recurrent budget was TZS 45.16 billion, equivalent to 133.8% of the approved budget TZS 33.8 billion. On the other hand, actual expenditures for the development budget were TZS 784.1 billion which is equivalent to 99.8% of the approved budget of TZS 786.03 billion.

Of the disbursed and spent development budget, TZS 409.6 billion was from external sources, equivalent to 93.2% of the approved budget and TZS 374.52 billion equivalent to 108.05% of the approved local sources budget which was TZS 346.63 billion.

RECOMMENDATIONS

1. Increasing Water Sector Budget Allocation and Financing:

The government should explore avenues to secure additional funding for the Water Sector. Increased funding will help meet the financial requirements of the WSDP III and ensure the provision of essential water and sanitation services.

2. Strengthen Integrated Water Resources Management Approach:

It has been established in this report that other social sectors budget such as health, education, energy and agriculture receive considerably higher budgets. It also evident that the Water sector implementation is crosscutting amongst these sectors. It is vital therefore for the

ministry to strengthen a coordination role to the water related functions embodied in these sectors such as WASH provisions in schools and health facilities and WRM in the energy and agriculture sectors. (Need to address water stress, compounded by climate change?)

3. Advocate for increased budget allocation:

TAWASANET and other advocacy networks should engage in highlighting the importance of the Water Sector to the country's socio-economic and the need for adequate funding. (And keeping pace with population growth, industrial water needs and regulation of water abstractions for extractive industries and energy sector support)

4. Strengthening the water sector:

The governments need to strengthen the water sector dialogue mechanism platform and make use of it in coordination of budget planning, allocation, financing, and execution of water budget. The private sector and other CSOs are contributing immensely in one way or another in matters of water access and sanitation.



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