policy forum

Budget 2015/2016 Position Statement

The National Budget for Financial Year 2015/16 is currently being discussed in Parliament. The consolidated government budget will be tabled by the Minister for Finance after the ministerial budgets have been discussed. Given the importance of this event to the nation, the members of the Policy Forum Budget Working Group, would like to contribute to this key process by sharing our analysis.

This year's national budget marks the end of the current Parliamentary and Presidential term, as well as the end of the current five year development plan. The financial year 2014/15 (as was also the case in 2013/14) saw revenue shortfalls which meant planned spending was short of the approved budget; affecting infrastructure projects and social investments. It also saw a decrease in government contribution to the provision of social services such as education, water and health. Like in the previous financial period, yet again 2014-15 saw serious delays in disbursements by government and Development Partners. Recognizing the adverse effects of these challenges, we put forward the following policy recommendations:

Domestic Resource Mobilisation

We agree that there have been efforts on the part of the government to ensure that our national budget is less dependent on donor funding. The introduction of the Value Added Tax (VAT) and Tax Administration Bills last year in the Parliament is, in part, evidence of these efforts by the government to ensure proper collection and management of financial resources from within.

Recently, when the Minister for Finance Hon. Saada Mkuya presented the pre-budget proposals to the Members of Parliament in Dar es Salaam, she pointed out that the 2015/16 budget is pegged at Sh 22.48 trillion from Sh 19.8 trillion for the year 2014/15: an increase of 15%. Of the Sh 22.48 trillion, the recurrent budget is set at Sh 16.7 trillion while development budget is to receive Sh 5.7 trillion (about 26%) of the total budget.

In terms of the sources of this budget, the Minister highlighted that from the Sh 22.48 trillion budget, Sh 14.82 trillion will be collected locally. Further breakdown of the amount to be collected locally shows that the Tanzania Revenue Authority is expected to collect Sh 13.35 trillion, compared with Sh 11.297 that the authority was expected to collect in 2014/15. Non tax revenue is expected to be Sh 949.2 billion while the local authorities are expected to contribute Sh 521.9 billion to the budget. Apart from borrowing from both internal and external lenders, the government expects to receive about Sh 2 trillion from Development Partners (DPs).

This move by the government is welcome and commendable. The biggest challenge, however, is whether the government will be able to collect these revenues adequately as projections still appear ambitious. Bearing in mind that this is an election and constitution referendum year, Policy Forum feels more effort is needed to raise revenues; since a lot of resources will be absorbed by these electoral processes.

Is the budget realistic?

The implementation of the previous budget does not provide reassurance that the forthcoming 2015/16 budget will be executed effectively and realistically. From the Minister's report, delays in disbursement are still critical. For example, until March 2015 only 38% of the development budget had been disbursed. This literally means that more than 50% of the earmarked development projects have not been implemented, while there remains less than 3 months before the year ends. This was also the case for the recurrent budget, as it has been reported that most of the local authorities have not received the approved budget which was meant for operational expenses.

One would therefore doubt the increase in the budget without a clear statement as to how the funds will be raised. Lower priority expenditure needs to be quickly ascertained so that government can be prudent in their spending in 2015/16.

Has there been adequate oversight in the planning process?

As CSOs we have learned that during the preparation of the budget estimates, unfortunately the Parliamentary Budget Committee was not involved. This raises questions about the integrity of the whole budget process as the committee is mandated to oversee and advise the government on different options for raising revenue as well as allocating these resources hence it has to be consulted fully. This consultation is made more important because the committee engages with different stakeholders, including CSOs and the private sector, who add value to the budget process. We therefore encourage the Ministry for Finance to undertake regular consultations with the budget committee.

A call to refocus 2015/2016 education budget priorities

While we recognize that the education sector is given priority within the allocations; our major focus in the 2015/2016 education sector budget is how attentive the allocations are to the learning needs and challenges. These challenges include the long-standing inadequacy of capitation grants, concerns over unimplemented policy and unresolved stakeholder's grievances within the sector. Therefore, regardless of the amount allocated to this sector in the 2015/16 budget, due consideration should be given to the following concerns:

Explaining the fee-free education narrative; The new education policy of 2014 states that 'the government will ensure that basic education is provided fee-free through the public education system'. We believe that it is well-intended but it should be reflected during the presentation of the 2015/2016 budget revenue and expenditure estimates: the government should clearly state how it plans to ensure that this policy statement on fee-free education is implemented as it has already begun to cause some tensions between parents/guardians and school officials with the former reneging on their commitments to make school contributions.

Government sets the capitation grant at Sh 10,000 and Sh 25,000 per primary and secondary school learner respectively. However, it should be remembered that the current capitation grant values were set in 2002 (primary) and 2004 (secondary). In both cases, this is more than 10 years ago. The cost of living has since gone up, inflation has increased, and the value of the Tanzanian shilling has continued to fall. It would not be practical for Government to insist on maintaining the same level of capitation grant when its value (in terms of purchasing power) has decreased. It is therefore our desire that Government should clearly state during the 2015/2016 budget planning process how it will adjust the capitation grant value to reflect the actual cost of living.

Moreover, the actual PEDP and SEDP performance in relation to the disbursement of the capitation grant has been quite low during the past 10 years. Capitation grants hardly ever reached schools within the planned time-frame or in the intended amounts.

And yet, the new education policy has added the scrapping of school fees to this resource challenge. The disbursement of the capitation grant to schools since the beginning of PEDP and SEDP has never been satisfactory. According to the Big Results Now (BRN) implementation report for the 2013/2014 financial year, the government was only able to provide an average of Sh 4,200 instead of Sh 10,000 per primary school learner and Sh 12,000 instead of Sh 25,000 per secondary school learner.

This trend has persisted even in the 2014/15 allocations, where by 30th March 2015, only an average of Sh 865 instead of Sh. 10,000 had reached public primary schools, while an average of Sh 5516 instead of Sh 25,000 had reached secondary schools. This year's budget should provide solutions to the resource gap which results from inadequate and often late capitation grants and the scrapping of school fees.

In order to improve management and performance in schools, it is important that these institutions are regularly inspected. Parliament should ensure that, in the 2015/2016 budget, it advises government to review BRN implementation in order to address challenges in areas such as school inspection and raising the morale of teachers to teach and learners to learn.

Gender

Deficiencies in the budget (including improper prioritization, delays in disbursement, inadequate funding, etc) affect the different groups in the society differently.

The marginalized groups, for example feel the burden more than the rest of the groups. The delays in disbursement that have been experienced (worsened by non-disbursement in some cases) mean that the level of services expected to be delivered was not met. As this happens, there are people who do not have the alternative means of seeking services elsewhere, rather than succumbing to the situation and facing the effects as they come.

The 2015/2016 budget proposal indicates that the government intends to increase capital to the Agriculture Bank; so that when it starts it is able to provide loans to farmers. In Tanzania, 98% of the rural women defined as economically active are engaged in agriculture; and produce a substantial share of the food crops for both household consumption and for export. The call for a robust gender-responsive agriculture budget could be answered by this initiative. The intended Bank should purposefully and clearly plan to ensure that rural women and small-holding farmers are able to access the said loans.

Policy Forum again would wish to reiterate that stronger gender mainstreaming elements should feature in the social services sectors; if women's lives are to improve.

Most of the prioritized interventions in the 2014/15 budget involved large scale investment in projects which are predominantly owned by men; with expected long term effects for farmers such as irrigation and large scale farming; rather than issues of Inputs like better seeds, or rural finance, which could have similar effect with less resource. We would encourage that special consideration be given to the marginalized groups in the society.

Conclusion

The budget process is a never-ending one. Therefore, we learn as we interact with the process and this learning should contribute to improving the subsequent budget. It is imperative that the Ministry for Finance takes ideas from a range of stakeholders on how best we can plan, with our resources. The Budget Committee should also be used, to apply its expertise in the process. As the government embarks upon measures to mobilise resources, it is also important that accountability for the use of those resources is strengthened.

That fits readily with the need to improve financial transparency within the delivery of public services. The released audit report by the Controller and Auditor General for the financial year that ended on June 2014 indicates that there is still a problem in the use of public resources. But again, there is weak implementation of the recommendations that he provides in his audit report. For example, only 38% of audit recommendations issued in the previous year were fully implemented. This indicates unsatisfactory performance. Effective follow up on audit recommendations is essential to get the full benefit of audit work. The policy issues we raise here, however, require considerable commitment if they are to be addressed.

The continued challenges in the water, health and education systems – and the agriculture sector in Tanzania cannot be allowed to continue. A healthy, well-fed society, which is educated and skilled, is vital for growth of the country's economy. It is for this reason we urge the government to consider these modest recommendations as we work together to make policies work for people in Tanzania.