policy forum

Budget Working Group
2018/19 Pre-Budget Position Statement

Preamble

The Policy Forum (PF) Budget Working Group welcomes yet another opportunity to share views regarding the performance of previous budgets and propose some recommendations that we believe are worth consideration during current parliamentary deliberations for the 2018/19 budget to be concluded late in June. Recommendations in this position statement have also been shared with respective parliamentary committees prior to their budgets being read in the Parliament and are hereby being shared with wider stakeholders to highlight areas that need concerted interventions in relation to the budget.

The national budget being proposed is the third under the Fifth Phase Government intending to finance the third year of the implementation of the Second Five Year Development Plan (FYDP II) which runs till 2020/21 putting emphasis on heavy investments in infrastructure to transform the country to an industry-based economy. Budget execution, however, continued to see sluggishness in the 2017/18 period as was the case in the previous financial year and revenue targets have fallen short. The development plan envisages growth driven by a vibrant private sector, but the business climate will need improvement if unemployment particularly of youth is to be tackled effectively.

The agricultural sector continues to provide employment to more than 65.5% of adults Tanzanians and decision in the 2017/18 budget to eliminate around 80 diverse taxes viewed as nuisance should benefit smallholder farmers. Financial disbursements to education development projects have continued to remain below 50%, with a mismatch between planning and allocation for both recurrent and development expenditures affecting learning outcomes. The health budget allocation trend has not been in line with the Health Sector Strategic Plan IV (HSSP IV) and with the increasing demand based on population growth and disease burden. Budget implementation in this sector also notes a Human Resources for Health (HRH) deficit of about 50% in all cadres.

To this end, as active participants in the Tanzania budget processes including parliamentary consultations, we present this submission with a view of informing numerous policy choices that are critical to the country's future.

Domestic Resource Mobilisation: Raising Revenue the business-friendly way

We commend the fifth phase government's drive to mobilize adequate financial resources domestically and welcome its forward-looking in this area with the President's constant emphasis on taxpayer compliance.

To achieve this seemingly tough but a realistic ambition, the government has been emphatic in calling for the use of electronic fiscal devices for transactions to avoid leakages of revenue. It is important to note, however, that in some instances the recent enforcement of tax compliance has been overzealous, resulting in expressions of grievance from the business community. We encourage increased voluntary compliance through better taxpayer appreciation of the rationale for taxation, clarity and simplification of payment methods so as not to impact negatively on the business climate and confidence.

Based on revenue collection trends and shrinking donor support, the government's budget for 2018/19 has slightly increased by 2% from TZS 31.7 trillion in 2017/18 to TZS 32.5 trillion in 2018/19. Out of the TZS 32.5 trillion intended to be collected during the financial year 2018/19, TZS 20.2 trillion (about 62%) is for recurrent expenditure while TZS 12.4 trillion (about 38%) is for development expenditure. Over TZS 10 trillion of the recurrent budget is intended to service the public debt which stands at TZS 47.8 trillion.

Of much interest in this upcoming national budget is the government intention to source over 60% of the overall budget locally. Domestic revenues are expected at TZS 22.1 trillion; with tax revenue, non-tax revenue and LGAs own sources contributing TZS 18.9 trillion, TZS 2.4 trillion and TZS 0.8 trillion, respectively.

Donor contribution in the 2018/19 budget is expected to be only TZS 3.7 trillion with grants taking TZS 0.9 trillion and TZS 2.2 trillion as concessional loans. Total contribution by donors is therefore expected at 12% of the total government's budget, a commendable and bold move by the government manifesting the political will and commitment to reduce dependence in financing development.

The Power of Youth: Skills Development in the 2018/2019 Budget

Strategically, youth should present an integral part of financing for development as they constitute a resourceful population with much potential to the economy. Evidence from the 2014 Integrated Labour Force Survey, however, reveals that more than 88% youth are unemployed due to among others, the inability of the educational and training system to produce appropriate skills for employability and self-employment and exclusion by the formal financial service sectors.

Informed by a joint research between the government and private sector, the 2018/19 Prime Minister's budget speech indicated the need to provide employable skills to 79.9% of the total national workforce, which has very low skills. Both the allocations and disbursement of the funds for youth development in the past, however, raise questions on whether youth development is a priority of the government. For example, the allocation for the 2014/15 fiscal year was TZS 6 billion, but only TZS 2 billion was released. The allocation for the 2015/16 fiscal year went down to TZS 1.6 billion. With this disbursement, which was only 26% of the allocated funds, only 284 beneficiaries managed to access the funds up to the beginning of the 2016/17 budget cycle.

During the 2017/18 fiscal year, the number of youth who benefited from the National Youth Development Fund increased to 840, but with a substantial decrease in the amount of loans provided to youth from TZS 1.6 billion in the 2014/2015 financial year to TZS 783 million during the 2017/2018 fiscal year. While the National Youth Development Fund is striving to broaden its outreach and serve more youth, the actual trends suggest the need to allocate sufficient budgets with the aim of empowering youth to make the ongoing small industries development initiative youth-led.

In addition, local government authorities are mandatorily required to allocate funds for youth (and women) development for each fiscal year. During the 2016/17 fiscal year, the threshold was five percent of their internal budgets. During the 2017/18 fiscal year, the threshold was raised to ten percent of the LGAs' internal budgets. The required contribution for the 2018/19 fiscal year remains ten percent of the total budget. However, this amount includes other groups such as women and the disabled while LGAs are expected to allocate only four percent of their total internal budgets for youth development projects. We agree that this requirement is crucial to making LGAs accountable for financing youth development. However, based on the previous trends, we foresee a limited possibility that LGAs will be able to allocate sufficient funds during the implementation mainly since LGAs' own sources of revenues have become narrower compared to the previous fiscal years.

The increase of budgets for the strategic sectors which have a potential of contributing to youth development may address the key youth challenges including employment. For instance, the budget for the Ministry of Industry, Trade, and Investment increased from TZS 98.0 billion for 2017/18 to TZS 122.2 billion for the 2018/19 fiscal year. However, the increase reflected a decline of the development budget from TZS 75.3 billion to TZS 65.6 billion of the total budget, which may affect the expansion of the sector to create more employment for youth.

In addition, based on the implementation of the 2016/17 and 2017/18 budgets, experiences show that the gap between allocations and actual disbursement could affect aspirations of turning industry into a strategic sector for addressing youth unemployment. For instance, only 48% of the total budget for the 2016/17 fiscal year had been released by April 2017. The gap was wider for development budget where only 19% of the funds were made available.

We therefore urge the government to not only allocate sufficient resources for skills development but implement a long-term strategy for financing technical and vocational skills development, working with the private and voluntary sectors as close partners who may fill the gap left by insufficient financing. In addition, we call upon the government to treat provision of loans to youth who are willing to undertake technical and vocational skills development training as a priority.

Also, there is limited integration and coordination of youth development financing efforts by different ministries, which are responsible for youth development. The ministries of which the budgets are supposed to address youth development are the ones responsible for labour, employment, and youth; Technical Education and Vocational Training (TEVT), healthcare, local government, industry, and agricultural development. A good example is the budget speech for the Ministry of Education, Science, and Technology for 2018/19 which articulates technical and Vocational Education as strategic for skills development. However, the annual budget for education had only an increase of TZS 1 billion. We urge the government to establish mechanisms for harmonizing the youth development financing efforts of these ministries during the implementation of the 2018/2019 budget.

The Budget for Education: Ending the Crisis

We believe, with many in agreement, that the quality of our education in the past few years has been declining. Literacy and numeracy skills among primary school children are below expectations across all grades (UWEZO, 2017); with less than 20% of fourth graders in Tanzania being able to read a full sentence and less than 10% able to read a paragraph (World Bank Report, "Facing Forward; Schooling for Learning in Africa, 2018"). The World Bank Report further points on imbalanced deployment of teachers as being long standing, whereas teachers' absenteeism has been reportedly left more than half of classes unattended. It has further been reported that most teachers lack the necessary academic and pedagogical skills to teach (World Bank SDI Report, 2016) with only one out of five teachers mastering the curriculum they teach. Students' performance in final exams has also been poor with an average of 60% of candidates scoring division IV and Zero (NECTA results, 2017).

Challenges associated with quality aside, our education has encountered financial concerns such as poor planning, allocation and disbursement bringing discontent amongst stakeholders. For decades the Government's financial disbursements to education development projects has remained below 50% with mismatches between planning and allocation for both recurrent and development expenditures. We have witnessed inadequate capitation grants to schools, poor learning and teaching environment and shortage of qualified teaching staff among others that hamper the effectiveness of our education.

Our focus is on falling allocation trend of the education sector's budget. According to the Ministry of Finance's sectoral analysis 2017/18, the Parliament approved TZS 4,706.4 billion as the total education sector's spending for the FY 2017/18. This is, in fact, 1.3% less than what the parliament had approved for the sector in the FY 2016/17 which amounted to TZS 4,770.4 billion. Thus, the education sector's budget has dropped by TZS 64 billion.

While the drop of 1.3% (TZS 64 billion) from the budget may seem light, we submit that it has serious effect on the education budget. Because of that drop, the proportion of the education sector's budget to the national budget has also fallen from 16% allocated in 2016/17 to 14.9% or approximately 15% in 2017/18. As a matter of fact, this falling trend has been continuous in the last five years. This allocation is not only meagre compared to the existing education sector's demands, but it is also short of regional and international commitments to education such as the Dakar Framework for Action on Education for All, 2000 and the Incheon Declaration and Framework for Action, 2015. These frameworks recommend that countries in sub Saharan Africa allocate at least 20% of their national budget to education to address learning challenges and meet education demands.

Tanzania only attained 20% allocation benchmark in the 2008/09 period. The budget has, since, either been falling or stagnating below the recommended proportion. Due to the falling proportion the education sector has been denied a total of TZS 4,609.5 billion that was supposed to have been allocated had the government allocated 20% of the national budget to education in the last five years. Had this amount been allocated and disbursed, we would not be talking of 62% shortage of girls' toilet facilities, or 56% shortage of toilet facilities for boys. We would not even be talking about a shortage of 186,008 staff houses (equivalent to 83.1 per cent); 10,943 administrative buildings (83.4 per cent) or 15.342 library rooms (88 per cent) or 16,290 first aid rooms (93.9 per cent) nor would we be talking of 41% of primary schools having shortage of infrastructure on average.

If the falling allocation trends continue unabated, its consequences on the learning outcomes, which are already dire, will certainly deepen. We should not allow our children and the future generation to continue bearing the costs of our poor planning today.

Health Budget 2018/19: Keeping up with the spending plan

An analysis by Sikika of the Ministry of Health Community Development, Gender, Elderly and Children (MOHCDGEC) budget for the financial year 2018/19 compares budgets for the past two years with the focus on the overall trend, development projects, health commodities and human resources for health. The following has been noted;

Budget allocation trend has not been in line with the Health Sector Strategic Plan IV (HSSP IV) and with the increasing demand based on population growth and disease burden. For FY 2018/19 has decreased by 20% while disbursement of the allocated budget has been below 50%.

While budget estimates for development projects for 2018/19 have decreased by 29%, contribution from development partners has decreased by 59%. Further, the local contribution has increased by about 12%. Despite the increase in internal resource allocation for development budget, the overall budget for development projects FY 2018/19 has decreased by 20% from previous year.

Furthermore, disbursement of the allocated budget has been low, foreign disbursement has significantly increased and the domestic disbursement has decreased. This calls for the government to significantly increase domestic allocation and disbursement to reduce dependence on foreign development partners.

For two years, budget for essential medicines, medical supplies and equipment has been increasing. However, the disbursement has been low. By February 2018, only 23% of the allocation had been disbursed while in 2016/17 disbursement was at 54%. Low disbursement affects critical areas such as maternal health services and safe blood. Availability of these commodities contribute significantly in reducing the maternal mortality which is still high. Further, the TZS 70 billion that was allocated to recover the MSD debt had not been disbursed. This is likely affect MSD's operations and performance.

The budget implementation report notes a Human Resources for Health (HRH) deficit of about 50% in all cadres. Further, in 2016 the gap for specialists at the regional referral hospitals only was about 500 (RMOs' presentation 2016, JAHSR). The newly established tertiary hospitals such as Mloganzila and Benjamini Mkapa might have further increased the demand for specialists.

Gender: Absent spending information and targets

The mainstreaming of crosscutting themes such as gender is crucial for the attainment of the national development plan. We believe, hence, that this should be more clearly articulated in government planning, budgeting and monitoring processes.

Last year, for instance, Policy Forum congratulated the government for the specific budget lines aimed at addressing the needs of several marginalized groups in the society like pregnant women, children and the disabled. In the 2018/19 financial year, however, we expect to see more commitment towards strategic integration of gender in the budget rather than simply relying on special budget lines to cater for special groups in society. For example, the Tanzania Gender Networking Programme (TGNP) notes that currently sex and gender disaggregation of the TZS 483 billion loan portfolio for higher learning students is lacking. Hence although it is known that an average 39.34% of the 69,539 higher learning students selected in 2017 were female, slightly favouring males, any additional resources directed towards higher education are likely to benefit the latter more.

We also saw other positive commitments that affect women, for instance in the elimination of around 80 diverse taxes, levies and cess out of 139 which were for the most part viewed as nuisance to small holder farmers. These taxes and levies were inclusive of those targeted at tobacco, coffee, sugar, cotton, cashew nuts, and tea. Moreover, taxes and levies on farming inputs such fertilizer, seeds, and packaging materials were similarly removed or intensely reduced. In this regard, it is anticipated that these measures have directly or indirectly benefitted smallholder farmers in Tanzania including women.

In the mining sector, it is estimated that that around 1 million Tanzanians are involved in Artisanal and Small-scale Mining (ASM), of whom approximately 25% are women. Women are found in salt making (38%), construction materials (32%), gold and diamonds (37%). Moreover, women also constitute around 10% of mining license holders, and 10% of the 12,000 employees in the extractive industries.

However, a gender pay gap averaging 31% confronts women in the extractive industries whereby they earn an average 69% of what men earn in the same activity. The gender pay gap is 10% above the national average. In addition, women are absent from the uppermost paying positions in ASM, especially in positions such as owner or operator. The government hence has not done more to address this imbalance nor been specific about what interventions would help women.

For example, the budget for 2017/18 targeted to allocate 11 mining areas, with more than 38,951 hectares to small miners but it did not explicitly state whether women, youths and other marginalized groups will be among the beneficiaries in this constellation. It also planned to provide subventions amounting to TZS 7.48 bn in its 3rd phase of the Sustainable Management of Mineral Resources Project (SMMRP). It is of obvious of interest that these subsidies benefit women, youth and other marginalized groups in an acceptable proportion.

Summary of our key policy recommendations:

1. Continue to strengthen the institutional capacity of Tanzania Revenue Authority in collecting taxes through modernization of its tax system, providing financial resources and technical support to the officers of TRA to implement their roles. Further, TRA together with the Government and other stakeholders should work together to establish and support taxpayer assistance and educational programs (the use of Electronic Fiscal Device [EFD] for the SMEs).
2. Widen the tax base by putting in place more improved and less stringent methods to tax the informal sector. This among others, may involve implementing the Integrated Domestic Revenue Administration System (IDRAS).
3. Allocate sufficient resources for skills development for youth and put in place mechanisms to implement a comprehensive long-term strategy for financing technical and vocational skills development, working with the private and voluntary sectors as close partners who may fill the gap left by insufficient financing. Treat provision of loans to youth willing to undertake technical and vocational skills development training as a priority.
4. Need for mainstreaming and coordination of youth development financing efforts by different ministries, which are responsible for youth development for instance supporting efforts to increase the participation of youth in agriculture.
5. Call for increased allocation trend of the education sector's budget especially development budget including the sector's development budget disbursement challenges being addressed.
6. Deliberate efforts and strategies are needed to ensure sufficient investment in health in terms of planning, allocation, disbursement and efficient execution of resources.
7. Address HRH shortage through proper employment and retention mechanisms especially for specialist at Regional and Tertiary hospitals.
8. Government should initiate and capture in better detail the all specific barriers and capacity gaps for women's economic engagement in the value chains of the agricultural sector and the gas, minerals and energy sub-sectors. It is obvious that a disaggregation by age, sex or gender would reveal even more about the disadvantaged like women, youth and other marginalized groups.