



policy forum

BUDGET 2014/2015 POSITION STATEMENT

As the Minister for Finance tables the National Budget for Financial Year 2014/15 in Parliament tomorrow, we, members of the Policy Forum Budget Working Group, representing over 70 different Civil Society Organisations working together to increase informed civil society participation in policy making, would like to make our contribution to this key process.

The national budget comes after a turbulent financial year that saw revenue shortfalls in 2013/14 that meant planned spending was short of the approved budget, affecting infrastructure projects and social investments, decreasing government contribution to the health sector and in the water sector and there were delays in disbursements by both Government and Development Partners in 2013/14. Recognising these critical issues, we put forward our key policy recommendations as follows:

Domestic Resource Mobilisation

Before the tabling of the National Budget for Financial Year 2012/13 two years ago, the Policy Forum Budget Working Group noted that Tanzania had the potential to collect taxes amounting to 20.9% of GDP, according to IMF estimates, but was only collecting a little over 14% (2009/10 estimates). Although tax revenues as a share of GDP are gradually increasing (15.2% in 2010/11 and a projected 16.2% in 2013/14), this is still short of the acknowledged potential. The imminent VAT reform bill to be introduced should see reductions in tax exemptions that are erroneously believed to attract and retain Foreign Direct Investments (FDIs) into the country and are causing large revenue losses. We commend the government for showing intention to curb revenue loss challenges and the introduction of the VAT reform bill manifests this. Policy Forum feels, however, that more effort should be directed towards achieving the government target of reducing the ratio of tax exemptions as a share of Gross Domestic Product to 1.2%. The current ratio stands at 4.3% of GDP.

Health

The budget for the Ministry of Health and Social Welfare is expected to be cut down by 17.4% from TZS 754 billion in 2013/14 to TZS 623 billion in 2014/15. The main reason for the decrease is a smaller contribution from Development Partners which is going to be reduced by TZS 182 billion.

This will further affect the funding for essential medicines and medical supplies. While foreign support is being cut down by 17.7 billion, the Government hesitates to close the existing funding gap which now exceeds TZS 200 billion.

If Parliament approves this budget as it is being proposed, it will result in frequent stock outs of essential medicines in public health facilities during the coming fiscal year. In the context of the International Covenant on Economic, Social and Cultural Rights that Tanzania signed in 1976, the government is seriously failing in its obligation to ensure that everyone can access medical services which includes the supply of essential medicines to citizens who cannot afford them.

There are also accountability issues that need serious examination. After the issuing of a qualified audit opinion by the Controller and Auditor General (CAG), the Ministry of Health and Social Welfare needs to improve its audit track record and act decisively. It should strengthen its Internal Audit Unit and work closely with the CAG and the Parliament to take corrective measures to prevent further serious audit queries. With a clean audit opinion, the Ministry will be in a much healthier position to solicit political and financial support for the challenges that lie ahead.

Education

The budget for the Ministry of Education and Vocational Training has increased from TZS 689.7 billion in 2013/2014 to TZS 794 billion in 2014/14. Interestingly, the Ministry's development budget has increased from TZS 72 billion in 2013/14 to TZS 454 billion in 2014/15. As for the recurrent expenditures, they have dropped from TZS 612 billion last fiscal year to TZS 340 billion in 2014/15.

Nevertheless, these approved figures bring several issues to the fore. Though the budget seems to have increased in figures, the Ministry's development budget has been cut. This is due to the fact that the meager amount increased this year is due to a rearrangement of Sub vote 7001 from Higher education - 270900 which had in 2013/14 been treated as recurrent expenditure to sub vote 1003 (Policy and Planning) which is under development spending category in 2014/15.

This means that a big portion of what is termed development expenditure is not really going to real development expenditures and rather it is being directed towards Higher Education as loans to students for their recurrent expenditures. Whether students' loans should be treated as investments or not is open to discussion because the loans are interest free and reclaiming has been rather challenging.

So looking closely at the figures, one should realize that the Ministry still spends less in education projects. This is true because out of TZS 454 billion that is set for development expenditures, TZS 307 billion has been allocated to the Higher Education Students' Loans Board as students' loans. This is 68% of the total Ministry's development budget.

Agriculture

Agriculture sector forms one of the key sectors in Tanzania for several reasons. Amongst these include the fact that the sector employs more than half of the Tanzanian population (74%) and it contributed 24.8% and 24.7% to the GDP in 2012 and 2013 respectively.

In spite of this key role that the sector plays in the economy, it is being faced with a number of challenges ranging from the internal to external. Internally, there is evidence on misuse of public funds that are allocated to this sector, and resulting from this is failure to implement development projects effectively. Externally, funding to the sector has not been promising. There are reported delays in funding as well as inadequate disbursement.

The report by the CAG for the year 2012 indicates that amongst the vices of the Ministry of Agriculture Food Security and Cooperatives that led to the issuance of a qualified audit opinion to the Ministry is the lack of supporting documents for some expenses amounting to TZS 2,162,343,978. We urge that the Ministry takes care of the recommendation by the CAG so as to improve financial discipline.

On the part of disbursement, delays have become commonplace. While there remains hardly three months for the financial year 2013/14 to end, until March 31st 2014, the treasury had only disbursed 50.4% of the development budget supposed to go to the agriculture sector.

An interesting fact about this year's agriculture budget is increased government commitment to fund development projects. This is commendable but it remains a challenge whether the government will be able to raise such amount and finance the earmarked development projects. For example, for the year 2013/14 the government planned to collect 3.2 billion shillings but until March 31, 2014 it had managed to collect only 1.7 billion shillings (53.7%).

As much as we commend the government for its commitment to fund a large part of its development projects, it is time that revenue collection is improved to match this ambition. Moreover, the agriculture budget is still a long way from achieving the Maputo Declaration on Agriculture and Food Security of 2003 which prescribes that at least 10% of the entire national budget be allocated towards agriculture.

Water

The launched Water Sector Development Program (WSDP) in 2006 marked one of the biggest Sector Wide Approaches in Sub Saharan Africa. It has drawn commitments amounting to 1.7 billion US dollar as of April 2014. The funding is directed towards Water Resource Management, Rural Water Supply, Urban Water Supply, and Institutional Capacity Building.

Generally, the sector has seen increased funding and particularly to the rural component between 2012/13 and 2013/14. For the first time, we noticed high increase of rural component budget from TZS 120,787,537,924 in 2012/13 to TZS 345,805,362,000 in 2013/14. This is highly commendable.

Despite the increased funding to the sector, phase one of the program faced a number of challenges which included delays in disbursements by both Government and Development Partners in 2013/14. The other concern is that the water sector continues to be donor-dependent, raising questions about the sustainability of water supply projects across Tanzania.

Despite disbursements challenges, examining the little that gets through raises questions about whether we are realising value for money. A review of the Water Sector Development Program (WSDP I) showed a general lack of technical audits to determine whether the money disbursed is being spent the right way and whether procurement processes are followed. With a water point functionality rate of 54%, how can we ensure that money is being spent effectively?

As the new fiscal year is about to begin, we call for a review of the sector to improve the sustainability of water points and financing.

Gender

Issues of water, agriculture, health and education all have a heavy bearing on Women. 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. So it would have been appropriate to see robust evidence of a gender responsive Agriculture budget, for instance substantial allocations for expansion of access to formal financing for women to enhance their agricultural enterprises and women farmers to be reached by extension. Similarly, stronger gender mainstreaming elements should feature in the education, health and water sectors if women's lives are to improve.

Most of the prioritized interventions in the 2014/15 budget involve large scale projects investment which are predominantly owned by men with expected long term effects to farmers like Irrigation and large scale farming, rather than issues of Inputs like better seeds or rural finance which could have similar effect with less resource.

Conclusion

With the understanding that the much of our development projects are donor dependent, we urge the government to expand its tax base to enable us to raise enough resources to fund our various development projects. This is a critical issue especially in context of decreasing donor funding.

As the government embarks on measures to mobilise resources, it is also important that accountability on the part of resources use is strengthened. This goes hand in hand with improving financial transparency in the delivery of public services

The policy issues we raise here, however, require great deal of commitment to address. The water, health and education systems and agriculture sector in Tanzania cannot be allowed to continue to fail. A healthy, well-fed society that is educated and skilled is vital for growth of the country's economy. It is for this reason we urge government to consider these modest recommendations as we work together to make policies work for people in Tanzania.