

Tanzania Budget 2005/06: Initial Questions

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1. The 2005/06 budget has no major changes, no new substantive initiatives. This is good news if your view is that things are generally fine. It is bad news if your view is that significant actions are needed to improve the wellbeing of the poor.
2. The devil is often in the details. The most interesting information is often found by asking a) what do we know and what do we not know? b) where will the money go? c) is the money reaching intended beneficiaries and used as intended? d) how do the benefits to the poor compare with benefits to others?
3. This is the first year when the budget is aligned to the NSGRP. Many are celebrating that half the budget is going to the NSGRP- translating that to mean half for poverty reduction. But hold on. NSGRP is not the old PRS, it is now broad and meant to include everything- including incentives to promote growth that benefit big business. It is not only the 7 'priority sectors'. The remarkable point is not that half the budget goes to NSGRP- but that the other half doesn't. The key question is where does the other half go?
4. The NSGRP has three main pillars: growth, services and governance/accountability. All three legs of the stool are vital. We are told 8% is allocated to governance. The key question is to interrogate carefully the breakdown of this 8%- where is it really going? Is this dominated by a few sectors such as Home Affairs and Judiciary- or have all the sectors put in adequate amounts for strengthening governance in their work?
5. What do these percentages really mean? Has doing the budget in terms of the NSGRP changed anything significant, or is the same old stuff that has been recoded. Old wine in new bottles? What really matters is the quality and integrity of the numbers, and these can only be ascertained by looking carefully at the budget numbers and comparing them systematically with both last years' numbers and policy targets.
6. Another key question regards value for money. Is the money allocated to something that really makes a big difference? For example, building capacity of citizens to hold local leaders accountable is very important. But is the money for it going to go to provision of actual information and real learning, or fat allowances? Do these allowances accrue to citizens, or to senior civil servants? It would be very worthwhile to go through the entire budget and add up all the allowances that are hidden under categories that sound good on the face of it- such as improve services or governance.
7. There is a process – the PER – that is meant to analyze, discuss and debate past performance and recommend the way forward. This process is meant to provide quality feedback and input to the preparation of the budget. On paper its impressive. In practice, it is weak. Most of the sector groups function poorly. They meet erratically, both Government and civil society participation in it is weak, and their outputs/effectiveness are not impressive. Most of the major announcements in the budget Wednesday, and none of the revenue aspects, were discussed in the PER. Bottom line: there is a very weak link between the PER and the final budget, which raises a question about the worthwhileness of the PER.
8. For example, in the case of education, the PER sub-group was never provided with a full/accurate MTEF for scrutiny. Numerous meetings were held which ended with agreements to get more information for the next time, that did not materialize. Some documents that were given show that the capitation and development grants – cornerstones of the primary education reforms – were not adequately reflected in the budget submissions, and instead expected to be

added by donors ‘off-budget’?. The point is that the process is a) opaque, not transparent, b) difficult to follow and connect policy goals/plans with budgets, c) preparation extremely delayed and unpredictable and d) participation limited (e.g. teachers trade union TTU not involved in the PER). In these circumstances the opportunity for making smart budgets is severely curtailed.

9. Back to the budget itself. To make meaning, information needs to be put in context. For example, its very good news that growth is almost 7%. But what matters is to ask a) what is driving this growth?, b) who is benefiting from it?, and c) what measures are being taken to ensure growth benefits the poor. On all three counts the news cannot be said to be significantly pro-poor.
10. Recent growth has been driven by mining and tourism- areas that employ few people and whose proceeds accrue to the few. For example, the new measures around aviation fuel relief – how will Tanzanians really benefit from them?
11. Looking at exports closely is revealing. Total exports amounted to approximately 1.3 billion dollars. Of this over half was due to gold exports – Tanzania exported NINE times as much last year as compared to 1995. One can get excited by this news. But the questions that matter are how has this nine-fold increase benefited the poor? Are the contracts fair? Are the proceeds sufficient and making a difference? How do they compare to other countries? The deal may be good or bad – but we do not have the information in the public domain to make a sound judgment, and plenty of reasons to be concerned.
12. Construction has been a major force in driving the economy. But what construction and who benefits? Total construction in 2004 was 670 billion, of which 216 billion was buildings (most in Dar, many government buildings) and 326 billion for plant/machinery. In contrast only 26 billion was for water. What is more pro-poor: the water infrastructure or the new bank of Tanzania building?
13. The most pro-poor measure – increasing the income tax threshold from Tshs 60,000 to 80,000 made the headlines. It looks big. But it isn’t once put in context. The total forgone revenue by taking this measure is Tshs 28 billion – less than one week of Government revenue. How does this compare to relief given elsewhere and to other sectors? What would the Government have lost (and what would people have gained) had the threshold been increased to 100,000/-, for example? This measure is clearly positive, but it could have been much better.
14. Finally, budgets are fine- but what matters is execution or is money actually going to the right places? Here there are a number of concerns. The PEFAR report prepared by the World Bank shows for example major deviations between budgets and actual expenditures, in some cases well over 20%. The education PETS shows that up to 40% of the education capitation grant did not reach the schools. The question is: is the Government taking serious concrete steps to rectify these anomalies?
15. The CAG reports – year after year – show large discrepancies in budget management by the Government. But virtually none of the inquiries get answered on time – and people get away with it. The question should be why?
16. Budget information is more transparent now than it used to be. The Government deserves commendation for it. But the test should be the quality, transparency and follow-ability of this information, most importantly to the citizens. For example, much is made of the Government posting of disbursements. But how helpful are they at the community level? There is still a long way to go before budgets make sense to the people. This is a challenge for the Government, and to organized civil society.