

TANZANIA GENDER NETWORKING PROGRAMME (TGNP)

IS THIS A PRO-POOR GENDER-SENSITIVE BUDGET? ECONOMIC, EMPLOYMENT AND INCOMES ISSUES

In spite of assurances to the contrary, the 2005/2006 budget continues to prioritise the needs and demands of the big corporate sector (foreign and national), and not the needs and demands of the working people and the poor, especially women, youth, children and the disabled.

As noted in the Budget Speech, this is the first budget under the new National Strategy for Growth and Reduction of Poverty 2005-2009 (MKUKUTA). MKUKUTA sets forth specific targets for the three main clusters: (1) Growth and Reduction of Income Poverty; (2) Improvement of Quality of Life and Social Well-Being; and (3) Governance and Accountability. The linkages between MKUKUTA and the broad framework used for budget allocations have not been highlighted in the Budget Speech. Hopefully this will be rectified in the Sectoral Ministry Budgets.

What kind of indicators could have been used to measure achievements with respect to these three clusters? And then used to guide the priorities set in the new Budget? We expected the government to highlight the following:

- Growth in employment rates, disaggregating wage- and self-employment in rural and urban areas by gender
- Growth in income rates, disaggregating for high, middle and low incomes by gender
- Decline in infant, child and maternal mortality rates, disaggregating for urban and rural areas [by gender for infant and child rates]
- Growth in the number of district budgets with full citizen participation in budget formulation, implementation and tracking.

The budget speeches rely instead on analysis of growth rates and inflation rates, which, by themselves, do not really tell us what the situation is for the vast majority of Tanzanians, especially those living in rural areas. For example, the government's *Poverty and Human Development Report 2003* [hereafter PHDR 2003] notes that although only 5% of the working age population were unemployed, a full 28% of young people 15-24 years of age were not employed in urban areas. That is a crisis!

What about poverty rates? Analysis of the Household Budget Surveys between 1991/92 and 2000/01 show that there was hardly any decline in income poverty after ten years of economic liberalization, while the gap between the rich and the poor increased (PHDR 2003). In rural areas, 39% of households lived below the basic needs poverty line.

What does the Budget Offer?

This budget review will focus on the following aspects of the budget: debt; wages and taxation; employment, livelihoods and agriculture from a pro-poor gender perspective. Given the limited information actually provided in the budget speech itself, the review also raises questions which will be posed for sectoral budgets later.

(1) Debt

Some 19% of recurrent expenditure is allocated to repayment of debt (Tshs 528,144 M), thus diverting vital resources away from growth, development and social service delivery. This reflects the continued high dependence on external financing in the form of loans and grants, some 41% of the total budget. High donor dependence and debt act together to constrain governmental autonomy and reduce its accountability to its citizens.

(2) Wages and Taxation

The budget suggests that the minimum wage is being raised from Tshs 60,000 to Tshs 80,000. However, Tshs 80,000/ -- though a significant increase, still remains far below what is considered necessary to live a decent life. The government is urged to adopt a minimum wage of Tshs 200,000/ for both the public and the private sector. This figure is based on very modest calculations made by pro-poor economists and workers' organisations.

Moreover, the government needs to provide 'real' figures rather than absolute numbers. For example, the budget speech claims a major increase of the minimum wage during the 1995-2004 period, from Tshs 17,500/ to Tshs 60,000/. That looks fairly good until we adjust these figures according to the value of the US\$. In 1995/96, one US\$ was worth Tshs 575-580; today it is Tshs 1,060, that is, the minimum wage has actually increased from US\$ 30 per day in 1995/96 to US\$ 54 in 2004.

The proposed taxation structure favours the 'very wealthy' in our country, in that all incomes starting at Tshs 540,001/ will be taxed the same, namely 30%, including top executives and administrators who earn Tshs 5,000,000/ and more in salaries, stocks and fringe benefits. This rate is too high for the professional and other middle class earners, given the present costs of living, especially in education and health, but much too low for the 'really rich'. The government is urged to recategorise taxation rates, reduce the tax rate accordingly so that the 'real' middle class is not taxed above 20%, and the 'high' and 'very high' income earners pay proportionately higher taxes – at least 50% for the very rich. This will provide substantive domestic revenue for the government, while reducing the tax burdens on the poor and middle class.

(3) Employment and Livelihoods

The budget lacks a clear coherent strategy to enhance sustainable livelihoods and employment. The government's main strategy appears to be two-fold, privatisation and micro-finance, in spite of the major costs and failures attached to privatisation thus far – CityWater being only the most recent example. The government needs to provide open information on privatisation agreements, and on the performance of selected enterprises in the private sector in terms of their contribution to increased local employment and to consumption of goods and services provided by Tanzanian-owned enterprises. Concrete mechanisms are needed to foster vertical and horizontal linkages within and between key economic sectors. In their absence, Tanzania is rapidly returning to the colonial structure of the past, based on tiny export enclaves surrounded by impoverished labour reserves consisting of the majority of women and men.

The concrete plans and strategies to enhance credit and micro-finance are noteworthy. More information is needed, however, on what proportion of these will actually reach the poor, and women, youth and the disabled in particular, in both rural and urban areas? Another major concern is the extremely high interest rates that are charged the poor in the

form of micro-credit. The Budget speech says that there has been a major growth of bank credit by some 30% per year, and that the interest rate has dropped from 26% in 1996 to 14.4% in 2004. That may be 'true' for the corporations and rich individuals, but the poor continue to pay 30% interest rate or more to micro-credit institutions. The repayment rates are nearly 100%, and the institutions extract extremely high profits from the poor.

As made clear in the Minister's speech, a large proportion of the development allocation will be channelled to infrastructure development. Certainly there is broad agreement on the need for major construction of rural and village roads, railways and bridges to support the growth of the rural economy and reduce the labour burdens of headloads which women and children carry throughout the country. And mass rural electrification which would support rapid economic diversification in the rural areas. Is that the kind of infrastructure and related activities which the government has in mind? Or is the priority being given, instead, to construction/rehabilitation of communication links to meet the needs of the corporate sector in tourism, mining and agriculture?

4) Agriculture and Economic Diversification of the Rural Economy

The budget speech has highlighted specific steps to support the agriculture sector. This includes fertilizer subsidy support and credit/loans schemes which specifically target agriculture, along with export support for merchants and big producers who are exporting agricultural commodities overseas. Prioritisation continues to be given to irrigation schemes as well.

Who will benefit most from these approaches, however? The majority of poor smallholder peasants have withdrawn from production of 'export crops' because they lack the necessary capital for farm inputs and labour, and because of the fluctuating and low producer prices they receive. Cartels of big crop buyers have been allowed to fix prices at low levels, thereby exploiting farmers even more. What steps will the government take to protect and support the interests of the majority of peasant producers who are poor?

The present government strategy is, instead, to prioritise capitalist agriculture enterprises, rather than to work with and develop the local producer (small and big). An alternative holistic approach is needed which builds on the expertise and knowledge of indigenous producers in both farming and livestock-keeping and links agriculture to manufacturing and services. Strategies are needed which promote real development of smallscale agriculture and livestock-keeping, focusing on young people and women in particular, and diversification of the rural economy at the same time. Government leadership is needed here, rather than waiting for mythical 'free market' forces.

The government is called upon to provide concrete support to small and medium businesses in the formal and informal sector that produce goods and services for the local and national market, with specific attention to those owned by women, youth and the disabled. This will support the expansion of the domestic market, enhance the quality of life of the poor, and expand employment and livelihoods of women and men, while providing the foundation for competitive exports elsewhere.