

**REDUCING POVERTY: THE ROLES OF PARLIAMENT,  
GOVERNMENT AND NON-STATE ACTORS**

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**HOW BEST TO LINK THE BUDGETARY PROCESS TO THE PRS  
PROCESS, AND GETTING  
PARLIAMENTARIANS MORE DIRECTLY INVOLVED**

I am grateful to the Organizers for giving me on behalf of the Parliament of the United Republic of Tanzania, this unique opportunity to present this paper to such a distinguished audience. It is always a pleasure when one gets the opportunity to share ideas and experiences with fellow members of parliaments. The origins are diverse but in most cases the goals and objectives are very similar. I will set out the background and current position within Tanzanian context in terms of the linkages between the budgetary process and the poverty reduction efforts that the 4<sup>th</sup> Phase Government under President Jakaya Kikwete and his Government are committed to achieve.

The concept of Poverty is not new. Interpretations are varied but commonly it will either be an economic phenomenon or a social phenomenon. In some analytical cases Poverty is also considered a

political factor but if I dwell on interpretations and theoretical origins I will lose sight of our basic goals of our meeting here today. I therefore prefer to assume the common Poverty definition of lack of economic livelihood and the resulting deprivation of basic human services such as health, education, water, infrastructure, i.e. income poverty and non income poverty, so that we can have commonality of the subject of many of our countries and peoples;

Thus the challenge is how to move away from this strangling situation; for many years it was about first Poverty Alleviation, and then it became Poverty Reduction and finally nowadays (*at least for the last six to eight years*) POVERTY ERADICATION. The conceptualization is important because then it allows us to determine how to move forward, etc.

During the last few years, most African countries have pursued development policies within the framework of a Poverty Reduction Strategy geared to achieving such targets as Poverty Reduction Strategies (PRS), the Millennium Development goals, etc. We commonly implement these Strategies using our National budgets as the main focus. In this presentation I will share the Tanzanian experience in linking the budgetary process to the poverty reduction process. I will briefly cover the formulation and implementation of

the Budget and then in concluding relate this to the national strategic framework for growth and the reduction of poverty.

Tanzania, I am sure like the most of you went through a process of reforms in the 1980's and early to mid 1990's directed towards macroeconomic stabilization, known commonly as the SAPs (structural adjustment programs) with such common features as export led growth, liberalization, free markets (*free for all, survival of the fittest*) and elimination of Government intervention in the economy. However the lack of strategies which addressed the social dimension, widening income disparities and social stratification, and the absence of any real notable effect on the poverty factor, raised criticism from various quarters. While many poor realized early on the SAPs were non starters the conditionality factor made it very difficult to be bold enough to challenge. Therefore realization by the Centre and I wish to recall the "Adjustment with a Human Face" report by UNICEF went along way into forcing a review. I should not, and do not want to comment on whether the SAPs actually pulled us back a few years in the development equation or not, as that would widen the deliberations and we would then definitely have to focus on such broad issues as the ideological neo-liberal economic underpinnings of the times.

Tanzania is implementing its second generation Poverty Reduction Strategy known as the National Strategy for Growth and Reduction of Poverty (2005-2010) more commonly known in Swahili as the MKUKUTA which builds upon the achievements of the first PRS (200/1-2002/03). **It is important to mention this because any blessings for such a major policy program must have the blessings of the Parliament of the United Republic. It is therefore assumed that in doing so the broad social economic, political implications from the implementation of this are fully understood and have been evaluated and assessed and approved by the Parliamentarians.**

**But how did we get to the stage of the MKUKUTA?**

The first Poverty Reduction Strategy (PRS) 2000/01-2002/03 was linked to debt under the enhanced Highly Indebted Poor Countries (HIPC) initiative. Debt relief and other resources were mainly channeled through the budget to “Priority Sectors” namely Education, Health, Water and Sanitation, Agriculture, Rural roads, the Judiciary and the lands sector. Increased Government spending in these areas was considered to have greater impact on poverty reduction. And then there was established VISION 2025 whose principal goal is attaining a middle income society by 2025 through

the National Poverty Eradication Strategy which stipulates the reduction of absolute Poverty by 2025 and the eradication of absolute poverty by 2025. For the purposes of achieving the Poverty Reduction Strategy (PRS), specific target resource allocations were focused on the above mentioned strategic sectors.

*Resource allocation issues have always been a contentious issue in Parliamentary budget approvals especially because they are always first motioned by the “reality of limited resources” argument before deliberations begin. The logic of why district X gets a huge investment in infrastructure etc. and why region Y has been left out, might not always be driven by the best economic alternative argument. Are Parliamentarians capable of accepting that possibly a project in the neighboring constituency is of more national economic value than having it in his or her own constituency? How much is doing the right thing more important than the self centered individual goals of being an MP at any cost?*

The Poverty Reduction Strategy process remains the central coordinating framework for poverty reduction initiatives in Tanzania. Ministerial departments and government agencies, external development partners and civil society organizations regard the Poverty Reduction Strategy as their guiding frame and a reference point in setting their priorities and articulating their own

strategies. And as the Government continues to be aligned with the Poverty Reduction Strategy, and more donors continue to offer their development cooperation assistance as budget support and basket funding linked with the Poverty Reduction Strategy. So the Poverty Reduction Strategy process becomes the key central process guiding Ministries, Departments and Agencies in budget formulation and execution.

But it was also important to monitor and evaluate the overall effectiveness of the Poverty Reduction Strategy (PRS) and the Budget process, hence a forum of stakeholders associated with the analysis of the implementation of the National Budget named as the Public Expenditure Review (PER) forum was formed. The PER conducts Government expenditure analysis on the priority sectors identified in the Poverty Reduction Strategy. The Public Expenditure Review is an evaluative analysis tool that assists the Tanzania Government in improving the quality of expenditure. It appraises the budget process in terms of management, control and accountability. Therefore during budget formulation, the PER provides such inputs as; updated sector Medium Term Expenditure Framework (MTEFs) for MKUKUTA clusters, resource requirements and inputs from specific studies on macro and micro-economic issues and donor commitments. Thus information gathered from this forum forms

part of the critical inputs leading to the formulation of a more focused Annual Government budget.

The Public Expenditure Review forum provides the Government with critical analysis and recommendations on how to further harmonize the Poverty Reduction Strategy, sector policies and the Medium Term Expenditure Framework (MTEF) budgets. Recommendations from the PER forum included realigning sector policies and articulating the links between the inputs and outputs in the MTEF and PRS objectives.

However those ideas were considered insufficient for the “priority sectors” to achieve the envisaged goals and objectives of Poverty Reduction Strategy and a second Poverty Reduction Strategy was designed. At some stage it was also considered that the priority sectors concept created a wrong impression that some sectors did not have much to contribute to poverty reduction strategies. This meant some economic activities and players were being marginalized by the strategy.

Given this development the revised strategy had to widen its scope to become more inclusive sector-wise, and more focused on priority interventions to achieve poverty reduction objectives. The

MKUKUTA though building on its predecessor. Has notable marked points of departure from the original. These include:-

- (i) A move from priority sector approach to priority outcome and results approaches,
- (ii) Recognition of cross-sectoral contributions to outcomes and emphasis on inter sectoral linkages and synergies,
- (iii) Emphasis on mainstreaming cross cutting issues,
- (iv) Integration of the MDGs policy actions into the cluster strategies,
- (v) A five-year implementation period,
- (vi) A greater emphasis and articulation of economic growth measures and reduction of income poverty, and
- (vii) More linkage with the Government budget.

The framework on which the new strategy is based has three main clusters which are interlinked. The three clusters were developed out of the consultative process in the review of the Poverty Reduction Strategy (1), whereby consultations were undertaken with the government and through national wide consultation with Parliament, and its Standing Committees, civil society, faith based groups, private sectors, District Councilors at the Local Government and development partners participated.

The identified three clusters of poverty reduction outcomes as per MKUKUTA are:-

- (i) Growth and reduction of income poverty;
- (ii) Improvement of quality of life and social well-being; and
- (iii) Good governance and accountability.

The MKUKUTA approach encourages inter-sector collaboration in devising more efficient ways of achieving those outcomes. Hence there is a strong relationship between the three clusters; and indeed between productive and service sectors. Economic growth leads to higher incomes, thus reducing income poverty, assuming equitable distribution. Higher incomes enable households to improve human capabilities through better education, health, nutrition, shelter, i.e. social well being. Human capability is in turn, one of the critical sources of long-term growth, growth enables the government to collect revenue for provision of services and governance provides conditions for growth well-being and poverty reduction can take place. An enabling socio- political environment is required to ensure equal access to productive resources, social services and human rights.

In addition the Strategy seeks to;

- Deepen ownership and inclusion in the policy making process by recognizing the need to institutionalize participation rather than conducting one-off events. Public debate on growth, equity and Government issues will continue throughout the five year life of the Strategy, along with arrangements for monitoring and evaluation,
- Pays greater attention to mainstreaming cross-cutting issues. For example, HIV/AIDs, gender, environment, employment, governance, children, youth, the elderly, disabled and settlements;
- Address discriminatory laws, customs and practices that retard socio-economic development or negatively affect vulnerable groups.
- Aims to further stimulate domestic saving and private investment in infrastructure development human resource development, education, agriculture science and technologies.
- It addresses large disparities between urban and rural poverty and across regions and districts.

*Are the results of pro-poor policy implementation being effectively monitored?*

From the evidence of the Government's role and effort in following the established framework and involving stake holders at different levels of the budgetary cycle and the review of the MKUKUTA the answer would be yes. But then the question arises what is pro-poor implementation?

## **THE LINK WITH THE NATIONAL BUDGET CYCLE**

The Government budget is the key instrument for implementing the NSGRP. The Budget Guidelines continue to be a key guiding frame in prioritizing and sequencing the NSGRP outcomes. Ministries, Departments, Government Agencies and Regions are linked to the MKUKUTA operational targets and cluster strategies with their own strategic plans and budget estimates through their MTEFs. Those strategic plans clarify the institutional priorities and unify the staff in pursuit of shared objectives. The strategic plan provides a context for decisions made and outlines the logic for them. The plans are prepared on a three year cycle and are a key instrument in reconciling MDAs objectives with those of the MKUKUTA.

The Medium Term Expenditure Framework (MTEF) is a prioritized three year integrated performance budget to implement the strategic plans. It takes the objectives and targets that are developed in a Strategic Plan, and prepares activities and budgets. The resource requirements are presented in the institutions' budget and include the implementation of the MKUKUTA targets and outcomes. The National Plan and Budget Guidelines produced annually ensure that the budget is linked to the strategy by directly allocating resources to implement it.

*What are the different stages of Tanzania's budgetary cycle?*

Tanzania's budget cycle; the process starts at the Districts, Regions and Ministerial/Departmental level where budget proposals is prepared and compiled in line with budget guidelines and scrutinized by various committees to see to it that MKUKUTA priorities are included. From this stage budget proposal is scrutinized by a forum known as Inter Ministerial Technical Committee (IMTC) composed of Permanent Secretaries of ministries and departments whose duty is to ensure that the proposal is geared to implement strategic policies including the MKUKUTA. Then the proposal is scrutinized by the Cabinet of Ministers. At the last stage of the process the budget proposal is submitted to the Parliamentary Committees for in cameral scrutiny and finally tabled and discussed

and passed by Parliament during the budget session for implementation. This format I assume would be similar to most.

Thus through this process total financing requirements for implementing the MKUKUTA are established. Some of the budgeted outcomes are multi-sectoral; therefore the entire budgeting process encourages cross-sectoral linkages.

*Are development strategies/pro poor policies well reflected within the country's budget?*

Yes. If I confine myself to the procedural guidelines. However as one famous economist said poverty understanding and research had an initial stage of tale-telling to client focus and now to knowledge building about poverty reduction. The question then becomes at what stage is our Budget cycle operating on. Are we still tackling poverty by simply story telling about it or is the PRS process tackling poverty by working against the destructive forces that compound poverty? Is the process of creating institutions within the sphere of the interests of the poor? For example, is the education system and the investment being made making a difference to the poor children or is it more directed towards ensuring donor assistance flows? The same can be said for Infrastructure, Water, Electricity and other social investments which are dedicated funds from the budget?

Here it is important to consider whether the budgetary process has enough legal and legitimate backing to effectively confront the poverty question? The answer in the Tanzanian case is yes.

At this juncture, it is important to note that Parliament and its Standing Committees is involved in the budget process at its last stages of which it can not influence the government to change its agreed spending priorities. But it is also important to note that the budget process itself starts from the grass root – the District/Town Council where members of Parliament are delegates to the District/Municipal Council Meetings in which approves and passes its budget priorities formulated from that level. And hence therefore Parliament is ‘represented’ legally involved at the very grass root level.

The implementation and effect of pro- poor policies is monitored by Parliament as Members of Parliament are delegates to the Public Expenditure Review (PER) forum which convenes a month before Parliamentary Committees scrutinizes the details of Government budget for the coming fiscal year. Also through the Parliamentary Committees especially Watch-dog Committees collaborates with the Controller and Auditor General which has the duty to see to it that

monies approved by Parliament is directed to proper items and are properly spent and that Accounting Officers observe financial discipline. This is the ideal, approved institutional framework for the parliamentary role in the budget cycle.

However, should the legal factor, and the institutionalization of poverty monitoring frameworks be enough? Should it suffice that the procedural requirements for Budget evaluation, monitoring and assessment were followed be enough? The answer is a big NO. There are quality and performance considerations that necessarily have to be made to make sure the poverty question has significantly been addressed by the budget!

Who is responsible for over viewing quality of decision making? Who is better placed? Is the Parliaments of our countries capable of being auto-critical? Should we entrust this function to an independent observer, and accept it's findings? The CSO's could be very useful and relevant as long as the Parliamentarians agree to work with these parties and recognize their valuable role. Our Parliamentary committee accidentally invited a CSO in May just before the Pre-Budget committee session and we were lectured on Gender Budgeting. The concept was new and relevant and found many new converts during the main house parliamentary discussions. With a

more timely intervention, the Budget proposal itself should have been more considerate of gender budgeting issues.

## **Conclusion**

This paper has outlined the linkages between the budgetary process and the poverty reduction strategy in Tanzania. Strategic Plans, MTEFs budgeting and the PER process all of which are vital ingredients in ensuring that those links are strong. These planning, reporting and budgeting processes have been designed to ensure a focus of all Government departments and institutions towards the delivery of the goals set out in our National Framework, the MKUKUTA.

This years Budget 2006/2007 is the first budget which was passed by the Parliament under the new Government whose campaign slogan to power was *'new vigor, new zeal and new speed; Promoting better life for all Tanzanians.'* It is the intention of the Tanzania Parliament to bridge a gap and be involved in the budget process at early stages and be able to influence it and make the process of promoting better life for all Tanzanians a reality through the MKUKUTA Strategy.

*If there are flaws in the parliamentary budgetary processes, what is the Parliament doing to address these?*

Tanzania's Parliament is strengthening its capacity to perform its legislative and oversight obligations by creating an enabling environment for Members of Parliament and Staff. The analytical capacity of Parliamentary Committees is being strengthened and acknowledgement that a necessary investment in research and information technology and information gathering is now an absolute necessity. The Parliamentary Standing Orders and Regulations are being reviewed to enable proper monitor of the implementation of MKUKUTA activities in the government, and that Parliament as an institution is involved in the budget process in its mid stages, for instance the Parliamentary Economic and Finance Committee should take part in a Mid Year Expenditure Review forum.

The parliament is also considering new ideas which will review the timing factor i.e. the period in which Parliament should effectively intervene and how in the budgetary cycle, so that the poor can be more realistically involved in the incorporation of their concerns in Public expenditure plans. It is also being considered necessary to improve the understanding of the impact of legislation and parliamentary decisions on the economic framework, with the

expectation that Parliamentarians will demand for more quality and attention in the Government's role in tackling the poverty question.

It is our intention to be a Parliament that coordinates the results of monitoring conducted by its Standing Committees on the performance of the government including implementation of pro-poor MKUKUTA policies. Hopefully enabling regulations should be operational by the end of this year and will make the Parliament as an Institution, capable of coordinating the results of Monitoring of MKUKUTA done by individual Committees and advise the Government to take effective measures.

I do not expect to have covered all the relevant issues as far as the budget cycle vis a vis pro-poor initiatives are concerned. The topic is multi-dimensional and there is no single best formula to the solution of these problems. However I do believe now more than ever Parliamentarians have to pick up the pace and assume the torch bearers role in the national battles against poverty. We are best placed to comprehend the true nature of the problem and as policy and decision makers it is time we have a hard look at ourselves, our roles, our commitments and the impact of the budget's we approve to our electorates. I expect to benefit from listening to and learning from

your own experiences, my dear friends so that I can go back home to Dar es Salaam a better Member of Parliament.

I thank you for your kind attention.