

WHAT DO THE BUDGET GUIDELINES SAY ABOUT GOVERNANCE & ACCOUNTABILITY?

Tanzania Budget 2007/2008: Pre-Budget Brief 3.07

The Issues

The annual budget process offers a valuable opportunity to assess whether public statements about government priorities are put into practice. This pre-budget brief presents an analysis of national budget guidelines for financial year 2007/08 on the theme of governance and accountability. In particular, it raises some important questions about the following three aspects of the budget guidelines:

- **National Institutions:** Allocations to key national institutions of governance and accountability have declined significantly over the past two years. What are the implications of this for the independence of the judiciary and for the capacity of the national audit office to ensure that the government spends our money well?
- **Local government:** Allocations to local government have increased from 14% two years ago to 19% in 2007/08. This can only be a positive development if accompanied by efforts to make financial management easier for local government authorities, and if they, in turn, are more accountable to the voters and taxpayers.
- **Constituency Development Fund:** The budget guidelines suggest a Constituency Development Fund will be introduced during 2007/08, which has potentially serious implications for local governance, democracy and accountability. It is unclear what consultations or studies have backed up this decision, even whether a final policy decision has been taken, or what measures have been planned to ensure that potential negative effects are minimised.

National Institutions of Governance and Accountability

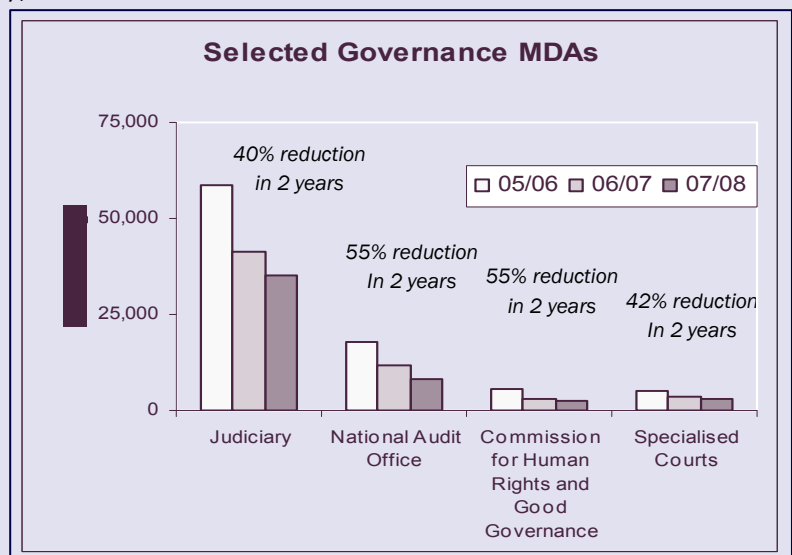
The text of the budget guidelines clearly recognises the importance of good governance and accountability, arguing that they "are necessary for political stability which is one of the pre-requisites for socio-economic development. In recognition of this fact, the Government is committed to strengthening the governance-related institutions at all levels." However, are these words reflected in the budget allocations for governance-related institutions? The answer to this question would raise some concerns. This brief looks at four of the key institutions, the Judiciary, the National Audit Office, the Commission for Human Rights and Good Governance and the Specialised Courts.

All four see considerable reductions from the previous financial year, and even bigger reductions over the past two years. This includes a 40% reduction in allocations to the judiciary, 55% reductions to the national audit office and the commission for human rights and good governance, and 42% for the specialised courts (see right). This is not consistent with the stated importance of such institutions.

- How are these critical institutions expected to deliver their vital services with such substantial reductions?
- After the prison strike earlier this year, the Government made a public commitment to address the current backlog of pending court cases. Will the judicial system be able to honour this commitment with such a reduction in its budget? What are the implications for the independence of the judiciary and other courts?

- The recent report of the Controller and Auditor General (CAG) 2005/2006 has raised questions about the management of public funds, and President Kikwete has put a high priority in resolving these problems and in doing so, he made reference to the expansion of value for money audits. Will these reductions mean that the national audit office lacks the resources to ensure that the government spends our money wisely?

At the same time, there is also a 300% increase in the budget for the Electoral Commission, although this is not an election year. Why the increase this year?

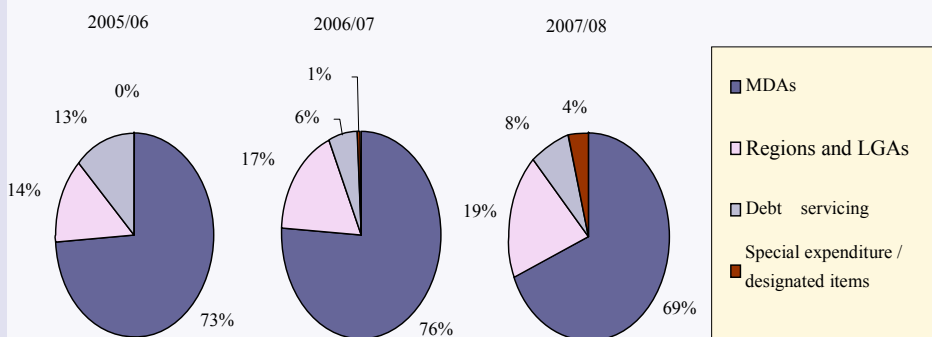


Source: Draft Budget Guidelines (Tables 4(a) and 4(b))

Allocations to Local Government

Local government is also an important site of democratisation. The assumption is that money spent by local government is more likely to be spent on public services that reflect the priorities of the community.

The graph above demonstrates how allocations to local government in 2007/08 have increased to 19% of the total from



Source: Draft Budget Guidelines (Tables 1, 4(a), 4(b)) and Draft LGA Budget Guidelines (Table 4.1)

17% in the previous year and 14% two years ago. However, some issues remain unclear in the budget guidelines. For example, how is the government addressing the obstacles to effective financial management by local governments, such as predictability of funding, over-complicated and multiple reporting requirements, and limited access to timely information that were identified in the 2006 Public Expenditure and Financial Accountability Review (PEFAR) and political interference in the use of discretionary funds? Unless these are addressed, it is unlikely that decentralization will yield the increased accountability it promises.

Constituency Development Fund (CDF)

A Constituency Development Fund (CDF) is a mechanism where elected Members of Parliament are allocated public money to carry out development projects within their constituencies. A CDF has been in place in Kenya for a few years, where its implementation has been controversial. A footnote in the budget guidelines, confirmed by the Minister of State for Public Service Management in the President's Office in a recent newspaper report, suggests that a CDF will be introduced in Tanzania during 2007/08. No precise figure is given, but the figures suggest that up to 200bn/- could be allocated to the fund. This is equivalent to 4% of the national

budget, or double the figure currently allocated to local governments for development expenditure on new services

The idea behind the CDF is to give MPs and citizens more influence on how public money is spent, and to speed up development. While these are certainly good objectives, the Kenyan example has demonstrated potentially serious side effects that we should know about:

- It can be used to distort elections, if MPs use the funds to 'punish' opposition and 'reward' supporters, or to spend lots of money on big projects just before an election.
- The role of MPs is to oversee the executive branch of government on behalf of their constituents. If MPs are constantly focussed on local projects, they will have less time to spend on holding Ministers and civil servants accountable.

- The CDF reverses constitutional separation of powers: the legislature (MPs) becomes the executive (delivering services) and the executive does the oversight.

This reversal of roles can make financial oversight more complicated for LGAs and thus create an enabling environment for mismanagement and corruption.

In Tanzania we already have several mechanisms whereby discretionary funds are transferred to local governments right down to the village level. Among these are TASAF and the Local Government Capital Development Grant (LGCDG) system. The findings of studies, such as PEFAR in 2005, clearly demonstrated that financial management systems in LGAs are too numerous and over-complicated. This has seriously hindered their ability to manage their finances effectively and accountably which raises several important questions:

- What does the introduction of yet another complex funding channel say about our commitment to addressing this problem?
- What consultations have there been to inform the public of such a major change in government systems and to seek their views?
- What measures are being taken to mitigate the problems encountered by the CDF in Kenya?



This leaflet was prepared and edited by the Budget Working Group of Policy Forum.



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Our work has three main areas of focus: local governance, public money and active citizen voice.

Making Policies Work for People in Tanzania!