

BRIEF REPORT ON THE 7:30 BREAKFAST DEBATE – JUNE 25TH, 2010
A BUDGET OF MYSTIC HOPE:
A CIVIL SOCIETY PERSPECTIVE ON TANZANIA BUDGET 2010-11

Policy Forum through its Programme of Breakfast Debate every year during budget season has the tradition of coming up with the pre and post budget analysis done by one of its working group that is Budget Working Group. The PF Budget working group has been engaged in pre and post budget analysis and advocacy since 2003.

This year budget has been very interesting due to the fact that it is election year and the government has come up with the major priority commonly known as "Kilimo kwanza", we also experience withdrawal of some donor fund through General Budget Support about USD 220 million. That is why Policy Forum dedicated its June 2010 Breakfast Debate on budget analysis from a **Civil Society perspective.**

The debate included two presentations: One on the Policy Forum Budget Working Group came up with the CSOs perspective done by Moses Kulaba from AP 2000 and another by Dada Ussu Mallya of TGNP Budget Analysis Task Team who presented the analysis on the Perspectives of Women, the Poor and other Marginalized Groups.

The first presentation was done by Dada Ussu Malya from TGNP, she started by saying that the analysis was carried out from a transformative feminist perspective and in support of our campaign for economic justice – 'making resources work for marginalized women'.

Economic Situation shows high growth figures during last decade, but no major decline in poverty (*PHDR 2009*) and increased gap between rich and poor. Largest proportion of impoverished families engaged in agriculture, with household poverty rate of 38.7%, 12% Tanzanians 15 years and above were not economically active; aggregate figures hide major differences by sex, age and rural-urban location [*PHDR 2009, HBS 2007*] and 45.7% of women in Dar es Salaam were recorded as not economically active in 2007; 25.3% in other urban centres and 12.0% in rural areas; compared to 14.6%, 10.4% and 7.4% respectively of men (*PHDR 2009*).

She further added that, from near 100% literacy early 1980s, illiteracy has risen to 25% of the total population, and 41% of women and 17% of Tanzanians lack food security; lack of good nutrition has led to anemia among 32% of the total population, 45% of children under the age of five years and *80% of pregnant women and lactating mothers*. Food insecurity is highly related to income insecurity, which in turn is associated with lack of meaningful (self) employment and livelihoods.

The overall assessment of the budget prioritises the needs and demands of large-scale commercial private sector, in terms of taxation policy as well as expenditure also liberalization and privatization of the economy and improvement of environment for business and investment; which were among the major demands made recently by the GBS donor group when publicizing its reduction of financial support for the budget compared to last year. There is continued export-orientation instead of more balanced growth and trade policy with support for *domestic* producers to produce for local and national markets as well as export.

On revenues shows that, there Continued donor dependence, with decline from 33% in 2009/10 to 28% in 2010/11, in part due to donor reduction of funds to GBS compared to last year, development expenditure depends 64% on foreign funding. Domestic revenue collection below target; government will borrow from a foreign commercial bank at high interest rates and last year Gov't took steps to *really* reduce tax and tariff exemptions for big business, including mining sector & increase royalties; this budget reverses that position on tax reform & actually increases tax and tariff exemptions in items which largely benefit big business in agriculture, transport, agro processing, construction and other industry

We have called in the past for a more progressive tax regime so that highest income earners [say the top ten percent] are taxed up to 40% as is found in many developed countries, and floor for taxation of low income earners is raised above the minimum wage. Tax base needs to be broadened, but not to 'capture' low income operators and workers in the informal sector – rather, to tax the high income earners in both the formal and the informal sector, including the corporate sector.

Then she came to the question of "budget 2010/2011 whose priorities"? In line with the campaign for economic justice, TGNP has called for adoption of full employment/livelihoods strategy & necessary resources to ensure that all women & men have access to decent employment/livelihoods with livable incomes, with particular attention to young people – the quickest and most certain way to reduce poverty; budget has no employment/livelihoods strategy. Agriculture received only 7.8% of budget, below 10% Maputo Accord. Kilimo Kwanza policy isolates agriculture from rest of economy; is biased towards needs of agribusiness and large-scale producers, especially foreign companies, as shown by tax and tariff exemptions. A more balanced approach is needed which supports the small-scale 'farmer with a hoe' – largely women! – and the pastoralist, as well as Tanzanian commercial farmers and agro processing industry first, producing locally for local and regional markets, rather than multinational corporations who are coming to produce food and Biofuels for profit in *their* own markets.

Infrastructure (recipient of 12.9%) prioritises needs of private commercial investors with emphasis on airports, ports, roads & city flyovers, economy depends on women's head loads for transportation of fuel wood, crops & water, when alternative low cost transportation alternatives are available to reduce this largely unpaid hard work & enhance efficiency and effectiveness in transportation and communications.

Energy only 2.8% of the budget - Why has government failed to develop & finance a mass electrification programme to bring all Tanzanians into 21st century? This would have a dramatic impact on production & reproduction, enhancing economic output and lives of the people at the same time. Moreover, it is the only solution to the problem of deforestation, environmental degradation and climate change arising from the present reliance of nearly all Tanzanians on either fuel wood or charcoal. Health sector receives 10.4% of budget [not 15% Abuja] in spite of high rates of maternal and neonate mortality & appalling health services available for most people in both rural and urban areas, for which they must pay! Cost sharing should not be a barrier to treatment and care.

Education received largest portion 17.6% --how will these resources be used, how much really reaches the school, teacher and pupil, & how much ends up in government officials pockets along the way? 3.4% allocation to water and sanitation sector is not sufficient to ensure that all Tanzanians have access to safe and clean water on a regular basis – without being forced to pay for it. Water should be treated as a basic right, not a commodity, for the majority.

Government is urged to develop concrete strategies which increase depth & extent of citizen participation in entire budget process, from conception at stage of budget guidelines through implementation and monitoring and evaluation, with a focus on marginalized women and their communities.

Second presentation came from Moses Kulaba He started by giving the highlight of PF-Budget Analysis and projections for 2009-10, he said that, During the Breakfast debate last year in our post budget analysis we projected Economic Growth below 7%, Inflation rate at above 8%-9%, Shortfalls on revenue collections due unrealistic projections, Doubts on gov't control on purchase of Luxury vehicles, Keen interest on funding the CDCF despite no allocations in the budget, Limited impact of the agricultural stimulus package on peasants and we concluded as : "On overall, The budget had come at wrong time and hard time...that the positive gains from this (2008/09) budget would be eaten away by the harsh economic times that we (PF-BWG) anticipate to face next year (2009/10). By end of the year the actual Economic out turn shows Economic Growth at 6%,

Inflation Rate at an average 9.8% to 12.1%, Agricultural stimulus package not enough and VERY FEW people benefited (Mr Mkullo, Minister, Revenue Collection shortfall by 10%, CDCF funds, Act passed and funds disbursed by end of May 2010, CAG reported continued purchase of luxury vehicles contrary to procurement regulations and directives. These statistics tallies with our projections and give PF-BWG credibility on tracking records and confidence to continue engaging in pre and post budget analysis.

Reading through the budget and listening to our politicians one may get that sagacious confidence that the budget is going to address or will fundamentally transform the lives of ordinary peasants. The truth however is that this is a budget of 'Mystic Hope', whose divine survival largely depends on how much money will be raised through borrowing and plugging leakages in government misuse. It is a budget of big milk farmers. It is a budget of business unusual.

The budget does not clearly demonstrate how value addition on agricultural products will be promoted in order for Tanzania to compete with its neighbours under the East African Common market. The exemptions on farming equipment appear to benefit large-scale farmers. The VAT exemption on Compressors and Combine Harvesters instead of hand hoes, rakes, spades and machetes which are no 1 choice for every Tanzanian peasant-Who will benefit from combine harvesters? How many tractors were imported last year and who was the beneficiary?-What has been the impact of power tillers on agric sector?

Is it over taxation on limited sources? Looking at MPs are still escaping the tax loop by enjoying tax free salaries and allowances despite having the CDCF to spend in their constituencies. Why are they too special to avoid taxation? Commend ring fencing on mining operations, however nothing in place to curb other illegal means of evading and avoiding taxes like Transfer pricing and income shifting by Multinational Companies. There was also need to mention and highlight in the budget speech the potential tax losses in the short run due to coming in place of the East African Common Market.

The CSOs perspective on expenditure is that we commend government on moves to cut unnecessary expenditures by cutting expenditure on telephone and electricity services, restriction on housing allowance but question is who are eligible and what are the specific rates. In similar cut back measures in the past, it is the low cadre employees who have suffered most yet it is these (low cadre employees) whose salaries can not afford decent housing. What happened to government plans to build houses for low cadre public servants?.

Poor payroll management cost the government lots of money. The CAG reports that in 2008/09 lost over **Tsh 3bln** due to weak payroll management. A cool **Tsh2.5bln** paid without proper procedures, overpayment of salaries worth **Tsh12mln** to Regional Secretariat employees. **Tsh 53mln** not supported by payroll prints while **Tsh445mln** in unclaimed salaries for retirees, dead and terminated employees not returned to treasury.

Commend increased disbursement of funds to LGAs under the D by D program. However the increased disbursement of funds to LGA has also corresponded with increased misuse of funds. The CAG reports over **Tsh200bln** was misused or not properly accounted for in 2008/09 budget Government.

On his conclusion remark he recommended that, there is a need for more transparency and availability of information on the budget, need for citizen's budget and Parliamentary budget office, need for government response and action on key audit queries raised by the CAG and expanding tax base rather than celebrating over increased tax revenue generated from limited sources.

Having a good well written budget is one thing but without plugging massive leakages that are still evident as reported by the CAG, a good written budget proposal has a tendency of remaining as a none starter. It's upon this and based on the CAG reports that we can quickly summarize the 2010/11 budget as a budget of '**Mystic Hope**'.

Comments and questions from Plenary Discussions:

- ❖ There is a need for educating the public to demand their rights especially on budget transparency
- ❖ If people are being taxed they need to get the service in return
- ❖ We need to learn from other countries on how they finance their budget without too much depending on donor countries. But how can the Gov't reduce borrowing?
- ❖ Is Kilimo kwanza for small farmers or big farmers?, since tax exception seems to favor big farmers
- ❖ Is the timing of this debate appropriate? Because the budget is already passed and it lack government officials or policy makers.
- ❖ There is a need for more analysis especially on the budget proportional especially on how much goes to rural people, marginalized women etc
- ❖ This budget will not meet the priorities if the issue of corruption and leakages is not going to be addressed
- ❖ Are majority rural poor involved in the discussion of the budget process, do we have the mechanism?
- ❖ How do we share the dialogue discussion like this with the government? Are CSOs recommendation realistic if are taken on board with the Gov't?
- ❖ The challenge is the Gov't to change the attitudes and accept civil stakeholders inputs but more analysis have been done by CSOs
- ❖ Education spending shows to have more fund allocation compared to international standards but if you look at it critically still it does not advocate for quality education
- ❖ We don't have a long term priorities every fiscal year, we have different priorities, are the government priorities sustainable?
- ❖ The government claim increase to budget spending but does it take inflation into account? How is the government plan to overcome the deficit?
- ❖ 64% of dev. spending comes from donors, is this sustainable? we need more analysis to see in each sector how is come from donor and how much is our own sources

Responds:

- How can the Gov't get money without borrowing- if there is effective tax collection, system to control corruption and leakage as well as reduce Gov't expenditure on luxuries the Gov't can reduce borrowing
- Education to mass community- CSOs are doing more analysis to educate the public but more work are needed on demand for accountability
- Is the government priorities sustainably? the priorities are not sustainable because they are not coming from the people themselves, more critical analysis are need to be done
- CSOs are good in criticizing the Gov't- actually the CSOs just critical to themselves & raise the critical debate to the context
- Are we late to Gov't dialogue?- we can see how Gov't is more engaged with the private sector than CSOs, is the government accountable to the citizen?
- Is the Gov't willing to change ?- it is difficult to comment on that but there some opportunities to influence the changes and we need to advocate for sustainable structure for dialogue so as to increase the level of debate
- More analysis is needed- may be in future we need a detailed sector analysis since there are some sector which receive more money and we need to analysis of what does it mean
- Are CSOs recommendation realistic- what we need are those recommendations to be considered in next budget process, some of it are political reflections and can be able taken on board to help take people forward

Mr. Albanie Marcossy closed the discussion by emphasizing the need for monitoring the budget implementation and he welcomed again participants for the next 7:30 BD.