

**Tanzania Water Sector
Budget analysis for
Phase I of the Water
Sector Development
Programme**

September 2013

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Prepared by Fidelis Paul, Senior Policy Officer and reviewed
by Herbert Kashillilah Technical Advisor, WaterAid Tanzania

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Table of Contents

1.	Background	4
2.	Financing to the Sector (Budget)	5
3.	Areas of Strength	5
	a) Increased funding to the sector	6
	b) WSDP Budget for rural component increased in 2013/14 FY	6
4.	Areas of Weaknesses	7
	a) Delays in disbursements	7
	b) The proposed Budget didn't meet the expected targets	8
	c) High discrepancy between components	8
	d) Budget execution problems haven't been resolved	10
	e) Water sector budget continues to be donor dependent	10
5.	Recommendations	11
6.	References	12

Abbreviations

BWOs	Basin Water Offices
DAWASA	Dar Es Salaam Water Supply and Sanitation Authority
DPs	Development Partners
GOT	Government of Tanzania
IAs	Implementing agencies
LGAs	Local Government Authority
MDGs	Millenium Development Goals
MOEVT	Ministry of Education and Vocational Training
MOHSW	Ministry of Health and Social Welfare
MOW	Ministry of Water
MTR	Mid Term Review
NSC	National Sanitation Campaign
ODI	Oversees Development Institute
PMO RALG	Prime Minister's Office for Regional Administration and Local Government
SWAp	Sector Wide Approach
TDHS	Tanzania Demographic and Health Survey
TZS	Tanzanian Shillings
UWSAS	Urban Water Supply and Sanitation Authorities
WASH	Water, Sanitation and Hygiene
WSDP	Water Sector Development Programme

1. Background

The Government of Tanzania has been implementing the Sector-Wide Approach (SWAp) to Planning through Water Sector Development Programme since 2006. The program aimed at strengthening the sector institutions for integrated water resources management and to improve access to water supply and sanitation services. The Program is implemented by the Ministry of Water (MoW); Ministry of Health & Social Welfare (MOHSW); Ministry of Education and Vocational Training (MoEVT); Prime Minister's Office, Regional Administration and Local Government (PMO-RALG); and other Implementing Agencies (IAs), including 9 Basin Water Offices (BWOs), 19 Urban Water Supply and Sanitation Authorities (UWSAs), Dar Es Salaam Water Supply and Sanitation Authority (DAWASA), 109 district and small town utilities, and 132 Local Government Authorities (LGAs). 7 National Projects and other earmarked projects are also included under the WSDP

The program implementation is done in phases of 5 years. The first phase, which started in July 2007, was to be accomplished in June 2012; where it was aspired to have met MKUKUTA sector targets and be well on the way to meeting the Millenium Development Goals (MDGs) with a sustainable regulatory sector legal framework in place. However, the Mid Term Review (MTR) of April 2010 noted several challenges including insufficient systemic planning, monitoring and reporting; inadequate capacity at all levels; delays in flow of funds; delays in procurement processes; changes in the unit costs per capita that affected budgets and delayed design and use of the sector MIS that were causing several challenges in ensuring effective financial management and reporting. As a result, the program was not on track in relation to its targets. The consensus of the mid-term review was to prepare the WSDP Restructuring Plan.

The restructuring plan came with new realistic targets; revised financing plan, work plan, procurement plan, and disbursement projections were approved in June 2011. Also, the results-framework and performance indicators were revised based on re-prioritized interventions and activities within the available financial envelope. As a result of this review, implementation arrangement, including the dialogue mechanisms, as well as the Program Implementation Manual (PIM), also were revised. The restructured plan also introduced a WSDP sub-component, namely the National Sanitation Campaign (NSC), which is being coordinated by the Ministry of Health and Social Welfare.

2. Financing to the Sector (Budget)

The GoT in collaboration with Development Partners (DPs) committed funds to finance the WSDP in the first phase of five years period from 2007/2008 to 2011/2012 at an estimated cost of USD 951 million. The GoT committed to contribute USD 251 million, equivalent to 26%; and DPs USD 700 million, equivalent to 74%¹. After the Programme restructuring in 2011, it was found that the implementation of some investment projects would go beyond June 2012. It was then jointly (GoT and DPs) agreed to extend the implementation of phase I of WSDP for one year period to June 2013. More commitments were made by DPs which reached at USD 1,329.3 as per end of December 2012² (MOW, 2013)

3. Areas of Strength

a) Increased funding to the sector

During the implementation of Phase I of the WSDP, more commitments were received from DPs. By the end of December, 2012, the total amount committed reached USD 1,329.3 million, an increase of USD 353 million, equivalent to 37% of the original estimates of USD 951 million³. This is a commendable achievement of the sector and it is optimistic that it will reach the expected targets if all the commitments will be realized and disbursed on time

Table 1: Overall Component allocations and Expenditure Progress

Component	Original share (%)	Original Budget (US\$)	Revised Budget (US \$)	Disbursed	Release as a % of Revised Budget	Expenditure Progress rate . Expenditure per Release
Water Resources Management	7.90%	75,240,000	70,434,305	40,047,824	57%	95%
Rural Water and Sanitation	30.60%	291,350,000	473,731,008	276,999,511	58%	73%
Urban Water and Sewerage	53.70%	510,870,000	714,203,787	455,658,570	64%	99%
Institutional Capacity Building	6.10%	57,540,000	65,071,170	62,557,133	96%	98%
Unallocated/ Undistributed	1.70%	16,000,000	5,879,156	55,611,421	67%	0%
TOTAL	100.00%	951,000,000	1,329,319,426	890,874,459		90%

Source: Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

¹ Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

² Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

³ Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

Data from Table 1 above indicates substantial increase of Rural Component Budget from USD 291,350,000 to USD 473,731,008 being an increase of USD 182,381,008 whereas the Urban Component Budget increased from USD 510,870,000 to USD 714,203,787 being an increase of USD 203,333,787 as per December 2013. While this is commendable, an equitable resource allocation should be considered during phase two with pro poor targeting particularly in the rural areas where majority are living with low access to water services.

By looking back from the last three years, the sector budget increased from TzS 307 billion in 2010/11 to TzS 541.6 billion in 2012/13. Furthermore, the recurrent budget for 2012/13 is (which is not included in the WSDP) TzS 46.5 billion, and thus the total water sector budget is TzS 588.1 billion (ODI 2013)⁴. Recurrent budget execution rates of around 90-95 per cent were achieved in 2006/07 and 2007/08 respectively, and these rates have now dropped to about 75 per cent. As in previous years, budget execution for development spending continually underperforms recurrent spending, with rates of approximately 45 per cent for development spending. Some of the budget execution issues could be attributed to a change in disbursement procedures (ODI, 2013)

The share of the water sector budget funded by the Government of Tanzania has also increased from 23 per cent to 31 per cent between 2010/11 and 2012/13. As in previous years, development expenditure accounts for the majority (89-92 per cent) of the sector's expenditure. The Government's share of the development budget has increased from 12 per cent to 25 per cent. This demonstrates the credible commitment that the Government is making to water sector development⁵

b) WSDP Budget for rural component increased in 2013/14 FY

For the last 5 Years since the WSDP was introduced, budget allocation for rural component has been low as compared to the urban component. For the first time, we noticed high increase of rural component budget from 21% in 2012/13 to 51% in 2013/14 (See Table 2 bellow) which is almost doubled. The rural budget increase has been attributed by additional funding from other donors such as DFID who committed more funding for rural water and sanitation in 2011. While this is commendable, actual release of the committed budget and spending is emphasized to meet the expected targets

⁴ ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

⁵ ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

Table 2: WSDP Budget increase over two years: FY 2012/2013 and 2013/2014

S/N	WSDP Components	Approved Budget FY 2012/2013	share	Approved Budget FY 2013/2014	Share
1	Water Resources Management	26,210,805,360.00	5%	23,948,143,000	4%
2	Rural Water Supply and Sanitation	120,787,537,924.00	21%	345,805,362,000	51%
3	Urban Water Supply and Sewerage	386,948,563,536.00	69%	287,946,037,000	42%
4	Institution Strengthening	30,712,025,466.00	5%	25,949,100,000	4%
Total		564,658,932,286.00		683,648,642,000.00	
Overall budget increase				118,989,709,714	
Local Fund Budget Increase				172,050,196,558	

Source: MOW, Highlights on the approved Budget for 2013/14

4. Areas of Weaknesses

a) Delays in disbursements

The approved budget for Phase I of the WSDP is TZS 2.2 Trillion while the actual release amounted to TZS 1.1 trillion which is equivalent to only 51% of the total budget approved. The release of funds from financiers has been a cause for the low performance of WSDP. Up to the end of Dec 2012, a total of USD 795 million has been disbursed from various financiers who correspond to 61% of the overall total revised WSDP commitments⁶

b) Budget Underperformance

Budget execution for the released funds has also been a problem. This has been contributed by the long procurement processes and capacity gaps within the Procurement unit (few numbers of staff). With regards to problems resulting from procurement processes and delays, there is a need for restructuring of Procurement Management Unit by adding more staff from user department. The proposed Budget didn't meet the expected targets

Despite the increased funding to the Sector in figures with the total commitments of USD 1,329.3 million as per end of December, 2012, being an increase of USD 353 million, equivalent to 37% of the original estimates, data have shown that the proposed estimates at the designing stage didn't meet the expected targets due to inaccuracy in per capita investment estimate which were based on average depths, distances, materials to be used and labor costs in each case of which the

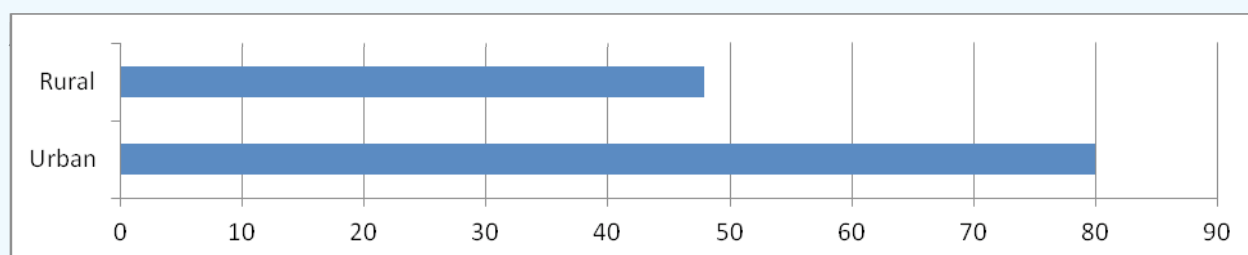
⁶ Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

costs ranged from USD 28.5 to USD 50.9 per capita for piped schemes. However, during the implementation stage, the unit cost for piped schemes ranged from USD 54 to USD 102 per capita which implies decrease in meeting the expected targets

Another reason for not achieving the intended targets is derived from the change in the choice of technology which increased investments cost. WSDP was formulated on the basis that 48% of the rural water supply schemes would be hand pump schemes, however, analysis of investments planned for the 2010/2012 explained that out of 506 villages, 210 villages (41.5%) have selected gravity schemes, 270 villages (53.4%) have selected pumped schemes, while only 26 villages (5.1%) have selected hand pumped schemes

c) High discrepancy between components

The incidence of poverty varies greatly across the country but is highest among rural families living in arid and semi-arid regions that depend exclusively on livestock and food crop production. Poverty is still widespread and acute, and is generally a rural phenomenon: about 80 per cent of the country's poor people live in rural areas and rely on agriculture as their main source of income and livelihood. Wealth is more prevalent in urban areas as compared to the rural areas. Despite the fact that high population is found in the rural areas (80%) with extreme poverty, access to water and sanitation and allocation of resources remains low.⁷



Source: TDHS (2010)

According to the Tanzania Demographic and Health Survey (TDHS 2010) access to improved water in urban areas in mainland Tanzania is 80% and 47.9% in rural. In mainland Tanzania, 66% of people in rural areas and 43.5% in urban do not treat their water. Despite the positive trends, there is still a huge discrepancy between the rural and urban. The TDHS 2010 also asked people how long it takes them to fetch water. In mainland Tanzania, 51.9% of people in rural areas take over 30 minutes; while 25.7% of people take longer than 30 minutes in urban areas. Despite the lower WASH coverage in the rural areas and the increasing poverty prevalence, and also with the fact that High population is found in the

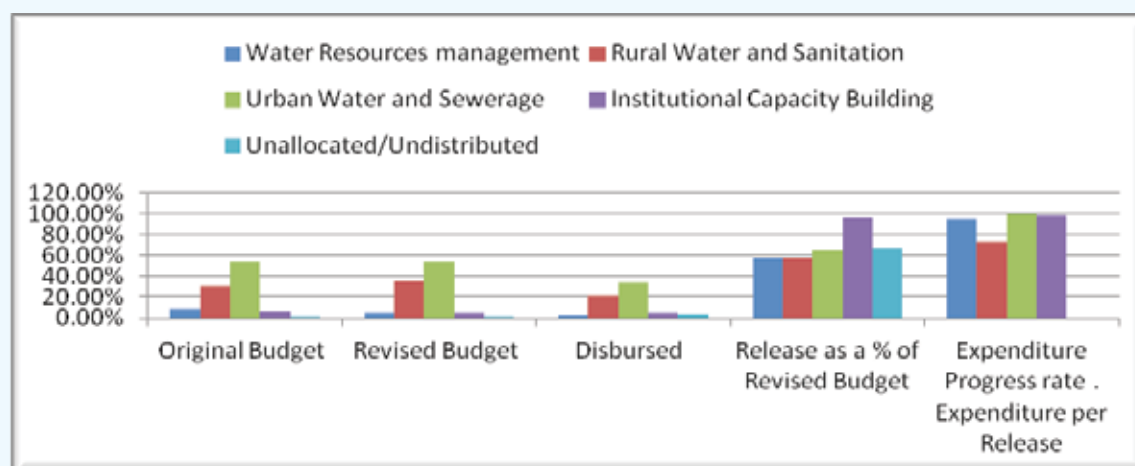
⁷ Tanzania Demographic and Health Survey(2010)

rural areas, budget allocation for rural component remained to be lower in the WSDP phase I as compared to the Urban counter parts.

The total WSDP rural component budgets has been reduced from TzS 137 billion in 2010/11 to TzS 75 billion in 2012/13 according to the Ministry of Finance data tables. There is a significant variance between the financial resource allocations in the WSDP 2012/13 work plan and the approved budget figures from the Ministry of Finance in the rural component. Because the WSDP’s budget has increased overall, the rural water supply and sanitation component’s share of the total sector budget has decreased from 37 per cent to only 13 per cent in 2012/13. This is expected to hinder the sector’s ability to meet rural access earlier targets.⁸ Of 65 per cent population to have access to water by June 2010 and the revised target of 60.5 per cent by 2012

Despite the overall increase for rural component from USD 291,350,000 to USD 473,731,008 and Urban from USD 510,870,000 to USD 714,203,787(See Table 1 and chart 1) as per December 2012, equitable allocation between the two components was not considered which brings some questions whether the expected targets for rural access will be met

Chart 1 Original and revised allocations across components



Source: Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

There has been some substantial decrease for the WRM Component budget from USD 75,240,000 to USD 70,434,305 by USD 4,805,695 (Table 1) this indicates that, the first phase of the Programme didn’t emphasize on the source of water but rather on the supply side. It is recommended that, the second phase should invest more on the WRM for sustainable supply

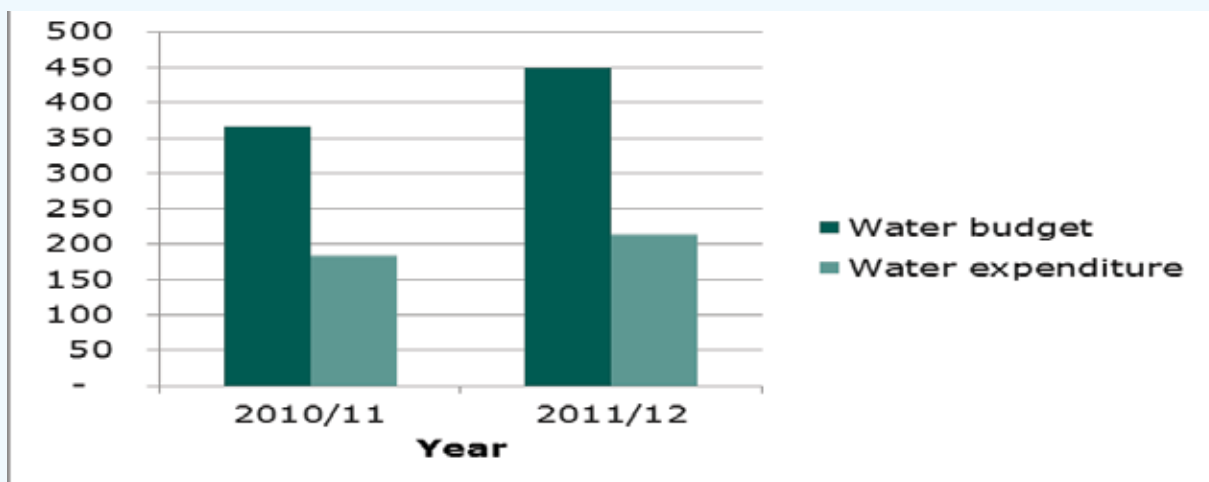
⁸ ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

d) Budget execution problems haven't been resolved

Despite the increased funding to the sector in the first phase of the WSDP, budget execution associated with the absorption capacity for the water sector in general is not improving. Execution of the recurrent budget has decreased substantially while execution of the development budget remains low. There are clearly capacity issues that limit the water sector's ability to utilize its increasing budget and these issues in budget execution relate to the Government's inability to meet the commitments it outlined for itself in the WSDP Restructuring Plan. In the plan, the Government committed to spend USD\$ 128 million in 2011/12 but only spent USD\$ 17 million⁹

Funding for urban water supply and sanitation, component 3 of the WSDP has increased from TzS 133 billion in 2010/11 to TzS 409 billion in 2012/13. In 2012/13, the urban water supply budget represents 76 per cent of the total WSDP budget and 70 per cent of the total sector budget. Budget execution for this component has decreased however, to 46 per cent in 2011/12, pointing to challenges in absorbing the increased funding; this is caused by deteriorating performance in budget execution for the DAWASA project

Chart 2: Budget Execution FY 2010/11 and 2011/12



Source: ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

e) Water sector budget continues to be donor dependent

The water sector remains highly donor dependent, with 68 per cent of the total budget and 74 per cent of the development budget being funded by foreign sources in 2012/13. Most of subsectors of the WSDP, including components 1, 2, and 4, remain highly donor dependent, with respectively 93, 87, and 95 per cent of funding from foreign sources¹⁰

⁹ ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

¹⁰ ODI (2013), Rapid Budget Analysis of the Water Sector in Tanzania

The approved budget for implementation of WSDP activities for FY 2013/2014 is USD 455,765,761 (TZS 683,648,642,000). Out of the total amount, USD 208,044,109 (TZS 312,066,164,000) 46% is local and USD 247,721,652 (TZS 371,582,478,000) 54% is foreign fund.

Also the overall WSDP Basket (Pooled), Earmarked from DPs, GoT and funds from other sources as per December 2012 (See table 3) explained high Donor dependency from the Original Budget where the Government contribution was only 26% and after the revised commitments the Government contribution went even lower at 19%, the rest was contribution from Donors

Table 3: WSDP Basket (Pooled), Earmarked from DPs, GoT and funds from other sources

Financing Group	Original budget share	Original budget in \$ as committed	Revised budget in \$ as committed	Revised budget share	Disbursed/ Released funds in \$	Performance as per revised commitment
Basket	35%	330,000,000	404,071,663	30%	354,262,079	73%
AfDB	8%	80,000,000	183,980,897	14%	135,399,000	74%
GoT	26%	251,000,000	251,000,000	19%	155,483,774	55%
Earmarked	30%	290,000,000	488,404,258	37%	243,867,000	50%
District Own sources			1,862,607	0%	1,862,607	100%
Total	100%	951,000,000	1,329,319,426	100%	890,874,460	61%¹

Source: Ministry of Water, WSDP Phase I Summary of Technical Scan and Main Focus for WSDP phase II

5. Recommendations

The first phase of the WSDP has just ended, the evaluation has been concluded, and the designing for phase II is at the initial stage. It's high time to reflect on the experiences from the first phase to inform the second phase. Based on this overall analysis, the following are the recommended points for consideration in the second phase of the Programme

- a) Over the long term, Tanzania should continue efforts to reduce dependence on donors and increase its domestic revenue raising capacity. Continued dependence on external donors could undermine the Government of Tanzania's accountability to its citizens

- b) The second phase of the WSDP should maintain the momentum that has been shown in the 2013/14 FY by allocating more resources for rural component (Increase from 21% in 2012/13 budget to 51% in 2013/14). This will accelerate meeting the targets of 60.5% for population in the rural areas to have access to water by 2012
- c) The Second phase of the WSDP should consider raising the profile of Water Resource Management by allocating more resources for sustainable supply. This has been neglected in the first phase of the programme
- d) While recognizing the fact that high level of development expenditure is important to improve the infrastructure in the country, it is also recommended to maintain an adequate recurrent budget to ensure proper operations and maintenance of facilities.
- e) The in-year release of funds should be reliable and even across the quarters to enable LGAs perform their work and reduce unnecessary delays

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Plot 14, Sembeti Road
 Off Old Bagamoyo Road,
 Mikocheni B, P.O. Box 38486
 Tel: +255 22 2780200
www.policyforum.or.tz



Masaki Street
 Off Haile Selassie Road,
 Msasani Peninsular ,
 P.O. Box 33759
 Tel: +255 22 2602803
www.wateraid.org