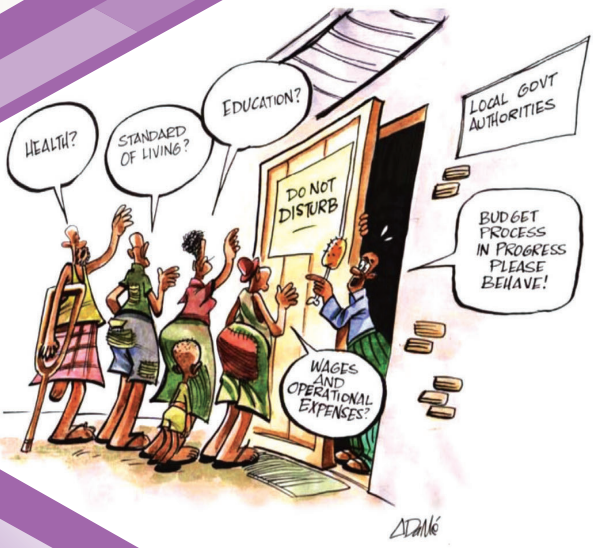

"A REVIEW OF THE GUIDE ON UNDERSTANDING THE BUDGET PROCESS IN TANZANIA"

2021

"A Review of the Guide on Understanding the Budget Process in Tanzania"

HakiElimu & Policy Forum

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A LIST OF ABBREVIATION

ADB	Africa Development Bank
ADP	Annual Development Plan
AID	Acquired Immune Deficiency
AO	Accounting Officer
APP	Annual Procurement Plan
ASDP	Agricultural Sector Development Program
CAG	Controller and Auditor General
CAP	Chapter
CD	Council Director
CDP	Community Development Process/Plan
CIs	Community Initiatives
CMT	Council Management Team
CPP	Community Planning Process
CSOs	Civil Society Organizations
CTF	Council Task Force
D-by-D	Decentralization by Devolution
DPs	Development Partners
GBS	General Basket Support
GDP	Gross Domestic Product
GN	Government Notice
HIV	Human Immune Virus
HLG	Higher Local Government
IAG	Internal Auditor General
IBRD	Internal Bank Research and Development
ICCPR	International Convention on Civil and Political Rights
ICESCR	International Convention on Economic, Social and Cultural Rights
IMTC	Inter-ministerial Technical Committee
FYDP	Five Year Development Plan
LAAC	Local Accounts Committee

LGAs	Local Government Authorities
LLG	Lower Local Government
MDAs	Ministries, Department and Agency
MEO	Mtaa Executive Officer
MoFP	Minister of Finance and Planning
MC	Mtaa Committee
MPs	Members of Parliament
MTEF	Medium Term Development Framework
NFGG	National Framework on Good Governance
NGOs	Non-Governmental Organizations
NHC	National Housing Corporation
NHP	National Health Policy
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PBG	Plans and Budget Guidelines
PBGC	Plans and Budget Guidelines Committee
PEDP	Primary Education Development Program
PE	Procuring Entity
PO-RALG	Presidents' Office-Regional Administration and Local Government
PF	Policy Forum
PFM	Public Financial Management
PER	Public Expenditure Review
PISC	Public Institution and Statutory Corporation
PMU	Procurement Management Unit
PPRA	Public Procurement Regulatory Authority
RBA	Right Based Approach
RAS	Regional Administrative Secretary
REPOA	Research on Poverty Alleviation
RC	Regional Commissioner
RDP	Rural Development Policy
RDS	Rural Development Strategy
RSs	Regional Secretariat
SAM	Social Accountability Monitoring
TDV	Tanzania Development Vision
TGNP	Tanzania Gender Network Program

TIB	Tanzania Investment Bank
TPA	Tanzania Ports Authority
TPDC	Tanzania Petroleum Corporation
TRA	Tanzania Revenue Authority
WEO	Ward Executive Officer
UDHR	Universal Declaration of Human Rights
VAT	Value Added Tax
VEO	Village Executive Officer
VC	Village Council
WFs	Ward Facilitators

CHAPTER ONE
BUDGET PROCESS IN TANZANIA

1.0 Introduction

The budget process is about the annual budget cycle events and activities. Essentially, it involves the determination of resources and their uses for the attainment of government objectives. The said objectives are the direct outcomes of government's economic, social and political policies. A sound budget serves as a viable tool for economic and financial management and accountability. Also, it serves as a mechanism for allocating resources among different needs and priorities as well as bringing economic stability and growth.

Budget is prepared and executed regularly, on annual basis. This ensures continuity of the government operations. The budget runs according to the financial year rather than the calendar year. In Tanzania, the financial year runs from July 1 to June 30. This is the time used by the government for accounting and budgeting purposes. Financial year is cited in terms of the year it began and ended. It varies from amongst governments. This year may start any day of a calendar year and continue for twelve consecutive months.

The financial year is an annual event that consists of various stages, to wit, preparation, debate and approval, implementation, monitoring and reporting. These stages feed into one another in a circular manner. They are interrelated. At any given point within the year, there may be multiple phases of the budget process all happening simultaneously.

1.1 Understanding Budget Basics

Budget is a plan or contract. It shows how monies will be collected from the public and allocated to different levels and components of government, and according to different priorities.[1] It is a detailed financial plan that quantifies future expectations and actions relative to acquiring and using resources. A mere breakdown of allocation of funds to service outlets, facilities and sectors to enable local government authorities pay for the cost of maintaining delivery of services at the affordable national minimum standards.[2]

Budget has two main components, income or revenue and expenditure. In Tanzania, the government obtains monies from two distinct sources. These include domestic revenue and foreign loans and grants. The other side of the budget consists of expenditure. This shows how the government spends the amounts of monies collected or received from numerous sources. It may spend for recurrent and development services and goods. A debate on the government revenues and expenditure is reflected under Chapter Four.

1.2 National Budget Process

The budget process is cyclical process that is ongoing throughout the year. It consists of stages that feed into one another in circular process. The phases overlap. At any given point in a year, there may be various phases occurring concurrently. For example, while the coming year's budget is executed, the previous year's budget is scrutinized. This means there are numerous opportunities for intervention at any point during a year.

[1] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[2] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

1.2.1 Budget Cycle

The Hand Book of Public Expenditure Management[3] offers six (6) stages of the budget cycles, to wit, policy review, strategic planning, formulation and approval, execution, accounting and monitoring, and audit and evaluation (**Figure 1.1**).

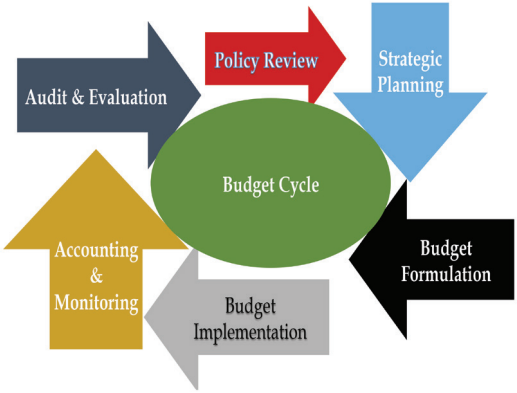

Figure 1.1 The Global Budget Cycle

However, the Budget Act 4 consolidates them into four (4) stages. This entails formulation, debate and approval, execution, and oversight and control (**Figure 1.2**). The first two stages are incorporated under the first stage of the budget cycle, formulation.

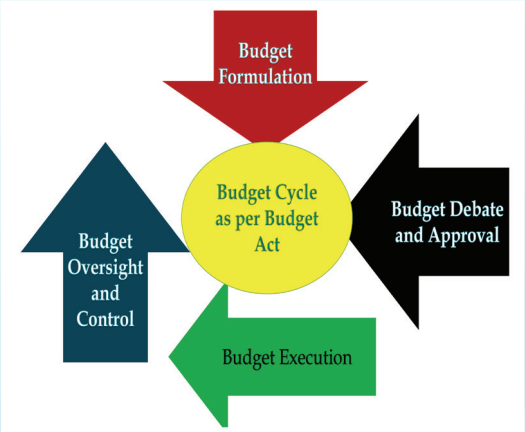

Figure 1.2 Budget Cycle in Tanzania

1.2.2 Budget Formulation

This is a preliminary decision-making stage. Decisions about planning on how to spend monies are made. It may be thought of in terms of three phases, namely, formulation of budget policy and resource projections, issuance of the Planning and Budget Guidelines (PBG), and estimation of revenue and expenditure by the Ministries, Departments and Agencies (MDAs); Regional Secretariats (RSs); and Local Government Authorities (LGAs). Usually, budget formulation is seen as a domain prerogative of the executives.[4]

[3] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[4] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

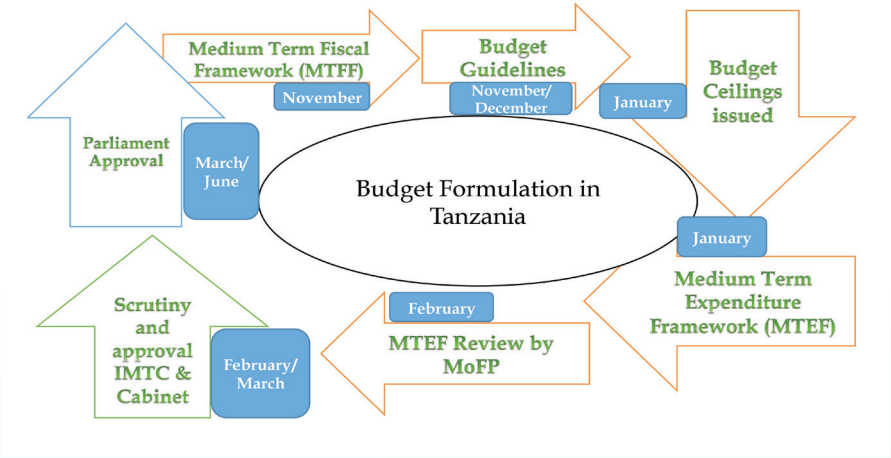

Figure 1.3 Budget Formulation Process in Tanzania

1.2.2.1 Budget Policy and Resource Projections

Formulation of budget policy and resources projections starts with consultations on the macro-economic framework. This includes forecasting the *size of the economy* and *expected revenues* to define the *budget frame*. Macro-economic framework assesses the performance of the preceding budget assumptions and targets, economic growth rate, rate of inflation and government finance and sector performance. The budget policy and resource projection is normally guided by the findings and advises from Public Expenditure Review (PER).

PER evaluates public expenditure management systems by conducting annual studies. The findings and recommendations inform the preparation of the PBG for the next year. This facilitates better long-term planning and ensures that expenditure is optimally budgeted and accounted for in the context of the annual budget process. The forum enlists deputies from government, development partners, academia, private sector and civil society organizations (CSOs) hold external evaluation of the budget performance.

Ministry of Finance and Planning (MoFP) in collaboration with the Tanzania Revenue Authority (TRA) forecasts tax revenues. Forecast of non-tax revenues are left to MDAs.

MDAs commence budget formulation by making presentation of their priorities and financial requirements for the coming year to the PBGC. These requests are linked to the FYDP priorities, which are typically very comprehensive. The request is guided by projections from the previous financial years, but this is often not done in practice. Therefore, the submissions made are often much higher than what is actually available.

1.2.2.2 Issuance of Plan and Budget Guidelines

The PBG guides mobilization and allocation of fiscal resources for execution of annual development plan and budget. It details broad strategic macro-economic and financial policies that are basis of the budget for the next financial year. PBG guides Accounting Officers in Ministries, Independent Departments and Agencies, Regional Secretariats, Local Government Authorities, Public Institutions and Statutory Corporations to prepare plans and budget in line with the Government laws, Regulations and Circulars.

The national PBG is prepared by the PBGC[5] appointed by the Minister of Finance and Planning. It is laid to the National Assembly for consideration by October or November every year.[6] However, where the General Election is to be held in the month of October or November, the Minister may lay the PBG during the second meeting of the National Assembly.[7] The Guide takes into account the Ruling Political Party Manifesto, FYDP, Tanzania Development Vision (TDV), 2025 and any important Government Directives.[8]

PBG serves as a roadmap for plans and budget submission. It indicates the procedures and schedules in plan and budget preparation. The latter are times within which plans and budget estimates preparation for MDAs, RSs, LGAs and Public Institutions and Statutory Corporations (PISCs) should start. Usually, it starts following the approval of the PBG. For instance, PBG 2018/2019 directed RSs and LGAs to prepare and submit their estimates to President's Office – Regional Administration and Local Government (PO-RALG)

[5] Section 21 (1), The Budget Act, CAP. 439
[6] Section 7 (a), The Written Laws (Miscellaneous Amendments) Act, 2018, Act No. 1
[7] Section 7 (b), The Written Laws (Miscellaneous Amendments) Act, 2018, Act No. 1
[8] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

after approval by their respective Councils by the third week of January.[9]

The PBG prescribes the documents to be taken into account during preparation of plans and annual budget estimates. These are the Ruling Political Party Manifesto, TDV 2025, FYDP and institutional Strategic Plans. The National Development Plan[10] is the basis for formulation of the National Budget. Accounting officers must observe such documents.

Also, the PBG defines the priority areas and projects for which the government, MDAs, RCs, LGAs and PISCs should direct their expenditure for the financial year. Usually, these are derived from the FYDP and its implementation strategy, if any. For instance, the FYDP II had ten (10) priority areas.[11] These are electricity, minerals, agriculture, tourism, livestock and fishing, health, education, construction and rehabilitation of transport and communication infrastructures, clean and safe water and sewage control.

Lastly, the PBG shows the resource envelope and expenditure framework. The former entails tax and non-tax revenue sources, grants and domestic and foreign loans. For the year under consideration, PBG projects the amount to be collected from each source and therefore, offers the contribution of each source to the entire budget. Through the PBG, the government provides the initial estimates of the government expenditure in terms of recurrent and development budget. The PBG inform public bodies *budget ceilings* and instructions for budget preparation.[12] PBG offers the criteria for resources allocation too.

[9] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019: Page 3

[10] Section 20, The Budget Act, CAP. 439

[11] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019: Page 4-5

[12] URT (2017), The Guidelines for the Preparation of Plans and Budget, 2018/2019, Ministry of Finance

Intervention at this stage is critical, it gives a chance to influence decisions before they are made.

- CSOs may build relationships with the Parliamentary Budget Committee and Sector Parliamentary Committees and working to understand organs or individuals responsible for decisions affecting allocation of resources to given priorities.
- It can make advocacy more targeted and effective. *CSOs* can also work at this stage to increase public debate on the budget, and advocate for truly greater transparency in the process

1.2.2.3 Estimating Revenues and Expenditure by MDAs, Regions and LGAs

Once Cabinet approves the PBG in October or November of each year, the Ministry of Finance and Planning prepares a consolidated budget overview and distributes the approved budget frame to MDAs, RSs and LGAs. MDAs, RSs and LGAs then revise their requested allocations according to ceilings set in the budget guidelines to produce the Medium Term Expenditure Framework (MTEF) and a corresponding action plan. Medium-term expenditure frameworks (MTEFs) constitute an approach to budgeting and public financial management (PFM) that addresses well-known shortcomings of the annual budgeting, including short sightedness, conservatism, and parochialism.[13]

Creating MTEFs is complex and requires high capacity at MDA level and MoFP level. Forecasting how much is required (MDAs estimating future need) and how much is available to spend (MOFP) estimating how much revenue is available and how much expenditure is sustainable) is extremely difficult. To ensure functionality, governments required strong monitoring and evaluation capabilities to ensure that the current resource distribution is efficient in achieving aims and goals from strategic documents.

MTEFs can be successful but requires resources and time to ensure efficient functioning. Many countries face challenges with MTEFs for a number of reasons: -

[13] World Bank (2013), Beyond the Annual Budget: Global Experience with Medium Term Expenditure Frameworks

- Macroeconomic instability - forecasting Gross Domestic Product (GDP) and revenue is difficult if your economy is, certainly, unstable. This makes providing very realistic budget ceilings for multi-years become very challenging exercise.
- Weak macro-fiscal forecasting and budget credibility – even with a very stable economy, forecasting remains a difficult exercise and thus, open to manipulation.
- Capacity and institutional weaknesses – MTEFs are resource intensive and often such skills take a number of years (long time) to build. Therefore, the connections between planning and budgeting are not always enforced across institutions.
- Lack of budgetary discipline – many countries do not stick to the ceilings in MTEFs meaning that the ceilings are not binding. In practice many countries have annual budgeting, and the following years are simple a forward estimation based on the current budget, rather than a careful forecast of expenditure items.

1.2.3 Debating and Approval of the Budget

It starts at the level of Sector Parliamentary Standing Committees. They conduct policy prioritization scrutiny and makes recommendations for adjustment and improvement, if any. Reports of sector committees are presented during open budget sessions. Also, the Parliamentary Budget Committee[14] has to consider estimates and recommend to the parliament. The parliament debates the reports and approves the recommendations.

During open sessions members have limited time to contribute. They must confine their contributions on issues merit significant attention. In committee proceedings, members may contribute more than once and may consult officers for necessary clarification. The rules of procedure are to certain extent relaxed and sometimes, are not strictly observed. The effective functioning of parliament may depend on sessions by sectoral committees.

[14] Section 9 (1) (a) and 25 (1), The Budget Act, CAP. 439

The opportunity for participation at this stage is limited to Members of Parliament (MPs). The general public or interest groups can participate by lobbying MPs to take positions on specific issues of interest. *Civil Society Organizations* (CSOs) contribute by making the budget estimates more *widely accessible and easily understood*. They may hold budget analysis. This may really contribute to a more meaningful public budget debate.

According to Article 90 (2) (b) of The Constitution of the United Republic of Tanzania, CAP. 2 of the laws of Tanzania: -

- The power of the parliament is merely limited to debating and proposing changes to the executives. It cannot change budget allocations. Where executives are reluctant to effect the changes, the parliament has to approve them as they are.
- If the parliament persists on it stance and rejects to approve budget estimates placed before it by the government, the president is, indeed, empowered to dissolve it.

Once parliament approves the estimates, the Minister submits an Appropriation Bill.[15] This gives the authority to appropriate fund from the Consolidated Fund to finance spending by central government and LGAs. Also, this law allows reallocation of certain appropriations.[16] Moreover, it empowers the Minister to apply and access loan facilities from banks or financial institutions to finance the government expenditures. The loan facilities may usually be taken from domestic or external banks or financial institutions.

But if the Appropriation Act is not passed at the beginning of the fiscal year, there are two options. First, the President may authorize withdrawal of amount not exceeding the sum stated for the service and second, authorize one-third of the sum stated under the law.[17] The amount covers the first quarter of the fiscal year or coming into operation of that Act, any event occurs earlier.[18] This authorization is made by signing a warrant addressed

[15] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[16] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[17] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[18] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

to the Minister calling for withdrawal of money from the Consolidated Fund for meeting the expenditure necessary for carrying on some services of the government.

Apart from that, the Minister prepares and submits to the parliament the Finance Bill, which is enacted into law. It enables the Minister to raise money from domestic sources for financing government expenditures approved for that year by imposing taxes. This involves creation of new taxes, amending existing rates by increasing or decreasing. Also, it is at this point of time *CSOs may play significant role of influencing* policy changes.

1.2.4 Budget Execution

This is an important stage of the budget cycle.[19] It entails collection and accounting for revenue, release of funds, service delivery and implementation of development projects. Others are maintenance of proper accounting for control and accountability, reporting on budget performance and evaluation, project inspection and expenditure monitoring.

On approval of the annual national budget by the National Assembly, the Minister has to issue an annual cash flow plan of the government.[20] The cash flow plan is the basis for release of funds by the Accountant General to Accounting Officers.[21] For that matter, all Accounting Officers are required to commit their annual budget in accordance with the issued annual cash flow plan. The cash flow plan is based on procurement plans, work plans, and recruitment plans. The National Assembly approves such three plans.[22]

MDAs, RCs, LGAs and PISCs have to prepare **action plans** explaining how they intend to implement their activities. The action plans are supported by **annual procurement plans** (APP) listing procurable works, goods and services in that year and a **monthly cash flow plan** (disbursement). APP shows when procurement will start and end. This is part of

[19] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[20] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[21] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[22] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

the budget process and filed to PPRA within fourteen days[23] after completing the budget process. APP integrates the procurement budget with expenditure program.

During budget execution, monies released by the government should be used to cover the approved expenditures only.[24] The monies cannot be spent without the authority of the parliament. The expenditure should be made for the purposes authorized by the parliament. And if for any reason monies which were approved to finance the activity is inadequate or the government is about to incur expenditures that were not anticipated during budgeting, it may request for adjustment. The parliament, upon being satisfied of the reasons offered by the government may approve adjustment of money requested.

Budget execution is based on cash system by disbursing only monies available. It limits spending in line with available resources by aggregating expenditures. The ministry exercises control on vote holders to disburse money to the amount it releases monthly. Sometimes, the government cannot spend money as approved i.e. if domestic revenue collection is less or donor funds come late or lower. Budget revision may be made. It may be through **virements** (within sub-vote) approved by Accounting Officers and **reallocation warrants** (across sub-votes or votes) approved by the Minister of Finance and Planning and authorized by Parliament, although this may be done retrospectively.

Actors are government and donors. Citizens participate as beneficiaries or consumers of services with limited control over the process. They raise voice on the quality and time services are offered. *CSOs* monitors service delivery and share information of approved estimates. They examine in-year reports for timely interventions, publicize findings and raise awareness by using social accountability tools. *CSOs* assist intersecting community monitoring the budget and have a bird's eye view of such concurrent budget processes. Budget execution starts at the beginning of the fiscal year and resides to executives. The ministry usually assures that funds are apportioned to spending department. Yet, cash

[23] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[24] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

limits may lead to some expenditure cut below voted and unplanned adjustments. Funds may be shifted to purposes other than the approved. Any significant adjustments to the budget should be captured in adjustment or supplemental appropriations that are tabled in the legislature for approval. In-year adjustment decisions must be transparent and should be subject to the same scrutiny carried out at the budget formulation stages.

The amount of money appropriated should be disbursed within that financial year. This means any amount of money not spent at the end of that financial year for which it was appropriated lapses.[25] From that background, where the government or public entity is holding appropriated money that was withdrawn from the Consolidated Fund but has not been spent, it should repay them into the Consolidated Fund, prepare and submit a statement of the same to the Commissioner for Budget.[26] It should be noted however that, repayment of unspent appropriated amount does not cover approved carry-over.[27]

1.2.5 Oversight and Control

A successful execution of budget depends upon the efficiency of monitoring, evaluation and reporting system. Accounting officers have to submit quarterly progress reports[28] and annual performance reports to the ministry. Monitoring, controlling and evaluation of budget execution rallies accountability. Budget monitoring is a continuous process that starts immediately after approval of the budget by parliament and disbursement of monies by the ministry of finance to authorities responsible for implementing the same.

Distinct organs are involved in monitoring the budget. The National Assembly receives compliance reports from the Minister.[29] They show the extent to which the objectives and targets in the Plan and Budget Guidelines are met; actual revenue for that period compared to the projected; actual expenditure per vote, detailing the capital and current expenditure and actual borrowing. If the objectives and

[25] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[26] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[27] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[28] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[29] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

targets were not met, reasons thereof, measures to address it, and government policy decisions materially affecting it in the budget statement of intent or country's overall fiscal and economic performance.

The Controller and Auditor General (CAG) monitors budget execution by ensuring the money authorized by the parliament is applied to the purposes connected with the use of the money only. It has to audit accounts and expenditure of such money at least once every year and give audit report.[30] Sectoral Committees of Parliament, Public Accounts Committee (PAC) and Local Authorities Accounts Committee (LAC) considers the Controller and Auditor General audit report and hold relevant Ministers or Accounting Officers accountable. They may appeal for a select committee to probe questions raised.

Accounting Officers reports quarterly[31] to the Permanent Secretary and Minister of Finance and Planning on expenditure commitment who then reports to the National Assembly.[32] The Accountant General informs the Permanent Secretary on the actual revenue and expenditure for the preceding month. The report indicates amount sought to be collected and spent by the government.[33] Commissioner for Budget and Commissioner of Policy and Analysis issues a quarterly report on budget execution too.

CSOs and ordinary citizens can also conduct their audits, sometimes referred to as social audits. Social auditing involves mobilizing community members to monitor whether and how public funds are spent and publicize the results in order to encourage greater accountability. They may further publicize the findings of budget execution and audit reports in simple terms and language best understood by the majority members of the community. This creates increased understanding and examination of audit reports.

[30] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[31] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[32] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[33] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

Once the National Assembly approves the budget, LGAs and RCs are served with the approved budget books. The funds are disbursed to regional administration and LGAs on a monthly basis. At LGAs level, higher LGAs inform lower LGAs that they have received funds. They issue expenditure guidelines based on approved budget and begin project execution. During budget implementation, LGAs may alter the approved budget. In that case, lower LGAs should be informed promptly and given reasons for the change.

Box 1: Oversight & Control >>Accessing Oversight & Control Documents

Quarterly Budget Execution reports are available on the MoFP website.

Information on the implementation of Five Years Development Plan can be found on MoFP website.

Audit reports are available on the NAOT website and upon request from the CAG office

1.3 Local Government Budget Process

LGAs in Mainland Tanzania are divided into 6 City Councils, 19 Municipal Councils, 23 Towns Councils and 136 District Councils. Under the Local Government Reform Agenda of 1996 as articulated in the Policy Paper on Local Government of 1998, LGAs plays an increasingly important role, mainly in the delivery of social services such as primary and secondary education, health service, water supply service and agriculture.

Decentralization by Devolution (D-by-D) has created valuable new opportunities for community members and CSOs to engage with the budget process and influence how these important services are delivered. This section describes the budget process at the LGAs level. It will focus on both higher LGAs (HLG) as well as the lower LGAs (LLG).

1.3.1 Budget Formulation, Debate and Approval

LGAs budget process begins much earlier than the national process. Planning and budgeting start in **July** every year.[34] HLG directs LLG to begin necessary process at the community level before the Planning and Budget Guidelines is issued. However, LGAs submit budget requests in a similar manner, and follow the same timetable, as national MDAs. But, before being sent to the MoFP, they are reviewed by RSs and the PO-RALG.

LGAs budget process should ensure that the needs and priorities of the community are heard. Village and mitaa use a collaborative methodology Improved Opportunities and Obstacles to Development (O&OD) see Figure 1.4, to ensure that community needs and priorities are heard during planning and budgeting process. The methodology is sought to contribute towards the development of locally accountable governance and a sense of ownership with principle of positive thinking and self-reliance rather than dependency.

The process offers a wide range of community to discuss and interrogate their plans from the village or mtaa assembly that comes up with plan and budget team. The team work around all over vitongoji or mitaa available and prepare a draft of community plan. It is revised by village council or mtaa committee and forwarded to Ward Development Committee (WDC) for scrutiny and advice. Again taken to the village or mtaa assembly for approval. In each village or mtaa, the Ward Facilitators (WF) facilitates such process.

Figure 4 displays the LGAs plan and budget formulation, debate and approval process.

[34] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

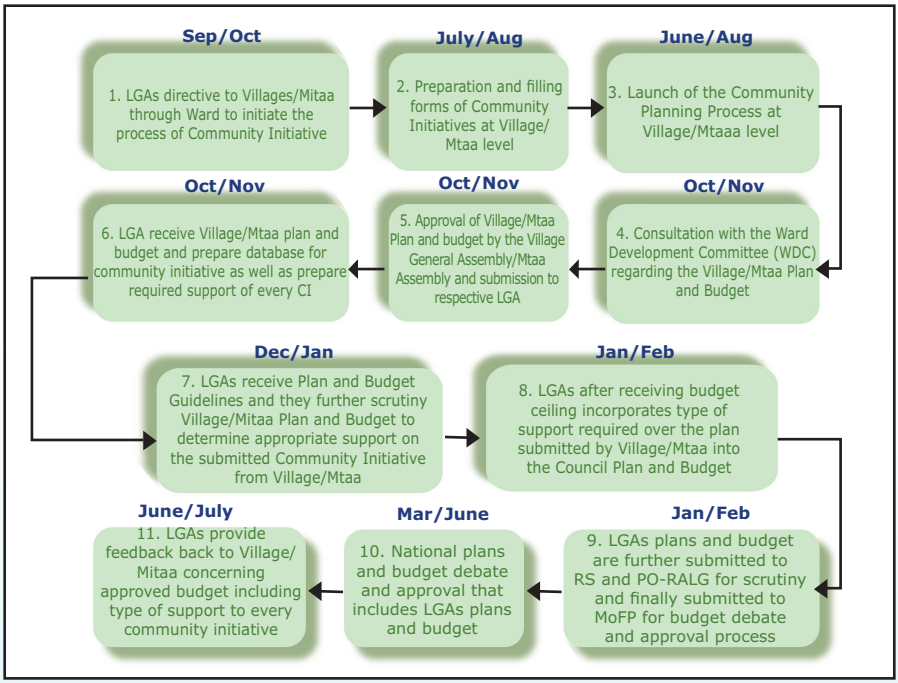

Figure 1.4 Formulation, Debate and Approval of LGAs Plans and Budgets

1.3.2 Budget execution

Once Parliament has approved PO-RALG's consolidated plan and budget, then LGAs and RSs are given copies of the approved budget books. The Treasury in the Ministry of Finance and Planning disburses allocations of funds to all ministries including PO-RALG and LGAs on a monthly basis, although there are often delays particularly for disbursement of development funds. The disbursements are published in newspapers. At the local government level, district and urban councils inform the wards, villages and mitaa that funds have been received, and details are placed on public notice boards. LGAs issue expenditure guidelines to wards, villages and *mitaa* based on the approved budget and begin project implementation. It is possible for the Council Directors to alter the budget during the financial year, and this often happens. In such cases, wards and villages should be informed, including an explanation of the reasons behind the change.

1.3.3 Budget Oversight

PO-RALG monitors LGAs accounts, revenues and expenditures on quarterly basis to ensure that the plans and budgets are implemented and executed as they are planned. The reports that are sent to PO-RALG are also presented to the Full Council and are therefore, theoretically public. At Village, Mtaa and Ward, Village Council (VC), Mtaa Committee (MC) and Ward Development Committee (WDC) are also supposed to meet quarterly to review the progress at their level. The VC and MC should present progress reports to the Village Assembly or Mtaa Assembly of all the adult community members.

1.3.4 Budget Control and Audit

As with central government, the accounts of all LGAs are required to be audited by CAG. LAAC reviews CAG reports for LGAs and hold Accounting Officers accountable. However, given the multiple sources of funding obtained by LGAs, local councils can be subjected to a number of inspections and audits during the course of any given year. These include: -

- An audit for the Health Basket funds;
- An audit for the education sector (PEDP); and
- Audits commissioned by donors on their individual program(s).

1.4 Opportunities for CSOs to Participate

The local government budget process presents several opportunities for CSOs to contribute. There are valuable opportunities at various stages throughout the budget cycle for CSOs to participate i.e. formulation, approval, execution and audit. That, CSOs can take advantage of, and there are already many organizations that are indeed doing.

1.4.1 Opportunities for CSOs during Budget

Formulation and Approval

Several stages on budget formulation and approval are designed to create a responsive planning process. These opportunities are worth explaining in more detail hereunder:

- ***O&OD Process.*** Collaborative methodology is designed as a bottom-up method to ensure that voices of ordinary people are heard. CSOs may mobilize women, men and marginalized groups in the society to participate. The effectiveness of their participation will depend on the extent to which community groups have successfully organized themselves, acquired information to back up the positions they wish to take in terms of budget priorities, and have chosen spokespersons to make their views known, and feed the results of meetings to the 'constituencies'.

- ***Village and Mtaa Assemblies.*** Village and mtaa assemblies present CSOs with an opportunity to influence the planning and budget process. These assemblies consist of all ordinary residents who have attained the apparent age of twenty-one years.[35] CSOs have two opportunities to influence the planning and budget process. First, they are consulted at the start of the O&OD process, and second, giving their approval to the village and mtaa plans at the end of O&OD process.Before the plans and budget are presented before the village and mtaa assembly, they go through the village council and mtaa committee. The former consists of not less than fifteen (15) and not more that twenty-five (25) elected members. These are village chairman, vitongoji chairmen, and such other members elected by the village assembly.[36] The mtaa committee consists of six (6) members elected from amongst residents of the mtaa.This involves the chairman of the mtaa too.[37]

- ***WDC.*** CSOs that operate within the area of the Ward may have opportunity to attend WDC meetings. The law[38] states that WDC may invite any persons who shall entail persons from non-governmental organizations and other civic groups involved in the promotion of development in the ward.[39] This presents them with a chance to see what is being proposed, and ensure that the interests of all groups are reflected in LLG plans that are forwarded to HLG through the Ward.

[35] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[36] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[37] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[38] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[39] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

WDC is the highest decision-making organ at ward level. It consists of elected political leaders from the village and mtaa level. This includes village and mtaa chairmen, a councilor representing the ward, and special seat women councilors who are ordinarily resident in that ward. The Ward Executive Officer serves as the secretary to the meetings of WDC although does not have any right to vote.[40]

- ***Council Debate and Approval.*** The Council is the second representative organ where *CSOs* can engage with to influence the budget process. It approves LGA plans and budget before forwarded to RS and PO-RALG.[41] Councilors are elected as representatives of the people and community, and are in danger of not being re-elected if they do not act in the best interest of the members of the community.

CSOs can take advantage by encouraging councilors to scrutinize and approve in the interests of all groups in the community. The plan and budget presented to the Full Council is a public document, CSOs can access from the Planning Officer or councilors. CSOs can also assist councilors by analyzing the proposed budget and publicly commenting if it considers the pro-poor or gender sensitive budget.

Agriculture and Markets – *Production Factors*					
B1.	**Extension services**				
B1.1	**What types of extension advice were provided in your village last year and how satisfied are you with these services?**				
		Not received	Poor	Satisfactory	Good
	Pest management				
	Improved seeds				
	Advice on high return crops				
	Crop processing advice				
	Veterinary services				
	Environmentally friendly farming				
	Soil conservation				
	Starting farmers' associations				
	Irrigation techniques				
	Crop storage				
	Crop processing				
	Livestock Products processing				

1.4.2 Opportunities during Budget Execution, Control and Audit

Budget formulation process ensures that the priorities of the poor and marginalized are heard, but it is also good to ensure that the money is spent as planned. First, this ensures that decisions made in favour of marginalized groups result in improved services and that LGAs deliver services as efficiently

[40] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[41] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

and effectively as possible. Several *CSOs* working in this area use a number of professional approaches including the following: -

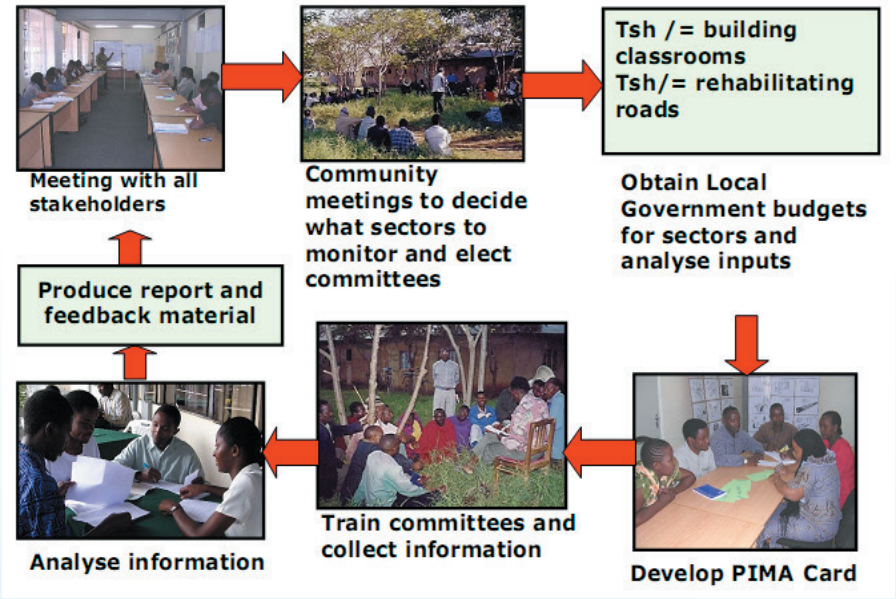

Figure 1.5 Process of Developing a PIMA Card

- ***Public Expenditure Tracking (PET)***. Is the budget spent as intended? Are disbursements flowing as planned?[42] Does money allocated for a certain project get spent on that project?[43] Are services improving as intended? *CSOs* are in a strong position to monitor the LGA's progress against the budget. *CSOs* are engaged in this work in distinct parts of Tanzania i.e. *Hakikazi Catalyst and TGNP*.

  Community PIMA Scorecards are an example of PET approach used by *Hakikazi Catalyst*. Are women and men happy with the standard of services, do they see improvements? Citizens' report cards are a simple way for *CSOs* to facilitate community assessment of LGAs performance. It can monitor progress against budgets or input into the planning process. The table on the right is an example of PIMA Scorecard on agricultural extension, and the box on the next page presents the process. See **Figure 1.5** for more information on the said experience.

[42] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019
[43] URT (2017), Guidelines for the Preparation of Plans and Budget for 2018/2019

- ***Social Audits.*** Does LGA's annual reports reflect the true state of public services? Just as a financial audit looks whether financial statements represent a true picture, a social audit asks whether narrative reports reflect reality. *CSOs* can conduct independent monitoring of the state of public services by visiting water points to check if they are functioning, assess the standard of the official reports.

- ***Financial Audit.*** Once the CAG has published its annual audit reports, *CSOs* can pressure LGAs, perhaps through councilors, to give public explanations for any issues highlighted, and to explain what measures they are taking to correct them.

With any of these approaches, it is important to think about how the data and analysis used. Working in partnership with LGAs to improve planning processes and service delivery can be an effective way of ensuring that the results of your work make a difference. And how will you ensure that they are available to members of the public?

It is again worth noting that several important official documents are supposed to be publicly accessible, which can be very useful in holding local government to account.

1.4.3 Key Sources of Opportunities for CSOs Action at LGA Level

- Several NGOs are involved in work at LGA level. The NGOs, such as PF, SNV, REPOA, *Hakikazi Catalyst* and TGNP are good sources of information on this type of work.
- The Public Expenditure Tracking resource book ***Follow the Money***, published jointly by Hakikazi, REPOA and TGNP is an excellent source of information on PET and on community scorecards. It is available from www.hakikazi.org.

1.5 Challenges and Limitations of LGAs Budget Process

LGAs budget process is not perfect. A number of challenges and limitations have been identified over several years. It is useful to understand what some of these challenges are, since they can result in the process being very different in reality from the way it is described in official policy documents. Some of those key weaknesses are as follows: -

- ***Lack of reliable budget data***
  The planning figures provided by PO-RALG and MoFP to the LGAs are often subject to considerable revision after they are issued. This makes it hard for the LGAs (and lower levels) to plan effectively, since they never really know how much money they will have available and what purposes it is earmarked for.

  During budget formulation, village and mtaa budgets pass through different offices, many of which have the power to amend the budget. Sometimes, LLG are not fully informed of the said amendments until late in the process. When the final budget arrives at the start of the fiscal year, it may look very different from when the respective council or village assembly and mtaa assembly passed it.

- ***Local Priorities Get Lost***
  Priorities of villages and even LGAs can get lost as budget goes through various offices due to capacity or budget feasibility, support for national priorities, or powerful figures insist on their favorite projects. Also, local priorities can be overlooked, the funding from the national government to LLG is sector specific. If a large proportion of development funding is pre-allocated to specific sectors, it restricts the freedom of LGAs to respond to community felt needs and priorities.

- ***Limited Human Resource Autonomy***
  The devolution of responsibility relating to recruitment and staff development to LGAs has certainly lagged behind the other decentralization reform. This restricts the freedom of LGAs to plan according to local needs, in addition to reducing the accountability of local officials to the council and local community.

- ***Limited Accessibility of Information***
  Although in principle, many of the key documents in the planning and budget process are public; it can often be difficult to access this information. Much information stays on shelves or in computers rather than being on public display, and other public officers have an attitude that access to information is not a right.

- ***Delays in Disbursements***
  If funds are disbursed late, the annual implementation calendar becomes short, and funds cannot be spent at the end of the fiscal year. This is relatively common.

- ***Capacity***
  The financial management demands that are placed on LGAs are complex and require a certain level of expertise. This accounting and internal audit capacity remains a challenge for local government finances, with many LGAs lacking treasurers or internal auditors, or are unable to retain such staff for long periods.

LGAs recognize these challenges, and have committed to address them through reforming systems and building capacities. They begun doing so, and have made a number of improvements during the past few years. Public participation and demands for accountability will be key for these improvements to be accelerated.

In particular the documents listed in the table below are all intended to be public

Document	Available from	***Available when (timings are often late)***
Local Government Planning and Budgeting Guidelines	PO-RALG	December (but are often late pending release of the national budget frame)
Indicative Planning Figures (IPFs) for Wards, Villages and Mitaa	District Planning Officer, Ward Executive Officer, Village Executive Officer, Ward and Village notice boards	January
Village Plan and Budget	Village Executive Officer, village notice board, village assembly meeting	January/ February
Proposed Council Plan and Budget	Council Planning Officer, full council meeting, district notice board	January/ February
Approved Council Plan and Budget	Council Planning Officer, full council meeting, council notice board	January/ February

National Budget Books	www.bunge.go.tz	March/April
Final Approved LGA Budget	Council Planning Officer, council notice board, www.logintanzania.net	June/July
Final Approved Ward and Village Budget	Ward Executive Officer, Village Executive Officer, Ward and Village notice boards	July
Quarterly progress reports (village level)	Village Executive Officer, village notice board, village assembly meeting	October, January, April, July
Quarterly progress reports (LGA level)	Council Planning Officer, district notice board, www.logintanzania.net	October, January, April, July
Disbursement notifications	National newspapers, district notice boards	Throughout

1.6 Key Sources of Local Government Budget Data

In addition to information in the media and on notice boards the following sources can be useful means of accessing local government budget data.

- ***Council meetings*** can be useful source of information. Full Council meetings are open to the public, and all information presented there is public information. This includes proposed plans and budgets as well as quarterly progress reports.

- ***www.logintanzania.net*** offers a large amount of budget data from LGAs across Tanzania, including intergovernmental transfers, LGAs own revenues, sectoral expenditure plans, and expenditure reports. Different report formats are available, and a huge amount of data. The site also has an excellent documents section i.e. policy documents, annual reviews, audit reports and budget guides.

CHAPTER TWO
POLICY AND LEGAL FRAMEWORK GOVERNING BUDGET PROCESS

2.0 Introduction

The budget process is a creature of the law. This process is mannered by numerous pieces of legislation. They provide a number of aspects relating to the budget process. First, provides for the actors; second, budget stages i.e. budget preparation, deliberation and approval, execution, monitoring and overseeing; and roles and responsibilities of actors. Lastly, the law prescribes in certain terms the timeframe or timelines within which one process of the budget should essentially start and come to an immediate end.

In 2014, The Parliament enacted The Budget Act. The said Act was revised in 2015. The Budget Act is the Parent Act on matters relating to the budget process. However, there are other legislation, which provides for various matters relating to the management of the budget process. This chapter highlights body of laws and administrative regulations that regulate the budget format, timing and procedures; allocation of formal powers and responsibilities of actors; and rights of actors in the budget cycle. Understanding such legislations, principal and subordinate, is important for designing advocacy efforts.

2.1 Policy and Legal Frameworks Governing the Budget Process

2.1.1 The Policy or Planning Framework

The budget process in Tanzania is governed by number of policy or planning national frameworks that guide MDAs, RCs and LGAs to prepare plans and budgets as follows: -

2.1.1.1 The Tanzania Development Vision 2025

Vision 2025 was adopted in 1999 and sets out long-term aspirations the Government of Tanzania would like to see over the coming twenty five (25) years. The Development Vision 2025 aspires to achieve high quality livelihood; strong and competitive economy; good governance; a well-educated and learning population; peace, stability and unity. The Development Vision 2025 (TDV) guides efforts of MDAs, RCs, LGAs, private sector, NGOs, CSOs, cooperative societies, village assemblies, and other social groups.

2.1.1.2 The Tanzania Long Term Perspective Plan

The Tanzania's Long Term Perspective Plan (LTPP) famous or a roadmap to middle income country is an important vehicle for implementing TDV 2025. LTPP emphasizes Tanzania's cherished goal of becoming a prosperous nation by eradicating poverty, ignorance and disease in the drive to becoming a Middle-Income Country. LTPP sets strategic direction and delineates long-term objectives, targets, and pillars for a more focused guidance, coordination and harmonization of the country's growth process.

LTPP is a crucial link between the long-term vision, and the country's medium-and short-term perspectives, namely the FYDPs and Annual Development Plans (ADPs). It has to be noted that since its launching in 1999, TDV 2025 had no formal instrument for its operationalization. Consequently, efforts to evaluate progress made in achieving the targets of Vision 2025 were scattered. This was confirmed by studies and assessments (2009 & 2010) that the country was not on track to reaching TDV goals. Thus, a renewed execution framework for the 15 years of TDV 2025, through this LTPP, was imperative.

Path to realizing TDV 2025 targets will be facilitated by opportunity-based planning implemented through a series of three FYDP, building on each other and making use of Tanzania's opportunities and addressing the challenges. Socio-economic transformation will be addressed in depth through three strategic FYDPs: the First FYDP (2011/12-2015/16): Unleashing the Growth Potential; the Second FYDP (2016/17-2020/21): Nurturing an Industrial Economy;

and the Third FYDP (2021/22-2025/26): Attaining Export Growth and Competitiveness. The linkages between the three plans are crucial, as the success of FYDPII will depend on the success of FYDPI, and the achievements to be reached during the FYDP III will depend upon the successes of FYDP I and FYDP II.

LTPP operationalization is through **three FYDPs**, which in turn operationalized through ADP, implemented in the sequence of **Budget Guidelines**; **Medium-Term Expenditure Frameworks (MTEFs)**; Cabinet approval; Parliamentary authorization; execution; and monitoring and evaluation. The responsibility of implementing the projects identified through FYDPs fall on MDAs, RSs and LGAs. The annual work plans of MDAs, RSs and LGAs are supposed to align with the FYDPs and LTPP. LTTP also recognizes the strengths and capabilities of all development actors, including the private sector and civil society in achieving the country's economic development goals. Development Partners (DPs) are expected to bring their influence in implementing projects and programmes consistent with the nation's long-term development agenda.

2.1.1.3 Five Year Development Plans

The FYDPs are the operationalization framework building from each other to achieve the TDV 2025 as an extract of LTPP. Its operationalization focuses on the respective period as indicated in the LTPP namely FYDP I (2011/12-2015/16): Unleashing the Growth Potential; FYDP II (2016/17-2020/21): Nurturing an Industrial Economy; and lastly, the FYDP III (2021/22-2025/26): Attaining Export Growth and Competitiveness.

MDAs, RSs and LGAs plans and budget must align with the theme in the respective phase of FYDPs. Similarly, FYDPs take on board themes articulated in global, continental and regional agenda which in turn operationalized within MDAs, RSs and LGAs annual plans and budget. Currently, the global, continental and regional agenda in FYDP include Sustainable Development Goals (2030), African Development Agenda, 2063, East Africa Vision, 2050 and Southern Africa Development Vision, 2050.

2.1.1.4 Sector Policies and Strategies

While TDV 2025, LTPP and FYDPs provide guidance on cross-cutting issues, sector policies and strategies provide guidance on sector-specific issues. Sector policies and strategies are linked to the national policy or planning frameworks and demonstrate how to achieve the national goals and objectives by identifying the sector interventions.

Such sector policies and strategies are the National Energy Policy, Rural Development Strategy (RDS), Agricultural Sector Development Programme (ASDP), and National Multi-Sectoral Strategy for HIV/AIDS, National Policy on HIV/AIDS, National Health Policy (NHP), National Water Policy (NWP), and Rural Development Policy (RDP). MDAs, RSs and LGAs often link their initial budget request to costing of sector policies.

2.1.2 The Legal Framework Governing the Budget Process

The legal instruments that provide the legality of the budget process in Tanzania are the Constitution of the United Republic of Tanzania, CAP. 2. This is the supreme law of the land from which other laws derive their existence and validity. The other laws are The Budget Act, CAP. 439, The Public Finance Act, CAP. 348, The Public Audit Act, CAP. 418, The Local Government Finances Act, 290, The Finance Act, and Appropriation Act.

- The budget is governed by four (4) fundamental principles: -
- Neither tax shall be imposed nor money spent without the authority of the National assembly
- Expenditure shall be made only for purposes authorized by Parliament.
- The Consolidated Fund shall receive and record all revenues and expenditures, unless otherwise directed by Parliament.
- The monies spent out of Consolidated Fund shall be accounted for to Parliament.

2.1.2.1 Constitution of the United Republic of Tanzania, CAP. 2

This is the supreme law of the land. It outlines the role of various bodies involved in the management of public finances. The Constitution establishes the office of the Controller and Auditor General (CAG).[44] It is charged with two (2) main constitutional mandates. First, approving the payment of money from the Consolidated Fund of the Government of the United Republic. Second, ensuring that the money shall be paid out in accordance with the procedure provided for that purpose pursuant to a law enacted by Parliament.

Article 137 (1) of the Constitution laid the foundation governing the budget process. It requires the President to give directives to persons concerned to prepare and submit to the National Assembly estimates of revenue and expenditure of the Government for the subsequent financial year. This should be done in every government financial year. Once the National Assembly approves the estimates, it enacts[45] the Appropriation Bill. This Bill authorizes the issuance of Funds to meet expenditure.

Also, the Constitution provides that where the amount of money appropriated for any purpose is insufficient or some monies is required to finance expenditure in respect of an activity for which no amount was appropriated or monies has been expended for a certain purpose in excess of the amount appropriated for it by the Appropriation Act or such monies has been expended for a purpose for which no amount was appropriated, a supplementary estimates may be tendered and approved by the National Assembly.[46]

On oversight, the Constitution establishes the Controller and Auditor General (CAG) for conducting audit. The audit should be held at least once every year and prepare a report in respect of the accounts, financial statements and financial management of the government.[47] The audit function aims at ensuring that the monies that the payment have been authorized to be charged on the Consolidated Fund, or the

[44] Article 136 (3), The Constitution of the United Republic of Tanzania, CAP. 2
[45] Article 137 (2), The Constitution of the United Republic of Tanzania, CAP. 2
[46] Article 137 (3), The Constitution of the United Republic of Tanzania, CAP. 2
[47] Article 143 (2), The Constitution of the United Republic of Tanzania, CAP. 2

use of which has been authorized by a law and spent, have been applied to the purposes connected with the use of such monies and expenditure observe the authorization for such expenditure.

The accounts of the government and accounts managed by officers of the government comprise the accounts of LGAs too. The audit involves examination of books, records, statement of accounts, reports and all documents related to accounts. The CAG audit report is submitted to the President who submits it to the National Assembly before the expiration of seven days of the first sitting.[48] If the President does not submit the report in such days, the CAG is required to submit it to the Speaker of the National Assembly.

2.1.2.2 The Budget Act, CAP. 439

The Parent Act for matters related to management of the budget process. It defines the legal framework for management of the government budget process from preparation, debate and approval, implementation, monitoring, evaluation and reporting. Also, this law establishes various institutions[49] and allocates them with distinct and varying roles and responsibilities in relation to the budget process. Briefly, the Budget Act provides for an effective and transparent regulation and oversight of the national budget process.

Briefly, this law, among other things, aims at providing solutions to the challenges that subsisted during the budget process from preparation to monitoring. It, therefore, takes cognizance of the budget cycle; clarifies the roles and responsibilities of the actors in the budget process; improves budget credibility; puts in place specific legislation on budget matters, underlines the link that exist between planning, revenue and expenditure; and lastly, puts in place mechanism for ensuring efficient management of the public funds.[50]

[48] Article 143 (4), The Constitution of the United Republic of Tanzania, CAP. 2

[49] National Assembly, Parliamentary Budget Committee, Minister (MoFP), Permanent Secretary and Paymaster General, Commissioner for Budget, National Plan and Budget Guidelines Committee, Commissioner of Policy and Budget Analysis, Treasury Registrar and Accounting Officers

[50] URT (2016), Training Manual on Budget Act, NO. 11 of 2015

a. Important Consideration of the Budget Act

The Budget Act governs the execution, monitoring, evaluation and reporting of budget. It prescribes how the approved annual budget follows the rules and regulations during its implementation. For instance, it requires the Minister of Finance and Planning to issue the annual cash flow plan of the government subsequent to the approval of the budget by the National Assembly. The plan is based on work, procurements and recruitment plans.[51] This is the basis for release of funds from the Consolidated Fund.[52] Therefore, Accounting Officers should align their budget with the issued annual cash flow plan.[53]

Managing the budget process is the key aspect in the preparation, debate and approval, execution and oversight of the budget. For that matter, the Budget Act states without any flicker of doubts the main actors of the budget process. It prescribes responsibilities, functions and powers of the key actors who are responsible for the management of the budget process. This entails the National Assembly, Parliamentary Budget Committee, MoFP, Permanent Secretary, and Commission for Budget. Others are National PBGC, Commissioner of Policy Analysis, Treasury Registrar and finally, Accounting Officers.[54]

The budget process entails four (4) stages, namely, preparation, debate and approval, execution, and monitoring and reporting. The stages feed into one another in a circular process. The various stages of the budget process are interrelated. This means that, at any given point in the year, there may be multiple phases occurring. The Budget Act sheds light on the budget process from preparation to approval. It describes the key stages, identifies key documents required and organs or persons responsible for each.[55]

[51] Section 44 (1), The Budget Act, CAP. 439
[52] Section 44 (2), The Budget Act, CAP. 439
[53] Section 44 (3), The Budget Act, CAP. 439
[54] Section 8 - 18, The Budget Act, CAP. 439
[55] Section 19 - 43, The Budget Act, CAP. 439

Monitoring and reporting the execution of the budget is the key concern of any credible budget process. Accounting Officers reports quarterly[56] to the Permanent Secretary and Minister of Finance and Planning on expenditure commitment who then reports to the National Assembly.[57] The Accountant General informs the Permanent Secretary on the actual revenue and expenditure for the preceding month. The report indicates amount sought to be collected and spent by the government.[58] Commissioner for Budget and Commissioner of Policy and Analysis issues a quarterly report on budget execution too.

As far as ensuring efficient management of the public funds (revenues), the law sets out three (3) principles to be adhered to by the government and its actors.[59] First, all revenues of the government from domestic and foreign sources are deposited to the Consolidated Fund; second, every person vested with the authority to collect public revenue is accountable for efficient collection, accounting and reporting based on the applicable laws and takes all necessary measures to prevent mismanagement of revenues; and third, all government revenues is appropriated in the Appropriation Act.

Also, the law harbors provisions empowering the Minister of Finance and Planning to oversee budgetary process of LGAs, Public Entities and Extra Budgetary agencies such as budgets estimates as well as borrowing.[60] It requires draft and approved budgets of such entities to be submitted before the Minister of Finance and Planning and respective portfolio Minister within time.[61] It governs the procedure at which Budget of LGAs, Public Entities and Extra Budgetary Agency is prepared and approved. It empowers the Minister of Finance and Planning to scrutinize, approve, amend or reject such budgets.[62]

[56] Section 53 (1), The Budget Act, CAP. 439
[57] Section 53 (2), The Budget Act, CAP. 439
[58] Section 55 (1), The Budget Act, CAP. 439
[59] Section 58, The Budget Act, CAP. 439
[60] Section 60 (1) and 62 (1), The Budget Act, CAP. 439
[61] Section 60 (2) and 62 (2) (a), The Budget Act, CAP. 439
[62] Section 58, The Budget Act, CAP. 439

This law recognizes the budget process as a cyclical process. It is ongoing throughout the year.[63] It is a result of a series of activities and actions governed by clear timelines[64] and attended by various actors.[65] For that matter, it requires all institutions to observe the approved budget by ensuring that spending is aligned to the purpose described and within the limits set by different classifications within the government and public entity estimates.[66] Thus, all expenditures should receive the consent of the National Assembly.

2.1.2.3 The Local Government Finances Act, CAP. 290

The Local Government Finances Act polices the fiscal component of local government. It defines, among other things, sources of revenue, powers of LGAs to impose revenue by determining taxable subjects or objects, powers of LGAs to collect rates, powers of LGAs to pass annual and supplementary budget and sound management and control of local government finances. This is the Parent Act for regulation of the local government finances supplemented by the regulations made and guidelines issued by the Minister.[67]

The management of local government finances is placed under the Minister responsible for local government.[68] In managing financial resources, the Minister is bound to first, ensure the proper management of the finances of local government authorities; second, facilitate the securing of funds for the operations of local government authorities; and third, promote the timely preparation of annual budget of local government authorities and finally, secure that authorities operate within the limits of the budget as approved.

a. Ensuring Adequate Financial Resources to LGAs

Financial resources are used to meet various purposes. This includes but not limited to funding the day-to-day operations, financing timely delivery of quality socio-economic services to the people, financing construction of development projects and facilitating rehabilitation of dilapidated infrastructures. The financial resources of LGAs

[63] Hakielimu & Policy Forum (2008), A Civil Society Guide on Understanding the Budget Process in Tanzania
[64] Section 3, The Budget Act, CAP. 439
[65] Section 8 - 18, The Budget Act, CAP. 439
[66] Section 27 (3), The Budget Act, CAP. 439
[67] The Local Authorities Financial Memoranda, 2009
[68] Section 34, The Local Government Finances Act, CAP. 290

come from three (3) sources; namely, own sources revenue, central government transfers and loans.

b. Promote Timely Preparation of the Annual Budget

Preparation and approval of LGAs budget is the function of the Council. The budget should be approved at least two (2) months[69] before the beginning of the financial year and state the amount to be collected and disbursed. The Minister responsible for local government has to ensure first, LGAs budget is prepared within the timelines allocated and that it corresponds to the format and include such details defined by the Minister.[70]

c. Securing that LGAs Operate within the Limits of the Approved Budget

Once approved, the budget binds disbursement. LGAs should confine their expenditure within the items and amounts as approved.[71] The monies must be used for the purpose defined and within the limits provided by distinct classification in the budget estimates. This does not, however, deny LGAs the right to reallocate their approved budget. They may adjust their limits taking into consideration circumstances not reasonably foreseen when the budget was prepared or authorize the expenditure of money appropriated for any one purpose in the budget to cover any other purpose as contained in the budget.[72]

Reallocation must receive consent of Finance and Administration Committee in urban authorities and Finance, Planning and Administration Committee in district authorities. Substantive grounds should exist for approval of reallocation. Instances exist where the Director may appropriate unbudgeted expenditure even before approval of the Finance Committee. This happens in the execution of the court orders or in cases of emergency when it is wisely unsuitable to wait for a committee liable for finance to hold meeting.[73]

[69] Section 46 (1), The Local Government Finances Act, CAP. 290
[70] Section 46 (3), The Local Government Finances Act, CAP. 290
[71] Section 46 (5), The Local Government Finances Act, CAP. 290
[72] Section 46 (6), The Local Government Finances Act, CAP. 290
[73] Order 20 (1), The Local Authority Financial Memoranda, 2009

Once payment is complete, the Council Director should list them in a payment schedule and present in the next meeting for retrospective approval. In relation to the implementation of the approved annual or supplementary budget, the Minister responsible for local government is bound to ensure that LGAs aligns with the national policies, guidelines or standards, if any. LGAs do no have any right to depart from available guidance. Therefore, where for whatever reasons best known to LGAs the Minister is aware that the implementation of approved budget negates guidance, he may take some measures to ensure compliance. Moreover, he may issue directives for the implementation of measures and the same will be binding on the concerned LGAs.[74]

d. Publication of Financial Statements

Strengthening LGAs accountability in financial matters requires compliance with other principles of good governance i.e. transparency. Transparency implies public insight in the work of public administration bodies. Members of the public should be empowered to inspect the work and availability of instruments for monitoring the decision-making process. Also, the public should be familiar with the regulations used in the procedure for exercising their rights, in a clear and understandable manner. For an effective public mirroring public administration, the citizens should have sufficient level of information.

One of the means on which members of the general public may get informed is through publication of information of public importance. This is a proactive transparency. It is on that backdrop LGAs have to publish reports of great public interest within their own respective areas. Such reports are first, annual balance sheet and statement of abstract; and second, reports on the accounts made and signed by the auditors.[75] These reports should be made available to the public within six months after the close of the financial year to which the accounts relate or following the receipt of the reports of the auditors.

[74] Section 46 (8), The Local Authority Financial Memoranda, 2009
[75] Section 52, The Local Government Finances Act, CAP. 290

The current practice has been further improved. LGAs at all levels starting at higher-level local government authorities to lower level local government authorities have to publish all-important financial information. This comprises information relates to the amount of monies received for the development of projects, provision of services and such many others. Beside that, LGAs have to publish regularly such amounts used in financing of the development projects and provision of basic socio-economic services.

e. Internal and External Audits

Both internal and external audits are institutions for enforcing accountability in general. They review the operations of the organization in depth and ascertain such shortfalls in performance in relation to the approved plans and suggest improvements. If properly structured with well-clear defined roles, independence, having competence, adequately facilitated in terms of administrative and financial resources and support for execution of their recommendations; audit organs can locate any red flags indicating possibilities of corruption and fraud. Currently, the auditor's works involve both *ex ante* and *ex post*.

As far as financial performance and accountability is concerned, audit organs audit the financial statements of LGAs in light of approved legislated authority and applicable rules and regulations. However, the scope of work of audit organs has indeed increased to include the value for money audits in the broader framework of economy, efficiency and effectiveness. With rising emphasis on the value for money audits or performance audits, the role of audit authorities in enforcing accountability has increased stunningly.

The accounts of higher level LGAs are principally audited internally by the Internal Auditors and externally by CAG.[76] On the other hand, accounts of lower level LGAs such as township authorities are audited by auditors appointed by the Minister or a public officer or LGAs

[76] Section 48 (1), The Local Government Finances Act, CAP. 290

authorized by the Minister.[77] The accounts of the village councils are concerned, public officers or organizations may audit them, as the higher-level LGAs directs. However, the said direction should, no sooner than latter, be in writing.[78] During that exercise, auditors examine, inquire into and audit the submitted accounts.[79]

LGAs accounts for the purposes of audit should be submitted to the auditors within the stated timeline. Submission should be as soon as possible following the close of the financial year of the given LGAs.[80] The financial year of LGAs runs from July 1st to June 30th of each year. However, for some reasons, which may be known to any given LGAs and the Minister responsible for local government, some LGAs may have financial year very distinct from other LGAs. Auditors commissioned for auditing such accounts must complete the auditing not later than six months (6) after the closure of the financial year.

Internal Auditors prepares and submit quarterly and annual reports to the Accounting Officer (AO). Quarterly reports should be submitted before the AO within fifteen (15) days after the end of the quarter whereas the annual report has to be submitted before the AC within fifteen (15) days subsequent to the end of the year.[81] The AO on receipt of reports from auditors has to submit the same to the Council.[82] The copies of the reports should be served before the CAG, Permanent Secretary of the ministry responsible for local government and Regional Administrative Officer (RAS) with the covering letter.[83]

Reports should address every item of expenditure charged in the accounts not meeting set criteria. These are first, has not authorized by law or second, has not been sanctioned by LGAs, and third, deficiency or loss incurred by the negligence or misconduct of any person

[77] Section 48 (2), The Local Government Finances Act, CAP. 290
[78] Section 48 (3), The Local Government Finances Act, CAP. 290
[79] Section 9 (a) (ii) and 10 (1), The Public Audit Act, CAP. 418
[80] Section 48 (4), The Local Government Finances Act, CAP. 290
[81] Order 13 (7), The Local Authority Financial Memoranda, 2009
[82] Section 51 (1), The Local Government Finances Act, CAP. 290
[83] Order 13 (8), The Local Authority Financial Memoranda, 2009

accounting and to any sum which ought to have been but has not been brought into account. The reports of auditors should, therefore, certify the amount of that unlawful expenditure, deficiency or loss or sum which has not been brought to account.

2.1.2.4 The Public Finance Act, CAP. 348

This law makes better provisions for first, the more effective control, management, and regulation of the collection and use of the finances of the United Republic and second, enhancing Parliamentary control and supervision of public funds and resources and for some related matters. In essence, it repealed The Exchequer and Audit Ordinance, 1961.

The law places the control and management of public finances under the disposal of the Minister of Finance and Planning.[84] The Minister is bound to advise the government on the total amount of resources to be allocated to the public sector and, the appropriate level of resources to be allocated to individual programs within the sector.[85] In discharging the said responsibilities, the Minister should ensure, *inter alia*, that effective systems for planning, allocating and budgeting for the resources are truly put in place.[86]

The law allows the Minister of Finance and Planning through his hand to cause the preparation of estimates of the revenues, expenditure and financing arrangements for the government of Tanzania for that year.[87] After preparation, such estimates should be laid before the National Assembly soon before the commencement of each financial year. However, if the National Assembly is dissolved less than three months before the beginning of any financial year, the estimates of revenues and expenditure for that year may be laid to that House as soon as practicable after the commencement of that year.[88]

Also, the law allows preparation of a supplementary budget during the implementation of the approved annual budget. This is evident where the budget earmarked for any purposes

[84] Section 5 (1) (a) (i), The Public Finance Act, CAP. 348
[85] Section 5 (1) (b), The Public Finance Act, CAP. 348
[86] Section 5 (2), The Public Finance Act, CAP. 348
[87] Section 18 (1), The Public Finance Act, CAP. 348
[88] Section 18 (2) (b), The Public Finance Act, CAP. 348

has fallen short. There are two circumstances that may call upon and justify for preparation of a supplementary budget.[89] First, amount approved by the National Assembly and thereafter, appropriated by an Appropriation Act for that financial year is, indeed and certainly, insufficient and second, a need has arisen for monies to cover expenditure for a purpose to which such amount has not been appropriated has by law.

A supplementary budget duly prepared should certainly specify the amount of monies required. Thereafter, it shall be laid to the National Assembly for debate and approval. Subsequent to that approval by the National Assembly, the government is bound to lay to the National Assembly a Supplementary Appropriation Bill. This Bill introduces such votes of expenditure in the National Assembly to offer for appropriation of those sums.

2.1.2.5 The Public Procurement Act, CAP. 410

The Public Procurement Act 2011 sought to make better provisions for the regulation of public procurement. It sets out rules and procedures for procurement of goods, works and services. The Act repeals The Public Procurement Act, 2004. The repeal sought to improve provisions for the regulation of public procurement with the establishment of the Public Procurement Regulatory Authority (PPRA), Public Procurement Appeal Authority (PPAA), principles and methods of procurement and dispute settlement. Yet, the same Act has been amended by The Public Procurement (Amendments) Act of 2016.

a. Annual Procurement Plan

The overall responsibility for the execution of the procurement process in the Procuring Entity (PE) is placed before the Accounting Officer (AO).[90] In undertaking procurement, the AO should cause to be prepared the APP. The APP lays down a list of procurable items in terms of goods, works and services the public organization intends to procure in a particular financial year. APP should be prepared as part of the budget process and submitted

[89] Section 18 (4), The Public Finance Act, CAP. 348
[90] Section 36 (1), The Public Procurement Act, CAP. 410

before the PPRA within fourteen (14) days[91] subsequent to completion of the budget process. The APP integrates a procurement budget with expenditure program.[92]

The Management Procurement Unit (PMU) is responsible for preparing the APP. Once prepared, it should be presented before the appropriate Budget Approving Authority for approval.[93] However, before approving it, the Budget Approving Authority should content itself that the items and amounts contained therein resemble to the contents of the budget and action plan approved by the said authority.[94] An approved APP binds the PE and should be observed accordingly. All procurement should be aligned with it. PE cannot make any unplanned procurement unless the AO has consented.[95]

2.1.2.6 The Appropriation Act

Once the parliament approves the budget estimates, the National Assembly has to pass an Appropriation Act.[96] This gives the authority to appropriate or obtain funds from the Consolidated Fund to finance government expenditure. Also, it allows reallocation of appropriations. Moreover, it empowers the Minister to apply and access loan facilities for purposes of financing either part or whole of the government expenditures. The loan facilities sought may be taken from domestic or external banks or financial institutions.

If the law is not passed at the start of the fiscal year, two options are available. First, the President may authorize withdrawal of amount not exceeding the sum stated for the service and second, authorize one-third of the sum stated under the law.[97] The amount covers the first quarter of the fiscal year or coming into operation of that Act, any event that occurs earlier.[98] Authorization is made by signing a warrant addressed to the Minister for withdrawal of monies from the Consolidated Fund to cover important expenditures.

[91] Section 50, The Public Procurement Act, CAP. 410 and Regulation 87 (1) and (2), The Public Procurement Regulations, 2013
[92] Section 49 (1) (d), The Public Procurement Act, CAP. 410
[93] Section 49 (2), The Public Procurement Act, CAP. 401
[94] Section 33 (2) (a), The Public Procurement Act, CAP. 410
[95] Section 49 (3), The Public Procurement Act, CAP. 410
[96] Section 23 (7), The Budget Act, CAP. 439
[97] Section 28 (2), The Budget Act, CAP. 439
[98] Section 28 (1), The Budget Act, CAP. 439

2.1.2.7 The Finance Act

The Finance Act seeks to first, impose and alter certain taxes, duties, levies and fees; and second amend certain laws relating to collection and management of public revenues. This law empowers the Minister of Finance and Planning to raise money from domestic sources to finance government expenditures. This is done through imposition of new taxes or amending the existing tax rates by increasing or decreasing amounts charged. This law, unless otherwise stated, comes into operation on the 1st day of July every year.

The Minister of Finance and Planning prepares The Finance Bill[99] and submit to the National Assembly for consideration and recommendations. The Bill sets out measures for raising revenue for the government to finance the approved budget for that financial year. The recommendations should observe the principles of management of revenue. Then, the Bill will be presented before the President for the purpose of seeking his assent.

2.1.2.8 The Public Audit Act, CAP. 418

This law provides for matters relating to audit of public finances and other resources. It provides for appointment of the Controller and Auditor General (CAG), constitutional mandates and powers and functions of the CAG. It also establishes the National Audit Office (NAO) as the supreme audit institution of the United Republic headed by CAG and provides its powers and functions. CAG and NAO[100] are liable for promoting and improving transparency, accountability and predictability of government performance.

CAG examines, inquires into and audits accounts submitted to him under The Public Finance Act, The Local Government Finances Act and any written laws on behalf of the National Assembly. In performing such functions, the CAG should satisfy himself that accounts are kept and maintained as per the generally accepted accounting principles; and reasonable precautions are taken to safeguard the collection of revenue. Also, the CAG should ensure that all expenditure of public monies are properly authorized by relevant authorities and applied for the purposes for which they were appropriated.[101]

[99] Section 32, The Budget Act, CAP. 439
[100] Section 26 (4), The Public Audit Act, CAP. 418
[101] Section 10, The Public Audit Act, CAP. 418

Accounts examined, inquired into and audited by CAG are first, accounts of ministries; second, independent departments of government; executive agencies, LGAs and their accounting officers; and third, all persons entrusted with the collection, receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or public properties. Other accounts are those of public authorities and such other bodies; any public authority receiving funds from the Consolidated Fund or from public monies for a public purpose; a public authority or body authorized by law to receive money for a public purpose and a public authority or body required by law to be audited by CAG.[102]

a. Recommending Over Management of Public Monies

The law requires the CAG to ensure maximization of collection of public revenues; prevent unproductive expenditure of public monies; and averting loss of public monies by negligence, carelessness, theft, dishonesty, fraud, and corruption. In performing such roles, the CAG may recommend and propose to the Minister or appropriate Minister as he considers necessary for better management of public monies and resources, the revision of the regulations, directives or instructions issued under any relevant laws.[103]

b. Nature of Audits Conducted

The nature and type of audits conducted by the CAG or NAO may differ. Apart from conducting forensic audit[104], performance audit[105] and special[106] audit the CAG or NAO holds regularity audit for evaluating and examining distinct matters. Regularity audit is concerned with financial statements and underlying records; internal control systems and checks; adherence to applicable laws, regulations and policies; public procurement procedures and process; and such any matters as the CAG may consider appropriate.[107]

[102] Section 9, The Public Audit Act, CAP. 418
[103] Section 12, The Public Audit Act, CAP. 418
[104] Section 27, The Public Audit Act, CAP. 418
[105] Section 28, The Public Audit Act, CAP. 418
[106] Section 29 (2), The Public Audit Act, CAP. 418
[107] Section 26 (4), The Public Audit Act, CAP. 418

c. Submission of Accounts to CAG

Public bodies must submit their financial statements to CAG.[108] This should be made within three months after the end of financial year to which the accounts relate. CAG will scrutinize the accounts within six months or longer.[109] After audit, CAG will submit reports expressing the expert opinion to the President, Minister or appropriate Minister. Submission should be made within nine months or longer after the end of the year to which the accounts relate. The final reports should be laid to the National Assembly.[110]

The Written Laws (Miscellaneous Amendments) Act 2013: Effects to The Public Audit Act

In 2013, the Written Laws (Miscellaneous Amendments) Act 2013 amended The Public Audit Act. According to such amendments, CAG reports shall be debated concurrently with consolidated report of the responses and action plan of the Paymaster General. Parliamentary Oversight Committees have been denied the right to debate CAG reports unless a consolidated report has been put to the National Assembly.[111] The consolidated report is laid before the National Assembly by the Minister of Finance and Planning.[112]

Parliamentary Oversight Committee discusses CAG reports and consolidated report of the responses and action plan first. On completion of the discussions and hearing, they submit to the National Assembly a report.[113] The report may include recommendations and comments. The National Assembly will consider it together with the consolidated reports of the responses and action plan.[114]

[108] Section 31, The Public Audit Act, CAP. 418
[109] Section 32 (4), The Public Audit Act, CAP. 418
[110] Section 34, The Public Audit Act, CAP. 418
[111] Section 16, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 38 of The Public Audit Act, 2008 (the Principal Act)
[112] Section 16 (2) (b) (i), The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 38 of The Public Audit Act, 2008 (the Principal Act)
[113] Section 16 (4), The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 38 of The Public Audit Act, 2008 (the Principal Act)
[114] Section 16 (4), The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 38 of The Public Audit Act, 2008 (the Principal Act)

The National Assembly cannot, therefore, discuss CAG reports unless the Parliamentary Oversight Committees have debated it.[115]

The condition that the CAG reports cannot be debated without the consolidated responses and action plan from the Paymaster General leaves a lot to be desired because: -

- The law does not state in certain terms the time within which the said consolidated report and action plan should be tabled before the National Assembly. It is silence. This could potentially delay the time within which the CAG reports became public documents.
- According to the law[116], all audit reports issued by the CAG becomes public documents after being tabled to the National Assembly.

[115] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[116] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

CHAPTER THREE
KEY ACTORS OF THE BUDGET PROCESS

3.0 Introduction

Understanding the way budgets are put together is an essential first step in influencing decision-making.[117] The budget is a result of various processes. Priorities and choices it embodies reflect the power of various actors. Those who are effective in influencing the budget succeed to have their choices and priorities included. A number of individuals and public institutions are involved in preparing, debating and approving, monitoring and executing the budget. The government has to ensure that the budget process is steered in a way and in a budget cycle allowing diverse participants in the process.[118]

Budget process brings together various actors. They range from individual to corporate entities, public or private. The roles and responsibilities of persons and organs involved in the budget process differ. Some actors such as Civil Society Organization (CSOs) may be involved throughout the budget process and others in either one or two stages. Their involvement at some stages may, undeniably, inhibit their performance at others. The public may raise questions about their impartiality. This chapter casts a bird's eye view on the actors, at national and local level, involved in the budget process and their roles.

3.1 Actors of Budget at the National Level

3.2.1 Cabinet

The Cabinet is most senior level of the executive branch of Tanzania. It consists of the Vice President, Prime Minister, President of Zanzibar and Ministers.[119]

[117] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[118] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[119] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended

The President attends the meeting of the Cabinet and presides over meetings.[120] Deputy Ministers are not part of the Cabinet. The Cabinet is the principal organ for advising the President regarding all matters relating to exercise of his powers according to the Constitution.[121]

The budget process involves the Cabinet. Its participation although takes place nearly throughout all the stages; it is evident on the primary stage. The National Development Plan[122], PBG[123] and budget estimates should be put to the Cabinet before presented to the National Assembly.[124] The first two papers[125] are the basis of budget preparation. The Cabinet will approve there after recommend any necessary improvements thereto.

Besides, the Cabinet approves public pronouncement of the budget policy highlights and revenue measures for the government.[126] During debate, ministers are collectively responsible to observe, support and advocate the budget[127] estimates and supervise its execution.[128] They have to offer

section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[120] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[121] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[122] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[123] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[124] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[125] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[126] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[127] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[128] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

clarifications to the members of the National Assembly whenever the need arises during the proceedings of the National Assembly and also whenever the general members of the public require clarifications they should provide.

Finally, the Cabinet through the Minister of Finance and Planning presents the budget before the National Assembly for consideration and approval. Cabinet ministers present their sectoral budgets for their respective MDAs for debate and approval. The Cabinet has the responsibility of defending the budget and ensuring that the majority members of the National Assembly present are voting, casting their votes in favour of such budget.

3.1.2 National Assembly

Parliament involvement in the budget process cuts across all stages. During formulation and approval, it debates and adopts PBG[129] and budget estimates.[130] The role extends to debating and passing the Finance Bill and Appropriation Bill.[131] During execution, it receives reports detailing on execution of the approved budget. It entails but not limited to quarterly consolidated report[132] and compliance report.[133] Also, sector parliamentary committees pays a visit to some development projects and debate the CAG reports.

3.1.3 Parliamentary Budget Committee

Debates around the budget in some parliaments take place on the House; elsewhere the emphasis is on committee's debate. Some House fragment decision-making powers in the budget process to committees; others have a finance committee that controls the process though the final vote takes place in the

[129] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[130] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[131] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[132] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[133] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

parliament. This is the case in Tanzania.

In 2014, the Budget Act[134] brought into existence the Parliamentary Budget Committee. The Committee has a number of roles on matters relating to budget process. First, it has to review the PBG on behalf of the National Assembly. After review, it tables a report containing its recommendations to the National Assembly for debating and adoption.[135] PBG is placed to the National Assembly by October or November of every financial year.[136] However, where the General Election is to be conducted in those months, the Minister may present such PBG during the second meeting of the National Assembly.[137]

On budgetary matters, the Committee offers general direction to the National Assembly and other Parliamentary Standing Committees. It debates and review budget estimates and budget and make necessary recommendations to the National Assembly, monitors all budgetary matters falling within the powers of the National Assembly either under the Budget Act or any other law and report on those matters to the National Assembly.

For matters related to monitoring and overseeing the implementation of the budget, the Committee scrutinizes financial statements and other documents submitted to National Assembly. This avail it ample opportunity to recommend on matters deemed important for the purposes of improving the management and accountability of public finances. Also, the Committee undertakes some periodical study on the performance trend of the approved national budget and recommend to the National Assembly for improvement.

Briefly, the Parliamentary Budget Committee consists

[134] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[135] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[136] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[137] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

of political leaders with differing background, education and experiences. It is, therefore, served with the Parliamentary Budget Office. The office is, undeniably, staffed to the appropriate level to be capable to provide the desired professional services. The services sought from the Parliamentary Budget Office mostly comprises three (3) areas, to wit, budget, finance and economy.[138]

3.1.4 Ministry of Finance and Planning

It plays a key role in the budget process. It makes macro-economic projections, sets and ensures that budgets are within the ceilings, negotiates priorities, collects revenues and disburses funds. Macro-economic projections assess the amount of money available for spending. Also, the ministry formulates fiscal policy, guiding drafting and monitoring budget execution. Monitoring and control solely ensure that financial transactions and reporting are properly done. Generally, the ministry is the guardian of the public purse.

3.1.4.1 Plan and Budget Guidelines Committee

This advises the government on the preparation of the annual budget.[139] The committee has power to first, prepare a comprehensive Plan and Budget Guidelines and second, request for information in writing from the government or such public entities that is necessary for purposes of preparing the Plan and Budget Guidelines.[140] The committee is important because the document prepared by it form the basis of budget estimates.[141]

3.1.4.2 Internal Auditor General

The Internal Auditor General (IAG) ensures control and proper accountability of public monies and property, among others.[142]

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[138] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[139] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[140] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[141] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[142] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008

It can be realized through review and appraise of first, budget planning and implementation with a view to promoting compliance with the national goals and objective, and second, works, goods and services supplied to government from development and recurrent budgets and establish value for money.

Also, IAG prepares audit reports and advise the government on intervention measures towards ensuring values for money on public expenditure; review, monitor, evaluate and commend on systems of government revenue collections for proper accountability and participate in the hearings and advising the Parliamentary Oversight Committees.

3.1.5 Controller and Auditor General

This is the supreme audit institution. The office is responsible for ensuring that public expenditure funded by public money is properly authorized and applied for intended purposes.[143] The office is bound to ensure that the use of any public resources seeks to achieve economy, efficiency and effectiveness in service delivery and implementation of development projects. This can be achieved by conducting audit and report in respect of the accounts of the government, accounts managed by all officers of the government, accounts of the courts and any accounts managed by the clerk of the national assembly.

The audit is usually held at least once in every year. However, taking into consideration the importance of any issue, special audit may be conducted. Participation of the CAG in examining books, records and statements of accounts, reports and other documents regarding any type of accounts having monies dispatched by the government may take place during budget execution or monitoring stage. Despite the roles the CAG plays, it is, undoubtedly, difficult for him to engage during the first stages of the budget process.

(the Principal Act)

[143] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

3.2 Actors of Budget at the Local Government Level

Planning and budgeting process at LGAs is divided into two (2) parts: Lower Local Government (LLG) and Higher Local Government (HLG). At the LLG level, planning and budgeting process starts at the villages or mitaa where people examine their needs and problems. This is Community Planning Process (CPP). At HLG level, Community Initiatives (CIs) in terms of Community Development Plan (CDP) approved by LLG are submitted through wards for incorporation into LGAs' plans and budget and feedback.[144]

3.2.1 President's – Office Regional Administration and Local Government

The PO-RALG is a central body in charge of the operations of LGAs. It issues guidelines and policies to be observed by LGAs during budget formulation, debate and approval, execution, monitoring and overseeing the budget. Through the Minister responsible for local government, PO-RALG promotes first, timely preparation of annual budget of LGAs and second, ensures that they operate within the limits of the approved budget.[145]

Also, the Minister monitors compliance with policies, guidelines and standards during budget execution. If sufficient evidence exists to prove that any LGA has contravened such guidelines, the Minister can take appropriate measures.[146] For instance, issuing directives showing how such measures taken by the Minister may be implemented. Of most importance directives given by the Minister in respect of that measures are binding.

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The annual and supplementary budgets of LGAs should reflect the form and include such details as the Minister responsible for local government may direct.[147] The Minister may beside the PBG issued by PBGC dispatch other instructions. These may discernable first, structure of the budget itself and second, any issues to be contained in the budget.

LGAs must pass budget at least two months preceding the beginning of every financial year. However, circumstances exist where they may have not approved it within three months after the commencement of the financial year. Where it is evident that any LGA that has not approved its budget within that period of time, the Minister responsible for local government may take any appropriate action. The said measures may include directing that authority not to conduct any expenditure without getting his approval.[148]

3.2.1.1 PO-RALG and LGAs Plans and Budget with O&OD Taste

PO-RALG as the overall in charge of LGAs has a duty in the planning and budgeting process of LGAs. First, provide directives and necessary information related to O&OD by utilizing available occasions within or outside PO-RALG; second, liaise with other sector ministries, Regional Commissioner and District Commissioner Offices, CSOs and Development Partners (DPs) in undertaking O&OD activities; and lastly, provide guidelines towards DPs to understand and reflect ideas of O&OD in their programmes.

3.2.2 Ministries, Departments and Agencies

Decentralization and devolution policy marked a paradigm shift in relation to provision of socio-economic service to the public. Before launching that policy, the responsibility for delivery of socio-economic services was vested to sector ministries. Currently, such responsibility has been devolved to local government. They plan, budget and manage basic services such as waste, health, education, water supply, agriculture and livestock.

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The overall administration and management of LGAs is vested to the PO-RALG. Sector ministries have no any direct communication with LGAs. The Minister responsible for local government synchronizes the duties of other sector ministries.[149] Since plan and budget in local government features sector ministries, they set sector specific guidelines policy and submit them to the Minister responsible for local government. Briefly, sector ministries are consulted on allocations of resources to local government for their sectors.

Ministries, Departments and Agencies (MDAs) have a substantial role in the planning and budgeting process with specific reference to O&OD. This entails first, adoption and incorporation of O&OD methodology within their programs; second, supporting sector departments within LGAs to promote and undertake CIs and lastly, providing any advice considered essential to realize effective and efficient implementation of O&OD.

3.2.3 Actors at HLG

3.2.3.1 Full Council

The highest political and decision-making authority at LGAs consisting of elected and appointed members.[150] The council is responsible for planning and budgeting.[151] In terms of budgeting, it considers budget proposals that comprise O&OD activities from respective committees and Finance Committee. After deliberation, it approves the plan and budget for CIs basing on the capability and experience of communities, approve collaborations with such other actors to promote people to develop and reproduce CIs, monitor progress of CIs and support towards the CIs basing on the reports from CMT.

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At the council level, chief executive officers oversee budget formulation and execution. Heads of departments, council management team (CMT) provides technical inputs and executes their respective section of the budget. The council, a highest political authority in LGAs consist of councilors and members of parliament who ordinarily resides in the area of the LGAs have a key role in assessing and approving the proposed budget.

The Council Director (CD) serves as a secretary to the meetings of Full Council[152] and standing committees.[153] CD provides necessary instructions for smooth and sustainable operation of O&OD in the council, uses available occasions to create awareness in CMT and Full Council on the importance and benefits of O&OD, and coordinates with CMT to propose a budget for O&OD activities to the Council through Finance Committee. Also, CD reports the progress of O&OD activities to RS, select Council Task Force (CTF) members, including the focal person for O&OD activities and resolves conflicts, if any.

3.2.3.2 Council Committees

At the council level, a budget is compiled following collection of CIs through CPP. Once the budget is compiled it will be presented to CMT. The CMT will consider and thereby, present before the sector standing committees for consideration. Lastly, the budget will be taken to the Finance Committee. This committee considers the budget proposals and development plans of each standing committees and then, presents them to the Council.

However, before the plan and budget is tabled to the Full Council the CD must arrange a meeting with the RS for advice and recommendations. The proceeds of the meeting will be incorporated and filed to the Finance Committee. A document with advices and recommendations and a memorandum showing in what way consultation have or have not given rise to material alterations should be attached.[154] It will enable the

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committee to revisit, scrutinize and debate intensely by ensuring that the budget proposal reflects national and council policies, standards and guidelines and basic needs of the public.[155]

3.2.3.3 Council Management Team

CMT is the highest administrative forum in LGAs. It consists of a Council Director who is the chairman and heads of department and units. CMT provides instructions to each department to consider CIs in their plans and budgets; proposes sufficient budget for O&OD activities to develop and reproduce CIs and support execution of CTF and Ward Facilitators activities. Others are submission to Full Council through Finance Committee and monitor the progress of O&OD activities and report to Full Council via committees.

3.2.4 Actors at LLG Structures

3.2.4.1 Actors at Village or Mtaa Level

D-by-D created valuable opportunities for community members to engage in planning and budgeting process at LLG level. This is carried through O&OD methodology. In realizing O&OD objectives, actors, range from individual persons to decision-making bodies.[156] These are village council or mtaa committee, village or mtaa assembly, Village or Mtaa Executive Officer, and village or mtaa chairman all playing a collaborative role.

a. Village Assembly and Mtaa Assembly

During the planning and budgeting process, the village assembly and mtaa assembly have a number of roles and responsibilities to perform. This entails making a collective agreement on the felt-needs and problems of the community; planning, endorsing and monitoring O&OD activities in support of other organs and sharing information on CIs.

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b. Village Council and Mtaa Committee

These motivate people to take actions based on their capacity in collaboration with others, give available support towards people to continue CIs, and coordinate people to make self-help efforts through collaboration with others. Others roles include utilizing mtaa assembly and village assembly for collective decision-making on CIs, promote information and experience sharing on CIs; link people with Ward Development Committee (WDC) for the purpose of sharing agenda and feedback on some decisions.

c. Village and Mtaa Executive Officers

On planning and budgeting process, they identify CIs; collect necessary information related to CIs; fill CIs forms and submit them to VC or MC through the village or mtaa chairman; and ensure smooth execution of CIs taking into account policies, laws and by-laws. Also, they have to disseminate CIs information to relevant organs and groups, coordinate and create conducive environment for communication among facilitators and people, utilize distinct forum to stimulate discussions about CIs, link people with the WDC and HLG for the purposes of sharing agendas and feedback on the decisions.

d. Ward Development Committee

The highest decision-making organ at ward level. It consists of elected persons and any persons who may be invited from NGOs and CSOs involved in promoting development in the area.[157] During planning and budgeting process, they are involved in suggesting and deciding possible support on CIs, sharing and monitoring the progress of CIs, connecting sectoral projects with people's problems and needs, linking the LLG with HLG for sharing information and feedback on CIs, solving conflicts that may occur during execution of CIs; and reviewing M&E report and offering the necessary advises.

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e. Ward Executive Officer

WEO is a secretary of WDC.[158] He represents and assists the CD in overseeing execution of development activities, participate planning development, initiate and promote participatory development and supervise VEOs and MEOs. Also, WEOs instruct VEOs and MEOs to fill in CIs forms, create awareness on people's self-help efforts, and create conducive environment for WF to work. Lastly, WEOs share with WF's facilitation progress and results in forums, and report WF's facilitation progress and results to CD.

3.2.5 Regional Secretariat

The executive functions of the government at the regional level are entrusted to the Regional Commissioner (RC). He is the principal representative of the government in his administrative area.[159] By virtue of his representative capacity, the Commissioner has to secure maintenance of law and order and determine specific direction of efforts in execution of the general policies of the government.[160] The Regional Administrative Secretary (RAS) heads the RS[161] and serves as the primary advisor to the Commissioner.

RAS acts as a link between central government and LGAs. He facilitates dissemination of information and guidelines on planning, budgeting and execution. RS receives plans and budgets of LGAs and forward to PO-RALG. Also, RS offer guidelines on matters related to national policies, programs and financial regulations.[162] The CD must arrange a bilateral meeting with RS before the council considers and pass such

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a budget. At the meeting, RS must ensure that people's self-help effort and its related budget is in place.

The Guidelines for improved O&OD requires the RC office to take cognizance of all CSOs, NGOs and other institutions promoting development or community facilitation within their area of jurisdiction. Upon recognition, the RC office must take all lawful steps to link[163] the people's earmarked CIs with the CSOs, NGOs and other institutions.

3.2.6 Civil Societies

CSOs engage with the budget process. They work together with government entities. They exercise a consultative role. They analyze policies, mobilize community on budget issues and engage with decision-makers to determine on key priorities and ensure that the budget guidelines include cross cutting issues. Civil societies participate during the pre-budget sessions of parliament where committees debate sector budgets and make recommendations. Participation in committees is the last opportunity for the substantial changes in the budget. The parliamentary committees hold thorough readings and full-bodied discussions to shape the final budget before it is presented to the full parliament.

Discussions in parliament on budgets bring high-level political debates into the public domain. Parliamentary plenary sessions are open to the public as opposed to committee sessions that are still closed. On debating and approval stage, although a room for any significant change is fairly small still, civil societies may engage in lobbying members of parliament to take positions on some specific issues of interest. They can make budget estimates more widely accessible, easily understandable and conducting some analyses. This trend can, therefore, contribute to a more meaningful public debate on the budget.

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In respect to LGAs' budget process, CSOs participation can manifest itself during budget execution. For instance, monitoring budget execution requires the Council Management to prepare and provide to all committees monthly budgetary control statements on recurrent and development budgets for discussion and make desired recommendations. Thereafter, the Accounting Officer should prepare a quarterly report for the Finance Committee which upon approval be submitted to the Full Council, Minister responsible for local government, Regional Administrative Secretary and other stakeholders.[164] The question is who are such stakeholders? Possibly, they may mean and include the CSOs.

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CHAPTER FOUR
GOVERNMENT REVENUES AND EXPENDITURE

4.0 Introduction

Budget has two components, revenue and expenditure. Revenue is the income collected from various sources and expenditure is the total amount of money appropriated to the payment of public expenses in a specific period. The term 'over a specific period' is imperative as it shows the time within which government revenue are collected and allocated to various public service outlets. Normally, this is labeled as the financial year.

Revenue outflow is directed for funding services or projects. Scrutinizing revenue and expenditure is very important for understanding the government priorities or choices. Since the amount of monies raised by the government from various sources is limited, the government should choose how and where to disburse them. The budget, therefore, reflects such choices although a question remains whether they are the right choices.

The revenue for financing the budget is derived from domestic revenue and foreign aid. The former entails tax revenue, non-tax revenue and LGAs own sources. Foreign aid is divided into General Budget Support (GBS), Basket Fund and Project Fund. Upon collection they fund service outlets, facilities and sectors. The chapter assesses sources of revenue in terms of their total contribution to the national budget and distinct levels and components of government where they are apportioned according to the priorities.

4.1 Domestic Revenue Sources

Domestic revenues are revenues collected within the country. These are tax revenues and non-tax revenue. Domestic revenues include LGAs own sources revenue. The tax revenue is administered and managed by the Tanzania Revenue Authority while non-tax revenue is administered and managed by other government ministries and agencies. TRA is the government agency established for, inter alia, estimating and collecting taxes.

Domestic revenues are administered by various legislations. Tax revenues is managed under the Income Tax Act, CAP. 332, the Tax Administration Act, CAP. 438, the Excise (Management and Tariff) Act, CAP. 147 and the Value-Added Tax Act, CAP. 148. Non-tax revenue falls under the Local Government Finances Act, CAP. 290, Public Finance Act, CAP. 348, as well as the Treasury Registrar (Powers and Functions) Act, CAP. 370.

4.1.1 Share of Domestic Revenue

The portion of domestic revenue sources to the annual budget is fairly large. During the FY2015/2016, 2016/2017 and 2017/2018 the government sought to mobilize TZS. 22.49, 29.54 and TZS. 31.71 trillion respectively from domestic and foreign source. The actual domestic revenue collected and LGAs own sources were TZS. 11.48 trillion equal to 99% of TZS. 11.55 trillion for FY2015/2016.[165] FY2016/2017, domestic revenue and LGAs own sources were TZS. 13.65 trillion equal to 65.6% of the target of TZS. 17.63 trillion.[166]

For FY2017/2018, domestic revenue including LGAs own sources amounted to TZS. 14.84 trillion equivalent to 74.3% of the annual target of mobilizing TZS. 19.98 trillion.[167]

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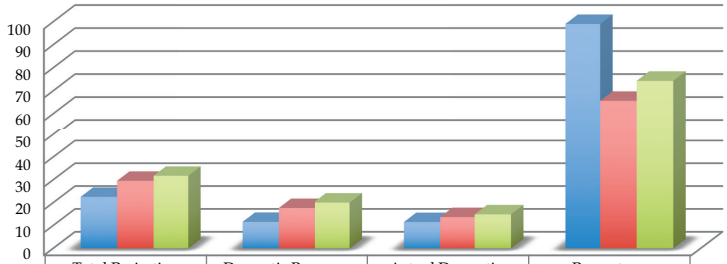
Figure 1.6 shows the contribution of domestic revenue for FYs 2015/2016 – 2017/2018.



	Total Projection	Domestic Revenue Projection	Actual Domestic Revenue Collection	Percentage
2015/2016	22.49	11.55	11.48	99
2016/2017	29.54	17.63	13.65	65.6
2017/2018	31.71	19.98	14.84	74.3

The domestic revenue trends in Tanzania for the last nine FY are indicated in Table 1.

Table 1: Domestic Revenue Collection Trend: 2010/11 - 2017/18

Tshs Million

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Likely	2017/18 Budget
Total domestic revenue (including LGAs own source	**5,736,266.1**	**7,221,408.6**	**8,442,610.8**	**11,537,522.6**	**10,957,765.3**	**14,139,229.8**	**18,463,532.6**	**17,625,384.7**	**19,977,001.1**
A.Tax Revenue	**5,293,277.3**	**6,480,477.8**	**7,729,985.9**	**10,395,439.8**	**9,908,996.3**	**12,525,377.6**	**15,105,100.0**	**14,266,952.1**	**17,106,336.0**
1. Import duty	448,650.2	497,686.8	584,136.9	852,199.0	748,960.9	880,295.5	994,258.0	981,936.0	1,193,270.5
2. Excise Duty	1,052,152.2	1,028,883.8	1,258,242.1	1,908,857.0	1,742,721.2	2,144,395.2	2,516,619.1	2,224,518.7	2,684,335.8
3. Value added tax	1,530,641.3	1,974,820.2	2,146,336.7	2,590,291.0	2,488,066.2	2,992,835.3	4,034,180.7	3,903,755.6	4,628,448.2
4. Income tax	1,660,385.2	2,246,783.7	3,034,359.9	3,656,505.6	3,716,684.9	4,594,971.1	5,316,326.5	4,780,752.2	5,684,217.1
5. Other taxes	601,448.4	732,303.2	706,910.4	1,387,587.3	1,212,563.1	1,912,880.4	2,243,715.7	2,375,989.6	2,916,064.4
B. Non-tax revenue	**416,274.0**	**714,194.2**	**683,362.3**	**869,935.9**	**1,048,769.0**	**1,613,852.2**	**3,358,432.6**	**3,358,432.6**	**2,870,665.1**
1. Parastatal dividends & Contributions	26,154.6	207,352.0	47,602.4	110,014.0	161,234.0	388,550.7	1,306,524.2	1,306,524.2	522,315.6
2. Ministries and regions	231,839.4	311,317.7	414,925.0	444,694.0	527,450.7	799,449.3	1,386,493.8	1,386,493.8	1,661,043.4
3. LGAs own source	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Source: Ministry of Finance and Planning	158,280.0	195,524.5	220,835.0	315,227.9	360,084.3	425,852.2	665,414.6	665,414.6	687,306.1

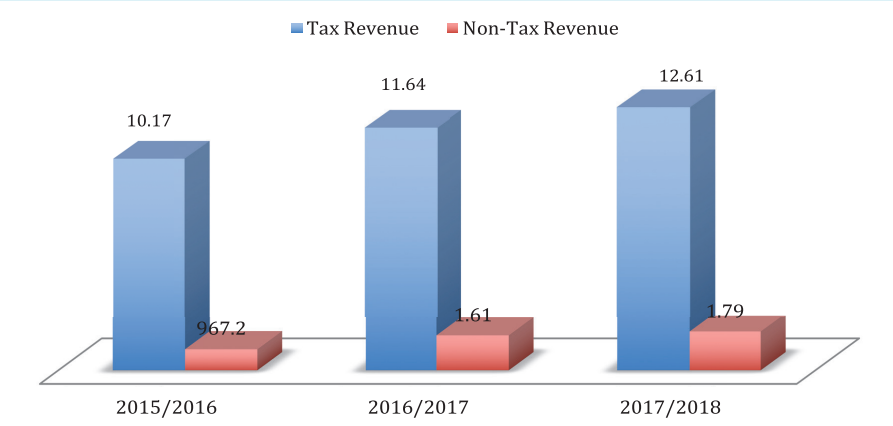
4.1.1.1 Tax and Non-Tax Revenue

Domestic revenue is raised through both tax revenue and non-tax revenue. The former includes income tax, value added tax (VAT), import duty, excise duty and corporate tax, to mention just a few. A share of tax revenue to the national annual budget is fairly large. For instance, in FY2015/2016, 2016/2017 and 2017/18, tax revenue amounted to a tune of about TZS. 10.17 trillion, TZS. 11.64 trillion and TZS. 12.61 trillion respectively.

Non-tax revenue accrue to the government through delivery of services by Ministries, LGAs and such other government institutions from their operations, either through the use of the government assets or facilities or through the enforcement of the regulations. Also, the term non-tax revenue may be defined to mean and include all other funds offered by various laws or regulations paid annually or periodically to the government.

The non-tax revenue comes from contributions and dividends from PISCs, LGAs own-sources revenue, revenues from the sale of state assets, fines and fees from permits or licenses. Also, non-tax revenue entails fees, charges and levies collected by government from sources other than taxes[168] administered by TRA. The Ministry of Finance and Planning, other Government MDAs is responsible for the collection of non-tax revenue.

Non-tax revenue is another component of domestic revenue. Yet, its share to national budget although improving over time, is still low compared to tax revenue. For three (3) distinct financial years, namely, FY2015/2016, 2016/2017 and 2017/18, non-tax revenue contributed TZS. 967.2 billion, TZS. 1.61 trillion and TZS. 1.79 trillion respectively. The share of both tax revenue and non-tax revenue for three FY's is indicated on **Figure 1.7**.



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4.1.2 Sources of Revenue of LGAs

The revenues of LGAs are derived from various sources. The sources are three; namely, own sources revenue,[169] central government fiscal transfers[170] and borrowing.[171] The own sources revenues are imposed and collected by LGAs within their respective areas and central government transfers are subvention from central government. Borrowing entails monies in terms of loan facilities from domestic financial institutions and banks.

4.1.2.1 LGAs Own Sources Revenue

This consists of distinct components. The list is far-reaching but may include property tax, fees and charges, hotel and guesthouse[172] levy, license and permits, produce cess[173] and service levy. The overall control of LGAs own sources is, certainly, placed under the disposal of the Minister. LGAs or any person cannot vary any item or source likely to affect LGAs without consultation with the Minister.[174] Division of sources amongst distinct levels of councils resides to the Minister after consultation with stakeholders.[175]

The share of LGAs own-sources revenue to the annual budget is still low. During the FY2015/2016, 2016/2017 and 2017/2018 the government mobilized TZS. 18.10 trillion, 20.71 trillion and TZS. 21.89 trillion respectively from

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domestic and foreign source. The share of LGAs own-sources revenue for that period amounted to TZS. 344.1 billion[176], 399.3 billion[177] and TZS. 437.6 billion[178] for the FY2015/2016, 2016/2017 and 2017/2018.

4.1.2.2 Central Government Fiscal Transfers

Monies transferred from central government to LGAs to finance recurrent and capital expenditures. LGAs taxing power is limited. It makes the design of central government transfers system significant. Fiscal transfers assure revenue adequacy by redressing the vertical and horizontal fiscal imbalance between the central government and LGAs and amongst LGAs. Central government fiscal transfers provide about 90% of the budget.[179]

Decentralization by devolution involves the transfer of responsibilities from the central to LGAs. Responsibilities assignment should usually go with revenues assignment. The revenue assignments should continually correspond with the expenditure assignments. This is due to the fact that the capacity of LGAs to provide quality and timely services depends on the extent to which the same are rightly financially and fiscally empowered.

Currently, revenue assignments do not commensurate to expenditure assignments. The own sources revenue assigned to LGAs does not generate enough revenues. As a result, the central government transfers in terms of subvention to fund recurrent and capital budget is inevitable. It will enable LGAs to realize sector targets defined by the nation.

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a. Types of Central Government Transfers

Central government fiscal transfers are divided into three (3) types, to wit, conditional, unconditional and equalization grants. The first is sector specific and cannot be altered to serve any distinct purpose. The second gives discretion to LGAs to decide where to spend basing on the needs and priorities of the people and LGA. The last is meant to assist LGAs with weak revenue base to deliver, maintain and develop basic services.[180]

4.1.2.3 Local Government Borrowing

A mismatch between revenue and expenditure assignments may be evident even after transfers from central government. Borrowing to offset fiscal imbalance between limited revenue and responsibilities assignments is inevitable. The constitution does not offer for LGAs borrowing.[181] Luckily, the law[182] provides a regulatory context within which LGAs may access loan facilities. LGAs borrowing contribute 0.1% of LGAs revenues.[183]

LGAs may borrow any amounts from domestic financial institutions or banks in such manner for purposes and on stated conditions. Short-term loan and bank overdraft is allowed where monies are temporarily for meeting authorized expenditures. The bank overdrafts[184] should not exceed the total income of LGAs in previous fiscal year.[185] Loans may be secured by such revenue or mortgage or charge of council land and premises.[186]

[180] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

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[186] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008

Borrowing is controlled by central government. The Minister of local government must consent after consulting with the Minister responsible for finance[187] upon content of substantive and procedural conditions. They are lender details, amount sought, interest rate, loan purpose and conditions, repayment time and process and other associated costs.[188] Also, such request must go through the finance committee, full council and RS.

4.2 Taxes[189]

Domestic revenue is raised through tax revenue and non-tax, direct or indirect tax. Direct tax is levied on people's income on employment, property ownership, business and investment like income and corporate tax. Indirect tax is a tax based on consumption. This entails excise duty, import duty, and Value Added Tax (VAT).

>> Finding Information on Revenue

Most information about the Government's plans to raise revenue is found in Volume I of the Budget books.

Additional information about the structure of Tanzania's tax system is available from the TRA, through their website or taxpayer information publications available upon request.

The Ministry of Finance and Planning Quarterly Budget Execution Reports also contain useful information about domestic revenue, both budgeted amounts and performance.

A tax is a compulsory transfer from an individual or a business to the government. It is not paid in order to receive a specific service. There are two (2) key distinct features that characterize every tax. This entails a **tax base** (what is taxed) and **tax rate** (how much is taxed).

(the Principal Act)

[187] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[188] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

[189] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

Box 3 Characteristics of Good Tax

Not all taxes are created equal. But what makes a tax "good" or "bad"? Below are criteria to assess different tax types:

- ***Effectiveness***
  The main goal of taxation is to raise revenue. Therefore, it is important to consider how much money a given tax type raises. For that purpose, a good tax should have a very adequate and stable tax base.

- ***Enforceability***
  Taxes should be considered not just in terms of their theoretical ability to generate revenues, but also by their functional ability to do so. That is, how easy or difficult is it for the Government to administer and enforce payment of different taxes? And how much does enforcement cost? For that purpose, a good tax should not cost too much to collect, relative to how much it raises (so-called nuisance taxes).

- ***Equity***
  Equity considers how "fair" a given tax type is. That is, how the burden of a given tax type is distributed across the entire society. Equity takes into consideration the effect of a tax on overall distribution of income and wealth within the country. A good tax system should distribute the tax burden across taxpayers in a manner that is consistent with accepted norms of fairness and equity.

- ***Efficiency***
  How a given tax affects the country's economy as a whole. Taxes affect the economy by changing incentives and behaviour in terms of how much people work, save or invest. Economic distortion may occur if people shift away from taxed activities to untaxed activities or from heavily taxed activities to lightly ones. High taxes may encourage businesses and workers to operate in the informal sector.

There is often a trade-off between these different criteria. For instance, if all employees in the formal sector were required to pay 99% of their incomes in tax, the Government could raise an enormous amount of money at least in theory. But that tax might be very difficult to enforce and could also introduce distortions into the economy, as it would likely encourage people to seek employment in the informal sector. Such a tax might also drive away foreign investment.

4.2.1 Income Tax[190]

A direct tax levied on earnings of an individual or entity. It is among major contributors to domestic revenue. Individual income tax is charged and payable each year from income by persons earning income from employment, business or investment. Income tax has a graduated rate structure. A percent owed increase with a person increase of his income.

[190] Section 17, The Written Laws (Miscellaneous Amendments) Act, 2013 amended section by deleting and substituting section 39 (2) of The Public Audit Act, 2008 (the Principal Act)

The income tax is enforced by a few means. The most prevalent and effective is the '**Pay As You Earn**' (**PAYE**) system. Under PAYE, the amount of tax owed is withheld by the employer and remitted to the Commissioner of Income Tax monthly. The PAYE system is a good way of enforcing payment of income tax but it captures employment income from registered taxpayers in a formal sector. Since many people are employed in the informal sector, or do not register, many people do avoid paying individual income tax.

Box 4 What Makes a Tax 'Fair'?

Tax fairness may be judged by how the burden of paying tax is distributed across society. Taxes can be classified in the following ways in terms of how the burden is distributed:

- A **regressive tax** accounts for a smaller share of income for higher-income individuals than lower-income ones. The fuel levy is an example of a regressive tax, since it takes a larger relative "bite" out of poorer people's incomes than richer people.

- A **proportional tax** is one that taxes everyone at a constant percentage of his or her income. The corporate income tax, which taxes all businesses at the same rate of 30%, is an example of a proportional tax.

- A **progressive tax** requires higher income people to pay a larger share of their income than lower-income people. Progressive taxes reduce income inequality. The individual income tax, with its graduated rate structure, is a progressive tax

Tax fairness can be judged according to the 'ability-to-pay principle' or the 'benefits principle.'

The ability to pay principle holds that people with a higher ability to pay (i.e. because of higher incomes) should pay more tax, and people with a lower ability should pay less. Such a view works to ensure horizontal equity, whereby people in equal positions pay the same amount of tax.

The 'benefits principle' holds that only the people who benefit from a particular government program should have to pay for it. The benefits principle regards public services as similar to private goods and regards taxes as the price people must pay for these services. In practice, the benefits principle is difficult to enforce, and as a result has a small role in designing tax policies.

Tax fairness should be assessed not only in terms of individual taxes but in terms of the entire tax system – the mix of all taxes and tax policies that affect citizens in society.

The graduated rate structure of the individual income makes it a **progressive tax**, which helps reduce income inequality. The Progressive taxes and other questions of tax 'fairness' are discussed in further detail in Box 4.

In theory, individual income tax has a small effect on the economy. It does not directly or strongly affect the prices of any one good over another, and it does not make people less inclined to work or to invest. Because it also targets everyone, there is little place to go to escape the tax, as there are few substitutes for a job. Therefore, it could be argued therein that the individual income tax encourages people to remain employed in the informal sector, although the stricter government regulations works to expand its reach.

Corporate income tax is similar to the individual income tax except that it is assessed on businesses. Corporate income tax does not have a graduated rate structure, although a slightly lower rate is charged for a newly listed company on the Dar es Salaam Stock Exchange with at least 30% of its shares issued to the public for three consecutive years from the date of listing. Some additional taxes are assessed on non-resident businesses.

Also, corporate income tax is a significant revenue source of domestic revenues. For the financial year 2013/2014, 2014/2015 and 2015/2016 this income tax has contributed about 15.0 percent, 11.1 percent and 10.4 percent respectively of the national budgets.[191]

4.2.2 Consumption Taxes

Taxes charged on taxable goods, services and immovable property of any economic activity whenever value is added at each stage of production and the final stage of sale. In Tanzania, the most significant consumption tax is **Value Added Tax** (**VAT**). This is charged on both locally produced goods and services and on imports. Currently, it is merely persons registered for Valued Added Tax are obliged to charge Value Added Tax. Consumption taxes on goods and services are other major sources of domestic revenues.

[191] National Statistics for the Year 2015/2016: Extracted from TRA website

a. Scope of VAT

VAT is chargeable on any supply of goods, services and immovable property of any economic activity in Mainland Tanzania where it is a taxable supply made by a taxable person in the course of economic activity carried by him. Importation of taxable supply from any place outside Mainland Tanzania shall be charged VAT and normal Customs Laws and procedures apply. All supply consumed outside Mainland Tanzania shall be zero-rated upon proof. VAT is chargeable on the taxable supplies of goods and services. The rate is 18% for standard rated supplies and 0% for exports of goods and services.[192]

Table 2: Show VAT Rate Structure on Supplies of Goods and Services

S/N	VAT Rates Description of Goods/ Supplies and Services	VAT Rate
1	Supply of taxable goods and services in Mainland Tanzania	18%
2	Importation of taxable goods and services into Mainland Tanzania	18%
3	Export of goods and certain services from the United Republic of Tanzania	0%
4	A supply of ancillary transport services of goods in transit through Mainland Tanzania i.e.	
	1. An integral part of the supply of an international transport services	0%
	2. In respect of goods stored at the port, airport, or a declared customs area for not more than thirty days while awaiting onward transport.	0%

Registration for VAT is mandatory to every person on attaining a registration threshold of Tanzania Shillings One Hundred Million (**TZS. 100,000,000/=**) in the period of twelve months and above or Tanzania Shillings Fifty Million (**TZS. 50,000,000/=**) in the period of six months ending at the end of the previous months. This applies to all types of registration except for professional service providers, government entity or institution carrying on economic activity and an intending trader after fulfillment of sufficient evidence such as contracts, tenders, building plans, business plans and bank financing.

[192] Section 5 (1), 55 (1) and 55A, The Value Added Act, CAP. 148

VAT fares well in terms of its effectiveness. It accounted for about 13%, 14% and 13% of the total tax revenue for the FY2013/2014, 2014/2015 and 2015/2016 respectively.[193] In terms of enforceability, it also does well, at the individual consumer level since VAT can be included in the price of goods. However, the significance of the informal sector reduces VAT's enforceability, as many traders do not register or are not using machine.

Equity concerns are more difficult to address with VAT and other consumption taxes, since the same tax rate applies to all consumers, regardless of their income. VAT may, therefore, cause low-income people to tax a higher proportion of their incomes for 'mass consumption' goods and services. However, it is possible to address equity concerns by exempting certain necessities from the VAT or taxing them at zero-rate (0).

b. VAT Exemption

Some items have been exempted from VAT.[194] These are agricultural implements and inputs; livestock, basic agricultural products and food for human consumption; diary implements; fisheries implements; articles designed for people with special needs; bee keeping implements; education materials; medicine or pharmaceutical products; and health care. Others are immovable property; petroleum products; educational services; intermediary services; government entity or institution; supply of water, except bottled or canned water or related presented water and supply of solar panels, modules, solar charger controllers, inverter and lights, vacuum tube solar collectors and solar battery.

4.2.3 Excise Duty

Excise duty is charged on specific goods and services manufactured locally or imported on varying rates in specific and *ad valorem* rates. Also, it is charged on certain consumer goods. It is usually levied to discourage consumption or importation of certain goods likely to impose negative externalities. Negative externalities refer to negative effects on the society and are often cited in terms of its effect on the environment or public health.

[193] National Statistics for the Year 2015/2016: Extracted from TRA website
[194] Section 6 and Schedule to The Value Added Tax, CAP. 148

a. Scope of Excise Duty

Items charged specific and *ad-valorem* rates. The former are beer; cigarettes; soft drinks; wines; spirits; mineral water; fruit juice; film and music products; tobacco, petroleum products and natural gas. The latter are monies transfer services, imported furniture, electronic communication services, pay to view television services, motor vehicles, plastic bags, specified aircrafts, firearms, specified cases, cosmetics, and medicaments.

Ad valorem rate is charged according to the value of goods. Goods like vehicles, number of years from the manufacturing date is used to establish the rates beside the value in case of used cars. The *ad valorem* rates are nine (9) and include 0%, 5%, 10%, 17%, 15%, 20%, 25%, 30% and 50%.[195] Yet, most of locally manufactured goods are charged excise duty at specific rate for a given number or quantity. Excise duty is effective since they raise significant amount of revenue while affecting a relatively small number of people.

4.2.4 Taxes on Imports

For supplementing the national production and expand a market for goods and services produced within the country, Tanzania conducts trade and other business affairs with the rest of the world. In these transactions, various taxes and duties are imposed. These taxes are administered by the Customs and Excise Department of TRA. The taxes on international trade include import duties, VAT on imports, and excise duty on imports.

Import duty is levied on imported goods at an *ad valorem rate*. In Tanzania, there are three (3) distinct tariff bands 0%, 10%, and 25% charged on different categories of goods as shown in Table 4. Many imports from East African Community are exempt from payment of import duty. However, some goods originating from the East African Community are charged import duty although the same will gradually phase out.

[195] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

Table 3: Import Duty Rates	
Item(s)	*Rate*
Select inputs and supplies for agriculture, horticulture and mining, motor vehicles in complete knocked down form, raw materials, capital goods, computers, mobile phone handsets, machinery and equipment, motor vehicles, solar equipment and accessories	0%
Semi-processed inputs and fully processed inputs and motor vehicle spare parts lubricating greases, pen nibs etc.	10%
Final Consumer goods	25%

Excise duty is also charged on the importation of certain consumer goods, as shown in Table 4. VAT on imports is levied on all goods and services imported into the country unless such goods or services are specifically exempted under the Value Added Tax, CAP. 148. All importers pay Value Added Tax notwithstanding of whether or not they are registered for VAT.

Table 4		
Excise Duty Rates on Selected Items 2007/08		Excise Duty Rates on Selected Items 2008/09
Item(s)	*Rate*	*Rate*
Cigars	30%	30%
Carbonated soft drinks	TZS. 48 per litre	TZS. 54 per litre
Saloon cars, station wagons, and 4WD vehicles with engine capacity exceeding 2000 cc	10%	Cars with engine capacity 1000cc and less – 0% Cars with engine capacity 1001 cc but less than 2000 cc – 5% Cars with engine capacity over 2000cc – 10%
Mobile phone services	7%	10%

4.2.5 Other Taxes

This entails Basic Skills Development Levy (SDL), fuel levy and stamp duty. SDL is chargeable on gross emoluments paid to employees by employers. SDL is payable on cash emoluments only and non-cash emoluments are subject to SDL. The Vocational and Training Act, CAP. 82 and The

Income Tax Act, CAP. 332 govern SDL. The former requires employers with four or more employees to pay SDL monthly. The rate is 4%[196] of the gross emoluments. Two third of the collection is presented to the Treasury and the remaining one third is remitted before the Vocational Education Training Authority.

Where in any case the employers pay emoluments to employees at interval of less than a month or greater than a month, such payments shall apply as if such employees were entitled to monthly payments and the monthly chargeable emoluments of such employees in respect of any month shall be deemed to be the chargeable emoluments that would have accrued to the employees had the emoluments been payable monthly.

4.2.6 Licenses

Permission issued to any person, company or institution allowing to run business or activity within the area.[197] This is an authority or liberty given by a proper authority to perform or carry on a certain business, without which the activity would be illegal. It is a grant of permission i.e. driving licence, intoxicating liquor license, business license or a license to practice medicine. The permission issued covers a certain period of time. The central government, TRA, or LGAs are responsible for collection of licence proceeds.

4.2.7 Fees

These are payments payable to the organization for permits and various licence issued by it.[198] Fees may also entail payments payable for the purpose of the services rendered.[199] Fees are usually paid for as a reward or compensation for the services rendered or to be rendered, especially payment for professional services. These include building permit fees, tender fees, refuse collection fees, auction fees, vehicle registration fees and others.

[196] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147
[197] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147
[198] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147
[199] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

4.2.8 Parastatals

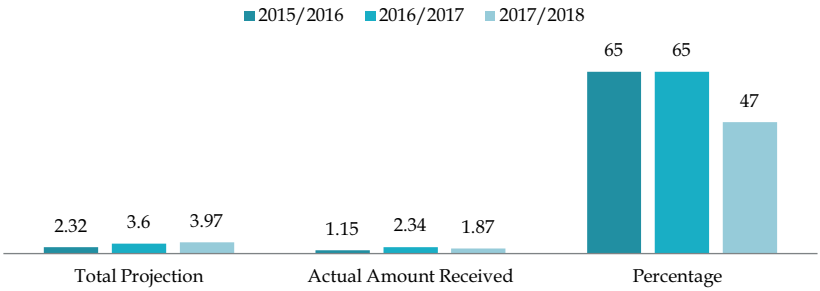
Corporations whole or partly owned and managed by the government. It includes firms where the government has shares and receives dividends. The Treasury Registrar is the custodian of all shares in Parastatals. The Ministry of Finance and Planning through the Treasurer Registrar receives dividends from local and international Parastatals. Some are Tanzania Ports Authority (TPA), National Housing Corporation (NHC), Tanzania Petroleum Development Corporation (TPDC), Tanzania Investment Bank (TIB), Bank of Tanzania, National Insurance Company, the General Tyre and Tanzania Cigarettes Co.

Dividends from foreign investments entail the African Development Bank (ADB), ADB Shelter Afrique, International Bank Research and Development (IBRD), PTA Bank, IDA, Multilateral Investment Guarantee Agency as well as African Reinsurance Corporation.

4.3 Foreign Aid

Given that domestic revenue is insufficient to fund the national budget, the government relies heavily on foreign aid (development aid). This may be bilateral - financial support from one country to another or multilateral where the donor country directs such aid to international institutions such as the World Bank or the United Nations Organizations. The foreign aid makes up a significant portion of the government resources every year.

For instance, a share of foreign aid from one fiscal year to another varies. For instance, during the FY2015/2016, foreign aid amounted to TZS. 1.15 trillion out TZS 2.32 trillion equivalent to 65%. In FY2016/2017, foreign aid accounted TZS. 2.34 trillion out of TZS. 3.60 trillion equal to 65.0% of the DPs commitment. Lastly, for FY2017/2018 foreign aid only enlisted TZS. 1.87 trillion out of TZS. 3.97 trillion equal to 47% of the annual target. **Figure 1.8** presents the share of foreign aid in the form of a pie chart for ease reference.



Foreign aid may be **grants** and **loans**. Grants are financial assistance not to be repaid while loans are financial assistance repaid at a later date with interest. Most multilateral institutions offer financial assistance in the form of loans. Foreign aid is often subject to certain **conditions** in terms of how monies can be spent, monitored and reported. Some donor conditions go beyond necessities for spending and reporting. They call for policy changes. Table 4 shows the composition of foreign aid for previous six financial years.

Table 4: External Loans and Grants from 2014/15 - 2018/19

Tshs Million

		2014/15	2015/16	2016/17	2017/18	2017/18	2018/19
		Actual	Actual	Actual	Budget	Likely	Budget
General budget Support	Grants	546,709	0	190,303	190,023	190,613	236,264
	Concessional Loans	375,459	291,381	152,482	751,235	493,614	309,501
	Total	**922,168**	**291,381**	**342,785**	**941,258**	**684,227**	**545,765**
Baskets Funds	Grants	189,112	86,199	168,984	200,621	177,799	92,163
	Concessional Loans	84,975	161,842	104,991	355,454	355,454	33,701
	Total	**274,087**	**248,041**	**273,975**	**556,075**	**533,253**	**125,864**
Projects	Grants	745,344	409,157	733,208	853,815	607,101	752,982
	Concessional Loans	1,000,000	777,825	1,124,190	1,820,576	1,197,563	1,252,035
	Jumla	**1,745,344**	**1,186,982**	**1,857,399**	**2,674,391**	**1,804,663**	**2,005,016**
	Jumla Kuu	**2,941,599**	**1,726,404**	**2,474,159**	**4,171,723**	**3,022,143**	**2,676,645**

Source: Tanzania Budget Speech for the Financial Year 2018/2019

4.3.1 Project Funding

Funds earmarked for specific projects and programs. It is attractive in terms of donor accountability as it is highly visible to the citizens in both donor and recipient countries. Project aid is also attractive to donors since it may involve

procurement of services and goods from the donor country. But, the efficiency of project funding has been queried. Critics argue that project aid tends to be donor-driven, encouraging donor dependency and undermine local ownership, which can negatively impact the projects' sustainability.

Also, concentration of funds on specific projects leads to lack of an overall view of the sector as a whole, lack of sufficient attention to policy, and lack of administrative and institutional environments. Project funds have also been noted as being unpredictable and have high transaction costs, in terms of the monitoring and reporting requirements.

Project aid declines as a preferred aid modality in Tanzania. However, it is still a feature of the foreign aid landscape. If compared to the other two items, project funding has attracted adequate amount of money for the preceding 6FYs as indicated under Table 4.

4.3.2 Basket Funding

The growing discontent with the project funding led to the rise of sector-wide approach programs (SWAPs). Under this approach program objectives are shared and resources from donors are pooled in a basket fund. Donors have moved into basket funding for a range of programs and processes. Also, basket funding still, faces the same problems as project aid, in terms of stressing donor dependence and undermining local ownership.

4.3.3 General Budget Support

In light of the criticisms leveled against project and basket support, General Budget Support (GBS) has emerged recently. This is aid to governments that is not earmarked to specific projects or expenditure items. GBS is aimed at supporting the Tanzania's own strategy for development without any additional externally imposed conditions. Disbursement of GBS is through the government's own financial management system. Table 4 shows the share of the GBS to the annual budget for the last six financial years.

4.4 Analysing Expenditure

Analyzing expenditure is critical for understanding government's priorities or choices. Spending also provides an indication of the government's commitment to implement policies. Sadly, the way in which information on government spending is presented in official budget documents is difficult to understand. This part explains different ways in which government spending is classified, and how can be used to analyze such budget.

Government expenditure can be classified in three distinct ways such as administrative classification (who spends the money), functional classification (what is money spent on), and economic classification (nature of the expenditure, such as whether funds are being used to pay for wages and salaries, capital projects, or social assistance benefits).

Each classification systems have different advantages, and all are important for making sense of the information contained in the budget books. Expenditure by administrative unit indicates which government entity is responsible for spending funds and finally be held accountable for their use. Functional classifications indicate the programmatic purpose or objective for which the funds will be used, such as health, education, or defense, and are useful in terms of identifying government priorities.[200] Economic classification offers information on the nature of the expenditure, such as whether funds are used to pay for the wages and salaries, capital projects, or social assistance benefits.

Unlike classification by administrative unit, which tends to be unique to each country, the functional and economic classifications have been developed and standardized by international institutions. It helps to make comparison of expenditure across countries. In Tanzania, all budget documents include administrative and economic classification, but functional classification is lacking, at least in terms of the international standards.

[200] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

4.4.1 Who Spends the Money?

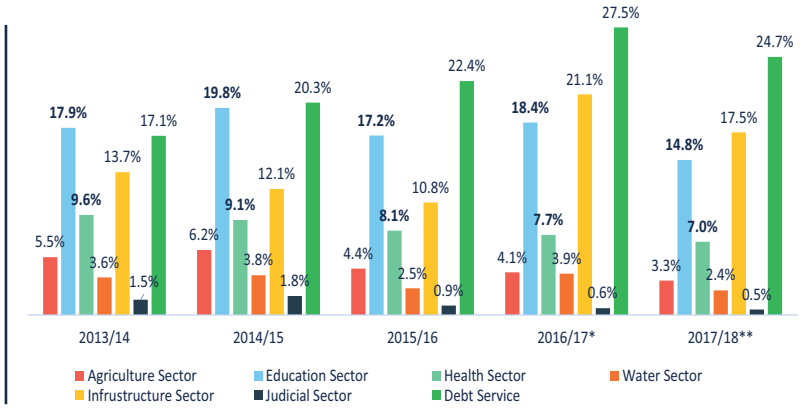
Although the Ministry of Finance and Planning plays a significant role in preparing the budget, government spending is divided across various ministries, departments and agencies, as well as across distinct levels of government. The way in which resources are divided is assessed in further detail in the following sections on the budget process.

Spending is divided across 100 budget "**votes**". These are 23 ministries, 26 RSs and 51 department and agencies.[201] RSs vote includes resources for all the LGAs within a given region. D-by-D reforms that began to be implemented in 1998 shifted more resources to LGAs level. However, most government spending still conducted at the national level.

4.4.2 What is Money Spent on?

Spending by administrative classification gives us a sense of what money is being spent on, and what this says on relative priorities. For instance, we can compare the budget of agriculture sector, infrastructure sector, education sector, judicial sector, health sector and water sector. Chart 1 illustrates the differences in allocations for five financial years.

Allocation of funds in Different Sectors for Five Years



* preliminary outturns, **budget estimate

Source: UNICEF Budget Briefs 2018

[201] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

4.4.3 What Kind of Spending?

Besides understanding *who* spends the money and for *what purpose*, it is vital to consider spending in terms of its *economic* classification. This is spending by economic categories, like personnel expenses, capital costs and interest payments. This type of classification is helpful in terms of thinking about the long-term sustainability of spending decisions.

The most notable division of spending in the Tanzanian budget is the division between **recurrent spending** and **development spending**. Recurrent and development budgets for each MDA are essentially prepared separately and appear in separate budget books.

Recurrent spending tracks ongoing revenues and expenses occurring on a regular basis. This is sometimes referred to as an operational budget. It includes line items like vehicle repair and fuels, salaries, utilities, rent or lease, and taxes. Also, it entails purchases that are expected to last for less than a year. Most of those items may be considered as office supplies. They aim at facilitating the day-to-day operations. A recurrent budget can aid the government to manage its monies and ascertain strategies for cutting day-to-day costs.

Development spending is about physical assets with a useful life of more than a year. It covers purchases and investment spending with benefits extending years into the future capital. The improvement or rehabilitation of physical assets to enhance its useful life is development budget. For example, building roads, schools and hospitals. Maintenance or repair to ensure asset functioning for its planned life is not development spending.[202]

Most foreign-financed project and basket funding is grouped as development spending. Capital budget is divided between local and foreign. Classification of spending tied to foreign funding as development spending is largely a result of convention. Thus, not all classified as development spending in the Tanzanian budget must be classified as such.

[202] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

4.5 Transparency and Accountability

There are two important lenses for assessing the budget process. These are transparency and accountability. In order to assess the budget in accordance with these principles we measure in accordance with the internationally agreed principles,[203] compare with other countries' performance and note in accordance with relevant laws.

4.5.1 Principles of Transparency and Accountability

Prior authorization. The legislature should authorize measures involving expenditure, revenue collection and debt *prior* to action being taken by the executive. Usually, this is done through the debate and adoption of the PBG and annual estimates of government.

Unity. All proposed annual expenditures, revenues to be raised and other government financial activities should be presented to the legislature in one single consolidated presentation, the executive's budget proposal. In practice, a consolidated presentation takes the form of a primary document, with such several supporting budget documents.

Comprehensiveness. Not only should the government disclose its financial activities in its annual budget proposal, but documents should be issued at other times during the budget year to provide a comprehensive, updated picture of the government's actions.

Periodicity. The executive should adhere to regular deadlines in an annual calendar for drafting budget, for presenting it to the National Assembly for debate, for executing the budget, and for presenting its final accounts to the public and to the Supreme Audit Institution (CAG and NAO). Timely and regular reporting on each of these four phases of the budget process is essential. The legislature and Supreme Audit Institution also have important roles to play in acting in a timely manner during the budget year, especially related to the approval of the annual budget and to review the final accounts.

[203] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

Specificity. The description of every budget item should result in a clear overview of the government's expenditure. The descriptions provided for budget items should not be so highly aggregated (grand totals) that they are vague and should be presented in accordance with the international-accepted classification systems to avoid obfuscation.

Legality. All expenditure and activities should be in line with the law. This is true with the Constitution of the United Republic of Tanzania, CAP. 2, the Budget Act, CAP. 439, the Public Finance Act, CAP. 348, the Local Government Finances Act, CAP. 290 and such other principal and subsidiary legislation. For that matter, where the law does not adhere or promote these two (2) basic principles of transparency and accountability, Civil Society Organizations should propose the desired recommendations to amend it.

User-friendly structure. A country's budget documents are its government's key accountability documents: they should be presented in a way that is manageable and understandable by a wide variety of audiences that make up the legislature and public.

***Publicity*.** All citizens should have the right, as individuals or in association in the form of Civil Society Organizations, to make and express judgments on the country's budget. This requires that the budget documents be widely available such as the budget books that are laid before the parliament. This is especially the case for the executive's budget proposal, which should be available to the citizens *before* it is adopted by the legislature.

Means and ends. Clear links should be drawn between the government's policies, plans, budget inputs and performance outputs. The explanation accompanying the budget should clearly communicate the aims of the budget in terms of inputs, objectives to be achieved and measurable results. Usually, this is the case with national annual budget.

4.5.2 Legal and Policy Framework

In Tanzania, certain policies and laws articulate standards that should be followed in terms of transparency of budget documents and openness of the budget process. These include the Constitution of the United Republic of Tanzania, CAP.2, the Budget Act, CAP. 439, the Public Finance Act, CAP. 348, the Local Government Finance Act, CAP. 290, the Local Authority Financial Memorandum, 2009, the Medium-Term Planning and Budgeting Guidelines, and Public Procurement Act, 2011 and its attendant regulations.

The National Framework on Good Governance (NFGG) emphasizes the importance of accountability, transparency and integrity in managing public affairs. It covers a wide range of issues with a bearing on good governance, and sets out the conditions under which accountability, transparency and integrity can prevail. However, it is not legally binding, and the challenge is to create institutions that will implement such principles.

Unlike the NGFF, a Medium-Term Planning and Budget Guidelines is a clear directive to LGAs to share plans and budgets within the government system itself especially the district and regional administrative system. Section 59, relates to approval process of the plan and budget by the Full Council at the district level. Specifically, the CD is required to widely publicize the date of council meeting in which the plan and budget will be approved to facilitate the highest possible attendance and participation by the general public in the process and ownership of resulting a council plan and budget.

Copies of approved plan and budget have to be explicitly sent to relevant stakeholders i.e. NGOs and CBOS (section 60), posted at public places of the council offices, and extracts of the plan and budget posted in public places at the wards, villages and mitaa (section 61). Also, LGAs have to design and implement awareness-raising campaigns to educate people on their rights, roles and address all forms of abuse, intolerance, discrimination and stigma, and strengthen the efforts to combat corruption, as measures to contend with the misuse of office and mistreatment of citizens in offices (section 44).

Key Articles of the Constitution that guarantee the right to participate in government business in accordance with the Constitution is Article 8 (1) (c). It requires government to account to the people. Article 18 provides the right to free speech, access, and dissemination of information and ideas through media and freedom from interference with her communication. As much as these Articles enshrine these rights and freedoms, the extent to which they can be exercised is limited by provisions of other Articles. For example, the provision of Article 30 provides some exceptions to the fundamental right.

The Article 30 (1) states: human rights and freedom, the principles of which are set out in this Constitution, shall not be exercised by a person in way that causes interference with or curtailment of the rights and freedoms of other persons or of the public interest.

Article 30 (2) states: it is hereby stated that the provisions contained in this part of the Constitution which set out the basic human rights, freedoms and duties, do not invalidate any existing legislation, or prohibit the enactment of any legislation or the doing of any lawful act in accordance with such legislation for the purpose of: (a) ensuring that the rights and freedoms of other people or of the interests of the public are not prejudiced by the wrongful exercise of the freedom and rights of individuals.

Article 30 can potentially be used to deny people access to (financial) information, since terms such as 'public interests' may be widely interpreted and therefore, easily used to justify limiting access to information. With regard to transparency and accountability, the law[204] requires local government authorities (LGAs) to publish the annual balance sheet and statement of abstract, and any report on the accounts made and signed by the auditor, within six (6) months after the close of the financial year to which the accounts relate or within six months of the receipt of the report of the auditor, as the case may be.

[204] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

Given that the Public Procurement Act, 2011 and its attendant the Public Procurement Regulations, 2013 as well as their amendments of 2016 sought to improve the regulation of public procurement, it necessarily seeks to improve transparency within the public procurement process. PPRA is chiefly responsible, through the regulations and various provisions of the principal legislation to ensure that all public goods and services are procured by the central government, LGAs, and statutory bodies in transparent, clear, and lawful manner. But, without procurement officers with necessary capacity, it will continue challenging this law to lead to increased transparency and accountability in the procurement of goods and services, particularly to local government authorities.

CHAPTER FIVE
RIGHT BASED BUDGETING

5.0 Introduction

Rights-based budgeting commonly referred as 'Social Accountability' entails a detailed framework through which the duly approved Government's planning and budgeting processes can be assessed.[205] The framework was developed by the Centre for Social Accountability based at Rhodes University in Grahams town, South Africa. Originally, the framework was developed in the South African context. The framework has proven useful for the civil society to engage in monitoring in countries all over Southern Africa.

5.1 Concept and Construct of Social Accountability

Social accountability can be broadly understood as the right to obtain justifications and explanations for the use of public resources. This justification may be sought from those entrusted with the responsibility of managing resources either government officials or private service providers and the performance of officials and services providers in progressively realizing the rights of the people they are destined to serve. In other words, public service providers have a duty to provide justifications regarding their performance and additionally to take corrective actions in situations or circumstances where the public resources have not been used effectively to realize human capabilities.

5.1.1 Social Accountability and Social Justice as a Human Right

Social Accountability Monitoring is premised on the understanding that every person is entitled to social justice and by virtue of being a human being; every person is entitled to fundamental rights that must be protected by the state.[206]

[205] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

[206] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

In other words, all human beings have equal dignity and claim to resources needed to realize their fundamental human rights and capabilities. If society does not guarantee the fundamental rights and capabilities, it cannot be said to be a just society, whatever its level of material wealth. These rights include the right to economic social wellbeing and decent living. A strong state is one which ensures that its citizens exercise their rights and realize their human capabilities, through self-organizing and raising their views, as well as other processes.

A Right-Based Approach (RBA) to social accountability views social services as human rights and therefore, fundamental entitlements that are bestowed on all human beings. They are inalienable, indivisible, and therefore cannot be taken away by the state. Social services are viewed by international treaties and conventions as legally enforceable and performance standards to hold states and duty bearers accountable. They are elaborated in the policy and national legislative framework and therefore, guaranteed from abuse.

RBA is also premised on an understanding that public officials are entrusted with public resources to ensure that these rights are progressively realized. Whenever these resources are not well spent, the progressive rights of citizens are violated and whoever violates these rights should be held to account. Social Accountability Monitoring, therefore, seeks to track the social delivery system to ensure or assess whether the state is undoubtedly doing enough to ensure its citizens progressively realize the said rights.

5.1.2 Why Monitor the Social Accountability System?

A number of factors in Tanzania and many other countries make social accountability and delivery of quality social and public services difficult. Many developing countries (Tanzania included) are characterized by:-

- Good legislative framework but weak implementation.
- Lack of clear separation between execution and oversight arms of government. The executive branch of the state (President, Cabinet and Public Service) and oversight branch (Parliament) are closely linked. In most cases Cabinet ministers are Members of Parliament. This is even more acute at the local level in Tanzania.

- Tendency to rely on friendship, cronyism, party loyalties and treat accountability as a personal favour to ordinary citizens.
- Failure by most CSOs to use existing constitutional and legislative provisions to participate in governance processes, and failure to think beyond formalized consultations and workshops.
- Over concentration on macro policy and neglecting expenditure management issues at the site of service delivery.
- As a result of the above, failure to implement constitutional provisions on socio-economic rights and widespread acts of corruption, conflict of interest and existence or failure to deliver improved social services.

5.1.3 International and National legal interface of the Right to Social Accountability

The International Bill of Human Rights, *The Universal Declaration of Human Rights* (UDHR, 1948), *The International Covenant on Civil and Political Rights* (*ICCPR, 1966*) and *International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966),* emphasize the universality, indivisibility, interdependence and interrelatedness of *all* human rights. The interplay between the International Bill of Human Rights Law and nation states lies within the various treaties and conventions being signed by the nation states.

The relevant, international human rights treaty on Social Accountability Monitoring is *The International Covenant on Economic, Social and Cultural Rights* (ICESCR, 1966). This commits all 152 signatories (Tanzania included) to ensure progressive realization within their available resource's rights to health, education, social security, adequate standard of living (food, clothing and housing) and persistent improvement of living conditions.

5.1.4 Approaches to Social Accountability Monitoring

There are three (3) Right Based Approaches to Social Accountability. These include: -

1 Policy Monitoring and Analysis

This approach to social accountability monitoring focuses on analysis and amendment of policies, constitutional and legislative provisions governing the state. It includes analysis of the macro policymaking and budget analysis. Examples of organizations or work that may be linked to this approach include the Policy Forum's Budget Working Group, HakiElimu's Education Budget Analysis, Health Equity Group's Budget Analysis, and TGNP and Feminist Activist Coalition's Gender Budgeting Initiative.

2 Social Accountability System Monitoring

This approach focuses on monitoring of processes making up the social accountability system and mapping it on to the public resource management framework. It is at the interface between the policy formulation and project implementation, space between what the policies say and the means by which they are implemented. Examples of this approach to social accountability monitoring are Policy Forum's Social Accountability Monitoring work with partner networks at the regional level and HakiElimu's analysis and advocacy related to education budget process as well as the Open Budget Index.

3 Social Auditing

This approach focuses on verification of projects and implementation of public services delivery programs at the community or constituency level. Examples of this approach include Hakikazi Catalyst's work with local communities in performance tracking 'pima' or scorecards, Muhuri's (Kenya) work in monitoring the CDF and the Uganda Debt Network's Monitoring of Service Delivery and Public Expenditure in Uganda.[207]

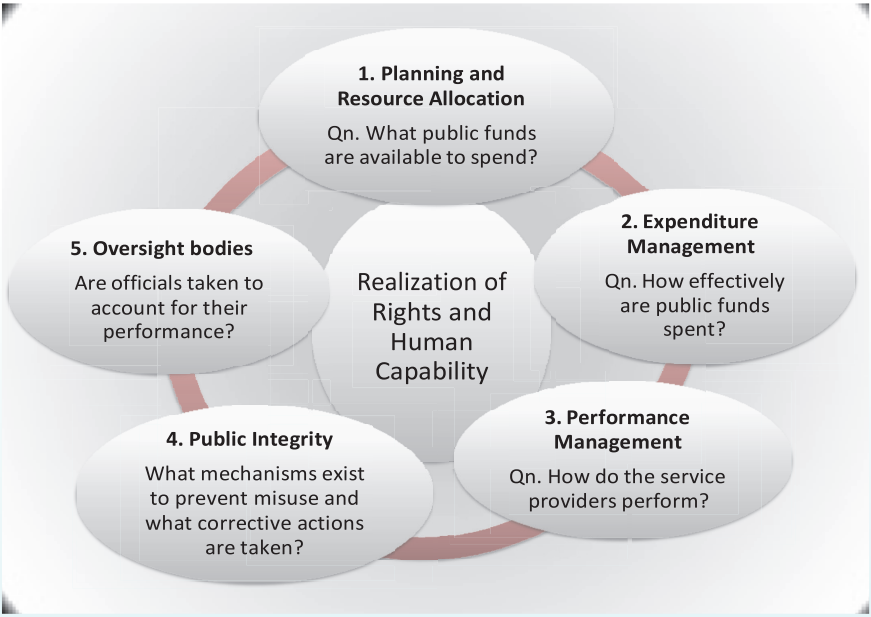
5.1.5 Stages of the Social Accountability Monitoring System[208]

There are five stages for monitoring the social accountability system. These stages are derived from the traditional processes, which require the state to produce justifications

[207] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

[208] Section 124 and Fourth Schedule to The Excise (Management and Tariffs) Act, CAP. 147

for the use of public resources and ensure corrective action is taken in instances where the resources are misallocated. These stages can be diagrammatically shown as below: -



In monitoring the social accountability system, the five stages are mapped directly onto the public resource management cycle and service delivery process of the state. Civil Society Organization as actors employ the same information used by service providers for internal management and reporting purposes to monitor their desired performance.

5.1.6 Monitoring the Five stages of the SAM Framework

This section explains why one might engage in monitoring a certain stage of the Social Accountability Monitoring (SAM) framework, what tools are relevant, and what sort of output Civil Society Organizations (CSOs) engaged in the monitoring should generate?

Stage 1: Planning and Resource Allocation or Budget Evaluation

The first stage is planning and resource allocation. It is necessary to ask what resources are available and service providers plan to do with the resources. Poor planning and resource allocation will have a negative implication on the quality of services delivered. The sources of information include budget documents, strategic plans, business plans, outsourcing contracts and service level agreements. The outputs entail budget analysis, strategic plan evaluations, and alternative budget proposals: example, gender budgets.

Stage 2: Expenditure Tracking

The second stage within the social accountability system is expenditure management process. In order to hold public officials and private service providers to account for the use of public resources, it is crucial to ask what resources are available and what service delivery departments or private service providers intend to do with the resources.

However, it is insufficient for civic actors to only engage with government on allocation and planning processes. Since expenditure, and not simply the allocation of resources, results in service delivery, it is, indeed, necessary to track public expenditure in order to hold public officials and private service providers to account for the progressive realization of human needs and rights through the management of public resources.

Of course, expenditure does not necessarily equate to the realization of socio-economic rights, since one must query the *quality* of expenditure. But, in evaluating the efficiency of a district or department's performance and the effectiveness of its resulting public services, comparison of expenditure with budget allocations gives a good starting point. Poor spending will have a negative impact on the department's performance and its delivery of service and may exert a negative effect on its future resource allocation too.

The sources of information entail monthly quarterly financial reports, audited annual financial reports, internal audit reports, and data on receipts and expenditures from site of service delivery. The expected output for this exercise is expenditure tracking report.

Stage 3: Performance Monitoring

A right-based approach to performance management tracks whether the resources were used efficiently, effectively and economically in order to realize socio-economic rights through the delivery of quality public services. The performance of various ministries, departments or service providers must be monitored against the objectives, activities and service delivery commitments set out at the beginning of each year. Those who fail to deliver in accordance with their strategic plan at the beginning of each year should provide justifications and explanations as to why the quality services were not offered.

Performance management significantly impact on the ministry, department or district's ability to implement effective resource allocation and strategic planning systems and ability of the oversight bodies to hold them accountable for their performance. Poor performance of department, ministry or district adversely affects the quality of services.

The sources of information include annual reports, auditor general's reports, internal audit reports, reports on business plans, reports on service providers reports, reports from oversight bodies and infrastructure and maintenance reports. For that matter, the output sought from this performance monitoring is a performance monitoring report.

Stage 4: Public Integrity Evaluation

Public integrity traces its foundation from the recognition that the basis of a legitimate and effective government is built on public trust and confidence. Thus for a state to win public trust and confidence there must be consistent respect for and upholding in action social accountability to one responsible for management of public goods and resources.

Monitoring public integrity system enables actors to establish whether corrective action is taken in instances where public resources have not been served to realize people's rights, due to ineffective use or misuse of the resources. If the public integrity process is not monitored, could adversely impact on other social services delivery. The necessary requirements for ensuring public integrity are comprehensive

normative and regulatory framework governing the conduct and performance. It also includes the existence of different institutional mechanisms to regulate and correct the conduct and performance.

The sources of information include declaration of interest forms, disciplinary databases, annual reports, oversight committee minutes, newspaper reports and auditor general's reports. The stage, public integrity evaluation, is expected to give two outputs, to wit, public integrity evaluation and analysis of cases of misuse or abuse of public resources.

Stage 5: Supporting the Oversight Bodies

Oversight bodies such as CAG, PAC and LAAC are very important in delivery of social services. They can help in ensuring that the public officials and service providers who fail to deliver quality services are taken to account for their failure to perform as agreed.

The key issue is seeing whether recommendations and views of oversight committees in regard to the department, ministry of service providers' performance in the past years were respected or flouted with impunity by public officials or those responsible in managing public resources. Failure of the oversight bodies to perform their duties and respect their views and recommendations adversely impacts delivery of social services.

The sources of information at this stage are the auditor general's reports and oversight committee report and that an expected output is the accountability to oversight reports.

5.1.7 Salient Issues of Right Based Approach to SAM

a. Receiving social services is a right and not a favour from those entrusted with public resources to provide these social or public services.
b. Even when resources are limited, they should be distributed equitably and in a manner, which is fair and just.
c. At the core of policy process and social service delivery should be the need for progressive realization of human rights and capabilities.

d. The state should spend its resources in such a way, which ensures that citizens realize their rights and human capabilities.
e. Those who control public resources or services should be able to provide justifications and explanations for failure to deliver social or public services.
f. Where public resources are squandered or misused, oversight bodies like CAG, PAC, LAAC and PCCB must be seen to perform their oversight functions.
g. Participation of civic actors is largely based on the right to social accountability. Civic actors have a right to monitor social accountability framework to establish whether resources are spent as planned and where misuse of such resources exist, public officials are taken to task to account for their inept performance.

5.2 Commitment to Equity Budgeting

The government redistributes resources, especially to the most disadvantaged members of the society. While there is considerable disagreement over the extent and means to effect such redistribution, most people agree that society is better off if inequality and poverty can be reduced, and all governments do, in fact, redistribute income with their tax and expenditure policies, though not always progressively. This part examines the extent to which the government of Tanzania does so particularly on **gender budgeting**.

5.2.1 What is Gender Budgeting?

Gender-sensitive budgeting is a variety of processes and tools that attempt to assess the impact of government budgets, at national level, on distinct groups of men and women, through recognizing the ways in which gender relations underpin society and economy. Gender responsive budgets assess what goods and services governments produce and impacts of policies and budgets on men/boys and women/girls. Gender budgeting has much in common with social accountability context and is also derived from a rights-based approach featuring rights of girls/ women in the context of social gender analysis.

A gender responsive budget initiative does not aim to produce a separate budget for women or increase amount of money spent on women-specific programs. Instead it aims to analyse any

form of public expenditure, or method of raising revenues, from a gender perspective, identifying the implications for women/girls as compared to men and boys. These are analyses of gender-targeted allocations (e.g. special programs targeting women); they disaggregate by gender the impact of mainstreaming expenditures across all sectors and services; and review equal opportunities policies and allocations within government services. Gender-responsive budget initiatives can highlight the gaps between policy statements and the resources committed to their execution, ensuring public monies is raised and spent in more gender equitable ways.

Gender responsive budget initiatives can be carried out at national, regional and sub-national. It may cover the overall budget or only its selected parts. The budget can be done within government, by the Ministry of Finance and Planning in conjunction with the Ministry of Health, Community Development, Gender, Elderly and Children, other spending ministries, outside government, or by CSOs and independent researchers. The practice of implementing gender budgets prove that what has been particularly effective is the initiative supported within and outside the government and based on dialogue.

In Tanzania, the TGNP has played a most leading role in gender budgeting initiatives, achieving notable successes and becoming an example in the international community.

5.2.2 Why do Gender Budgeting?

Gender budgets highlights the gap between policy statements and resources committed to their execution, to ensure that public money is spent in a more gender equitable way.

GRB analysis offers a means to hold governments accountable for its commitments to gender equality and women's human rights. It is realized by linking these commitments to the distribution, use and generation of public resources. *Gender budget* outlines expected revenue and expenditures and responds to the budget impact on women and men. GRB analyses also makes women's work economically visible and shows how revenue collection and changes in tax structure can impact women inversely from men, mainly in case of single mothers and women in the rural economy and informal sector.

Box 5 Why Do Gender Budgeting?

Equality

Although national budgets may appear to be gender-neutral policy instruments, government expenditures and revenue collection have different impacts on women and men. The approach to budgeting based on rights helps to ensure that gender equality becomes a goal and indicator of economic governance. It is a tangible measurement of the execution of Convention on the Elimination of all forms of discrimination against women and other human rights instruments.

Accountability

Gender responsive budget (GRB) initiative, linking commitment to gender equality to the ways in which government raise and spend money, give a concrete way to increase government accountability to its entire people.

Efficiency

Economic reports give the evidence that gender inequality leads to major losses in economic efficiency and human development. Macroeconomic policy is able to increase, reduce or leave unchanged the losses to society from gender inequality. It happens primarily through adjustments in fiscal policy (including revenues and expenditures). GRB policies can go far to reconcile the objectives of gender equality and economic efficiency.

Transparency

GRB initiatives engage members of civil society in a vital area of political and economic policy debate, especially women, who generally are marginalized from such discussions.

It has to be underlined that gender budgets are not separate budgets for women and their main aim is not increasing spending on women specific programs. Gender budget analysis helps citizens and governments to decide in what ways particular policies need to be adjusted and also suggests where there is the need of allocating the said resources.

5.2.3 Gender Budgeting Tools

The tools used in gender sensitive budget analysis have been identified, and includes: -

a. Gender aware policy appraisal
An analysis from a gender perspective of the policies and programmes funded by the budget. The main focus of interest is to know in which ways the policies and the resource allocations that support them is likely to reduce or increase gender inequality.

b. Gender-disaggregated beneficiary assessment
Participatory surveys traces how men and women assess whether public services meet their needs and how existing patterns of public expenditure match with their priorities.

c. Gender-disaggregated public expenditure incidence analysis
This is a mere estimate of the distribution of the budget resources (or cuts in these resources) amongst the males and females by measuring the unit costs of providing a specific service and multiplying it by the total number of units utilized by every group.

d. Gender-disaggregated revenue incidence analysis
This involves a calculation of the relative amount of taxes paid by women as opposed to men. The said calculation includes direct taxes and indirect taxes as well as the user fee.

e. Gender-disaggregated analysis of the impact of the budget on time use
This involves a calculation of the link between the budget allocations and their effect on how the household members spend their time, using household time use surveys.

f. Gender-aware medium term macroeconomic policy framework
Assess the impact of economic policies on women, focus on aggregate fiscal, monetary policies and economic policies designed to promote globalization and reduce poverty.

g. Gender-aware budget statement
A government report that reviews the budget using some of the above tools, and summarizes its implications for

gender equality, with different indicators, such as share of expenditure targeted to gender equality, gender balance in government contracts or job training, or share of expenditure for public services used mainly by women.

To date, gender-aware policy appraisal is the main technique that has been adopted. Gender-sensitive budget analysis requires data to assess inputs (budget or staff allocations), outputs (beneficiaries) and outcomes (increased health, education, time availability). Therefore, systematic gender disaggregated data are necessary, for example, on service use, time use, health and education status and employment.

5.2.4 Scope and Methods of Gender Budgeting

Gender budgeting can cover the whole budget, expenditure of selected departments or programmes, expenditure on new projects, selected forms of revenue (taxes, user fees), changes in tax system, and execution of new legislation. Gender budgeting can be used in any phase of budget cycle (plan and identify objectives, appraisal to identify financial allocations to meet objectives or audit to identify any misappropriation of money, etc.).

5.2.5 The Most Frequently Asked Questions in Gender Budgeting

1. Who is the recipient?
2. How is spending distributed? What are the implications in the short and long term for the gender distribution of resources and the issue of paid and unpaid work?
3. Is provision adequate to the needs of women and men?
4. In what ways and how policy affects gender norms and roles?
5. In what ways is gender taken into account in policy formulation, design and implementation?
6. What are the priorities given to reduce gender inequality?

We can distinguish distinct steps of preparation of gender responsive budget analysis: -

1. Examine place of women and men and boys and girls in each sector (GBI usually disaggregates data not only by gender and age, but also by rural-urban site, class or income, and in any case, ethnicity and/or race);

2. Investigating whether government policies adequately address problems identified in the first step;
3. Checking if adequate resources have been allocated to implement gender-sensitive policies; and
4. Investigating the effectiveness of the use of resources in reaching the intended targets and goals.

5.3.6 Gender Budget Analysis Requirements

There are certain basic requirements necessary to carry out gender budget analysis: -

1. Statistics disaggregated by sex: expenditure and revenue, unpaid caring economy, and micro analytic models over economic and other behaviour which are sensitive to gender differentials.
2. Sensitivity to gender segregation, cultural practices and gender norms (and how policy supports and reconstructs these).
3. Co-operation across government agencies and across policy processes;
4. Awareness of the scope of gender issues and ability to search out more hidden aspects of gender inequality.
5. Tools to assess the aims and priorities attached to policy.
6. Awareness of the complexity of gender inequalities in the process of setting goals and targets.
7. Ability to locate the policy in particular the concrete situation and specific context.

CHAPTER SIX
SUMMARY AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the overall summary of the Guide on understanding budget process in Tanzania. It offers a framework of main theme guided review and updating of the Guide for understanding the budget process in Tanzania. Moreover, the chapter presents the general and specific recommendation that will form guidance over the implementation of the Guide on understanding budget process in Tanzania.

6.1 The Overall Summary

The Guide on understanding the budget process has been reviewed and updated basing on number of several policy and legal frameworks governing budget process. The assignment considered the theoretical and practices as best way of enriching this Guide. The summary presented hereunder is the basis of each chapter presented in this Guide.

6.1.1 Chapter One

Chapter one of this Guide consolidated the theoretical and the practices of the budget cycle. It offers the general standard commonly followed by nations across the world in the course of budget process: policy review, strategic planning, budget formulation, budget execution, accounting and monitoring, as well as audit and evaluation. Similarly the chapter presents consolidated four stages as per The Budget Act, CAP. 439 and the opportunities available in each stage for CSOs engagement in the entire budget process.

6.1.2 Chapter Two

Chapter two of the Guide on understanding the budget process in Tanzania offers a detailed and meaningful policy and legal framework governing the budget process in Tanzania. It provides a clear understanding on how the national development vision, regional, continental and global

agenda are mainstreamed in the country's long-term plans and medium-term plans and further implemented through short term plan(s). In the same vein the chapter presents both constitutional and legal basis for the budget process in Tanzania and how they are observed both at the national and regional level.

6.1.3 Chapter Three

Chapter four of the Guide presents the institutional framework of the budget process in Tanzania. It presents and analyses a number of actors involved in the budget process. The analysis involves actors both at the national and LGAs level. Since the entire budget process is considered as a game of interaction between and among actors therefore, the contents of chapter four stipulate the avenue for CSOs both at national and LGAs level.

6.1.4 Chapter Four

The Guide on understanding the budget process in Tanzania underscores where the resources to finance the budget come from and where the money is being spent. This chapter is meaningful for the CSOs as it forms a basis for public financial expenditure and accountability. The chapter provides an avenue for CSOs to actively engage on government decisions to collect revenues from various sources especially domestic one. Also, it provides sufficient space for CSOs to track expenditure as per approved budget.

6.1.5 Chapter Five

Chapter five deals with the right based budgeting. This presents a detailed framework through which an approved budget can be examined. It explains the rationale behind social accountability monitoring and the approaches that may be employed to monitor. It gives out the key important stages of the social accountability-monitoring framework. The chapter also incorporates aspects of equity budgeting leading to gender budgeting.

6.2 Recommendations

This part of the Guide on understanding the budget process in Tanzania has been prepared basing on the overall process of reviewing, updating and workshop sessions that brought together representatives from various Policy Forum associate members. It offers general and specific views that inform the effective implementation of this Guide.

6.2.1 Continuous Capacity Building

Continuous capacity building amongst the players involved in the budget process is indispensable. For actors to effectively engage in the budget process irrespective area of focus need to have sufficient understanding over the process. This can be done through organized workshops whether by Policy Forum or individual members of the network.

6.2.2 Sensitize Community Engagement

Planning and budgeting process at LLG calls for community participation. To realize effective community participation in the budget process CSOs need to proactively sensitize and build capacity for community members. Such act enables community members to take active role during the planning and budgeting and helps to consider felt problems and needs before submitted to council for inclusion in planning and budgeting using web based PlanRep. This can be done through available platforms at the LLG levels as detailed in the Guide.

6.2.3 Timely Engagement

Timely engagement in the budget process by CSOs will offer a meaningful role. Despite that the budget process is complex and has overlapping events annually, CSOs need strategized and capable human resources to offer timely engagement in the entire process. It can be done through joint coordination and sharing platforms among CSOs.

6.2.4 Simplification of Policies and Laws Governing Budget Process in Tanzania

CSOs may be in position to undertake several tasks to produce simplified version of the policies and laws governing budget process whenever possible. This helps to convey standard and practices of budget process in a simple manner to a large group of users.

6.2.5 Government Structure Understanding

Wide understanding on the government structure or systems is key for CSOs. Since the budget process involves series of structure embedded at the national and LGAs level to guide the process. Understanding of the structure enables to participate and possibly ask whenever shortfall arises. This can be done through continuously engagement of expertise from national and LGAs level in different CSOs platform whenever possible.

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