THE UNITED REPUBLIC OF TANZANIA

BILL SUPPLEMENT

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THE BUDGET ACT, 2014

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NOTICE

This Bill to be submitted to the National Assembly is published for general information to the general public together with a statement of its objects and reasons.

Dar es Salaam, 30th October, 2014

OMBENI Y. SEFUE
Secretary to the Cabinet

A BILL

for

An Act to provide for the regulation and oversight of the national budget process, principles of fiscal management, plan and budget guidelines, powers of the National Assembly in relation to budget; to provide for powers and functions of the Minister, Permanent Secretary, Planning Commission and Commissioner for Budget in relation to preparation and approval of the national budget and expenditure appropriation; to provide for establishment and administration of Contingent Fund, withdrawal from Consolidated Fund, management of revenues, oversight of subsections and public entities and to provide for other related matters.

ENACTED by Parliament of the United Republic of Tanzania.

PART I
PRELIMINARY PROVISIONS

1. This Act may be cited as the Budget Act, 2014 and shall come into operation on the 1st day of January, 2015.

2. This Act shall apply to Mainland Tanzania.

3. In this Act, unless the context otherwise requires- “Accountant-General” has the meaning ascribed to it under the Public Finance Act;
“accounting officer” has the meaning ascribed to it under the Public Finance Act;
“Appropriation Act” means any Act which authorises
expenditure of public monies out of the Consolidated Fund for the supply of services for financial year;

“budget” means the annual estimates of the revenues and other receipts and the expenditures of the Government, including grants to local authorities submitted for the approval of Parliament;

“budget cycle” means series of activities and timeframes involved in the budget process from preparation, approval, execution, monitoring and reporting;

“compliance report” means one of several reports submitted to the National Assembly by the Minister under section 50;

"Consolidated Fund" has the meaning ascribed to it in the Constitution;

“Constitution” means the Constitution of the United Republic of Tanzania;

“extra budgetary agency” means an agency which operates outside the government budget system;

"financial year" means, in relation to-

(a) the Government, other than local government authority, a period of twelve months ending on 30th June of each year;

(b) a local government authority, has the same meaning ascribed to under the Local Government Finances Act; and

(c) a public authority or other body, the period specified by or under the relevant law or instrument relating to that authority or body or as determined by the competent authority of that authority or body;

“Government” means ministries, independent departments, regional secretariat, local government authorities and public entities;

“Minister” means the Minister responsible for finance;

"Money Bills" means the Finance Bill, the Appropriation Bill or any other bill which is providing for financial matters;

“next financial year” means a period commencing on the 1st July of the next calendar year and ending on 30th June of the next following calendar year;

“Paymaster-General” means an officer who is vested with powers to control the issue of public money to accounting officers and who, in that capacity and subject to the directions of the Minister, control the issue of public moneys to ministries and departments
of the Government, and perform such other functions as the minister may by regulations prescribe;

"Permanent Secretary" means the Permanent Secretary to the Treasury;

"public entities" means public institutions including parastatals, government agencies, local government authorities and social security schemes;

"public moneys" include:

(a) the public revenues of the United Republic; and
(b) any trust or other money held, whether temporarily or otherwise, by an officer in his official capacity either alone or jointly with any other person, whether an officer or not;

"regional economic blocks" includes East African Community, Southern Africa Development Committee and Common Market for Eastern and Southern Africa and such others economic blocks;

"supplementary appropriation Act" means any Act, the purpose of which is to supplement the appropriation already granted by an Appropriation Act;

"Treasury Registrar" has the same meaning ascribed to it in the Treasury Registrar (Powers and Functions) Act.

PART II
MACROECONOMIC AND FISCAL FRAMEWORK

4.- (1) The Government and public entities shall, in their policy objectives, adhere to the principles of prudent fiscal management.

(2) The principles of prudent fiscal management shall include:

(a) a borrowing policy which ensures that public debt is sustainable;
(b) a fiscal policy that achieves and maintains an adequate buffer of the State’s total net worth in the future;
(c) minimization of fiscal risk to the country in respect of guaranteed loans, pension obligations and pending bills;
(d) a wage policy that is sustainable, attractive, not wasteful pegged to the size of the economy, and ensures retention of competent staff;
(e) policies that ensure a reasonable degree of future predictability about the level and
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5. The Plan and Budget Guidelines shall set out fiscal objectives based on the following criteria:

(a) promote sustainable macroeconomic stability and non-inflationary and inclusive economic growth;
(b) establish and maintain sustainable and low risk debt budget financing mechanism;
(c) maintain a ceiling on fiscal deficit, including grants;
(d) maintain sufficient level of gross official reserves to cover for imports of goods and services; and
(e) sustain monetary and financial stability.
6. The financial programming and macroeconomic modeling used quarterly as an input for preparation of the macroeconomic framework, plan and budget guidelines shall involve:

(a) assessing the world economic dynamics and its impacts on the national economy;
(b) preparing macroeconomic assumptions and outlook for the coming fiscal year;
(c) preparing medium term macroeconomic framework that is used for the preparation of the plans and budget guidelines;
(d) preparing requirements relating to the macroeconomic and fiscal forecasts underlying the Plan and Budget Guidelines and national budget documents; and
(e) specifying Minister's responsibility to produce macroeconomic and fiscal forecasts over a medium-term time horizon.

7.- (1) The Government and public entities shall prepare annual budget based on the approved medium and long term plan.

(2) The budget prepared under subsection (1) shall focus on the implementation of the National Development Plan.

(3) In preparing budget under this section, the Government and public entities shall not include in the budget estimates any project which is not listed in the National Development Plan or which can be financed by private sector or public private partnership in a manner satisfactory to the Government.

(4) The Government and public entities shall ensure that-

(a) only approved integrated development plans are implemented;
(b) financial resources required by National Development Plan are consistent with ceilings indicated in the Plan and Budget Guidelines prescribed under this Act;
(c) development projects are implemented in the order of priority;
(d) a mechanism for implementation of development and recurrent budgets is established;
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(e) mechanism of reviewing any new development projects before implementation is established;
(f) development projects are to be approved by the Planning Commission before being included in the budget;
(g) involvement of the private sector in the financing and implementation of big development projects through public private partnership to the extent that this promotes efficiency and has minimum financial risk to the government;
(h) criteria of devolving financial resources to local government authorities are set;
(i) grading of local government authorities is made for planning and allocation of financial resources;
(j) timeframe for the preparation and distribution of the Plan and Budget Guidelines is set; and
(k) criteria by which amounts to be allocated for investing in development projects are set.

PART III
MANAGEMENT OF BUDGET PROCESS

8.- (1) The National Assembly shall have the following responsibilities:
(a) to consider the budget estimates, macroeconomic plan and programs;
(b) to discuss and review the Plan and Budget Guidelines and budget estimates;
(c) to monitor all budgetary matters falling within the competence of the National Assembly under this Act;
(d) to examine financial statements and other documents submitted to it and make recommendations to the Government for improving the public finance management;
(e) to make recommendations to the Government on money Bills after taking into account the views of the Minister;
(f) to provide recommendations on fiscal prudence on budgetary matters; and
(g) to carry on such other functions relating to the Budget as may be assigned to or by any other law in force.
(2) In carrying out its functions, the National Assembly shall observe the principle of fiscal prudence in the budgetary process.

(3) The Minister shall prescribe procedure by which the National Assembly shall submit proposals and recommendations that may be taken into consideration in the preparation of national budget estimates.

9.(1) The Minister shall, before the commencement of each financial year cause to be prepared and laid before the National Assembly-
   (a) estimates of the revenue; and
   (b) expenditure estimates and financing requirements for the Government of the United Republic for that year.

(2) Without prejudice to the generality of subsection (1), the Minister shall be responsible for-
   (a) developing the Government’s macro-fiscal policy and the medium-term expenditure framework for the budget;
   (b) controlling and supervising the preparation, execution and monitoring of the budget, including any adjustments to the budget;
   (c) ensuring that all stakeholders are able to participate and are informed on the decisions taken on the budget within the medium term expenditure framework developed by the Minister under paragraph (a);
   (d) publishing by any appropriate means, the progress of budget execution on a quarterly basis;
   (e) managing and controlling Government funds, banking and payment arrangements, forecasting of cash flows, public sector accounting, public debt and Government financial assets and liabilities; and
   (f) promoting and enforcing transparency and sound management in respect of the revenue, expenditure, assets and liabilities of Government.

(3) The Minister shall, by regulations-
   (a) prescribe procedures specifying how, when and where members of the public shall participate in the budget process at the national level; and

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(b) provide for the monitoring of budget by the Commissioner for Budget and the Internal Auditor-General to ensure personal involvement of the accounting officers in the work of the budget committees.

10.-The Minister responsible for Planning shall be responsible for:

(a) preparation of the National Development Plan;
(b) submission of the National Development Plan to the Cabinet for approval;
(c) submission of the approved National Development Plan for the approval to the National Assembly;
(d) coordination of the implementation of the National Development Plan; and
(e) submission of the Statement of State of the Economy to the National Assembly.

11.- (1) The Permanent Secretary and the Paymaster-General shall, for the purpose of ensuring effective application of this Act and any subsidiary legislation made or issued under the Act, be responsible to the Minister.

(2) The Permanent Secretary and the Paymaster-General shall ensure that-

(a) there is timely and effective preparation of annual estimates of expenditure for consideration and approval by the Minister subject to approval by Cabinet before submission to the National Assembly;
(b) annual estimates of expenditure are prepared in conjunction with any general or specific direction of the Minister and reflect, as can best be ascertained at the time, good value for money and the effective use of Government's resources;

(3) The Permanent Secretary and the Paymaster-General shall, subject to the directions of the Minister, control the issue of public funds to Government and public entities and perform such other functions as the Minister may prescribe.

(4) The Permanent Secretary and the Paymaster-General may request for information that is necessary for
the purposes of preparing any report that is required to be prepared under this Act from any public entity.

(5) A request made under subsection (4) shall be in writing providing guidance in terms of the date by which, and the format in which the information shall be provided and a public entity so requested shall comply with the request.

(6) Any public officer who, without reasonable cause, fails to provide information requested under this section commits a disciplinary offence and is liable to disciplinary penalty that may be appropriate within the circumstances.

(7) The Permanent Secretary and the Paymaster-General shall, for the purpose of ensuring efficient use of public funds by public entities, conduct periodical review of revenue and expenditure of public entities.

(8) In the cause of periodical review, the Permanent Secretary may order any amount of funds to be included in the general national budget.

(9) The Minister may, by regulations published in the Gazette, prescribe mechanism for conducting periodical review of revenues and expenditures of public entities.

12. The powers and functions of the Planning Commission shall be to-

(a) assess the state of the national resources for development and advise the Government on the efficient utilization of those resources;

(b) monitor the implementation of government decisions on matters of planning and the management of the economy;

(c) analyse the development project for inclusion in the development budget; and

(d) issue guidelines for the formulation of the National Plan and monitor the preparation process of long-term, medium term and short term annual plans.

13.- (1) There shall be the Commissioner for Budget.

(2) The Commissioner for Budget under the direction of the Permanent Secretary shall be responsible for the preparation, execution, monitoring, evaluation and reporting of the budget.
(3) In the discharge of duties, the Commissioner for Budget shall be answerable to the Permanent Secretary.

(4) Without prejudice to the generality of this section, the Commissioner for Budget shall be responsible for-

(a) reviewing of budgetary policies and provide guidelines in this area;
(b) analysing votes estimates during the process of budget scrutinization;
(c) overseeing and managing the implementation of the Government and public entities budget;
(d) preparing reallocation to the budget;
(e) monitoring, evaluation and reporting of the Government budget;
(f) consolidating and managing cash flow plan and performance; based disbursement; and
(g) advising on budgetary commitments of the Government and financial obligations.

14.(1) There shall be a National Plan and Budget Guidelines Committee.

(2) Composition of the National Plan and Budget Guidelines Committee shall be prescribed by the Minister in the regulations.

(3) The National Plan and Budget Guidelines Committee shall be responsible for advising the Government in the preparation of the National Budget.

(4) The powers and functions of the National Plan and Budget Guidelines Committee shall be to-

(a) prepare the Plan and Budget Guidelines; and
(b) request for information in writing from Government or public entities that is necessary for purposes of preparing the Plan and Budget Guidelines.

15.(1) There shall be a Commissioner for Policy Analysis.

(2) In the discharge of duties, the Commissioner for Policy Analysis shall be answerable to the Permanent Secretary.

(3) The functions of the Commissioner for Policy Analysis shall be responsible to provide expertise in-

(a) policy issues concerning fiscal matters including revenue mobilization, expenditure
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allocation and sources of financing and regional and International economic cooperation; and
(b) macroeconomic issues regarding to policy formulation and implementation, data base management and periodical reporting.

16. The powers and functions of the Treasury Registrar shall be to-
(a) review, approve strategies, annual plans and budgets of public entities which are under the supervision of Treasury Registrar and incorporate into the National Development Plan;
(b) supervise public entities investment funds;
(c) ensure that surplus, contributions and dividends from public entities are paid when due;
(d) direct or approve the adoption, application or amendment of financial regulation to ensure the proper accounting of the income and expenditure of public entities;
(e) monitor capital grants, subsides, capital funds, reserves or retained earnings, earned by a corporation and other public investments;
(f) examine and approve organization structure, salary structure, scheme of service in public entities;
(g) to manage and control privatization funds received from divestiture process of public entities, assets and shares;
(h) ensure review and signing of every public corporation performance contract geared towards revenue improvement; and

17. (1) The powers and functions of the accounting officer shall be to ensure that-
(a) budget of votes and public entities is prepared as per Plan and Budget Guidelines;
(b) public funds and resources are properly managed and safeguarded; and
(c) arrangement for collection of revenue from the public are conducive to its collection.
(2) Accounting officers of the respective ministries and public entities shall establish a budget
committee the composition of which shall be prescribed in the regulations.

PART IV
BUDGET PREPARATION AND APPROVAL PROCESS

18-(1) The budget process in any financial year shall comprise of the following stages:
(a) integrated development planning process which shall include long term and medium term planning;
(b) planning and determining financial and economic policies and priorities at national level over the medium term;
(c) approval of Plan and Budget Guidelines by Cabinet;
(d) adoption of Plan and Budget Guidelines by National Assembly as a basis for future deliberations;
(e) approval of the revenue measures by Cabinet;
(f) preparing budget estimates of the government for the approval by the Cabinet;
(g) submitting budget estimates to the National Assembly for approval;
(h) preparing the Appropriation Bill, the Finance Bill and subsidiary legislation required to implement Government’s budgetary proposals; and
(i) enacting the Appropriation Act and the Finance Act.
(2) There shall be an advisory committee to the Minister on revenue measures for the respective financial year.
(3) The composition of the advisory committee shall be prescribed by the Minister in the regulations.

19. The Minister responsible for Planning Commission shall prepare and lay before the National Assembly the National Development Plan which shall be the basis for the preparation of the National Budget.

20-(1) The Minister shall prepare and lay before the National Assembly Plan and Budget Guidelines.
(2) The Plan and Budget Guidelines shall be laid
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before the National Assembly by February each year or, in the event that the National Assembly is not in session by February, within the first week upon the convergence of the National Assembly.

(3) The Plan and Budget Guidelines shall state the broad strategic macroeconomic issues which shall be the basis of the budget of the succeeding financial year and the medium term and shall include—

(a) an assessment of the current financial year and the projected state of the economy for the succeeding three financial years;
(b) the macroeconomic and fiscal policies for the period specified under paragraph (a);
(c) targets for overall revenues, total aggregate expenditure, domestic and external borrowing for the succeeding financial year and the medium term;
(d) the total resources to be allocated to individual programmes within a sector or Ministry for the period identified under paragraph (a) indicating the outputs expected from each such programme during that period;
(e) the criteria used to allocate or apportion the available public resources among the various programmes;
(f) the estimates of interest and debt servicing charges and loan repayments for the financial year to which the budget relates and the two succeeding financial years;
(g) proposal for financing any deficits for the financial year;
(h) indication of the intention regarding borrowing and actions that may increase public debt for the financial year;
(i) budgeted and actual revenue levels for the two preceding financial years;
(j) budgeted and actual expenditure for the two preceding financial years by vote and main divisions;
(k) forecast financial position for the financial year to which the budget relates and the two succeeding financial years; and
(l) the policy objectives that guide the Government’s budget decisions during the
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financial year and the policy areas that the Government focuses on during the financial year.

21.- (1) Public entities shall prepare budget estimates and submit to the Permanent Secretary for scrutiny and approval in accordance with this Act and receive funds from the Consolidated Fund based on approved budget.

(2) On receipt of budget estimates, the Permanent Secretary, may-
(a) approve the budget estimates with or without variation; or
(b) reject the budget estimates and give reason for the rejection.

(3) The Permanent Secretary may make variation or reject budget estimates on the ground that matters specified in line items:
(a) do not fall within principal functions of the public entity concerned;
(b) are over-budgeted expenditure or are not commensurate within supply or service obtaining in the market; or
(c) do not correspond to austerity measures outlined in the National Development Plan.

(4) The Permanent Secretary may order revenues collected by a public entity in excess of budget estimates to be remitted to the Consolidated Fund.

22.- (1) The Minister shall, within a period allowing time to meet the deadlines specified in this section, submit to Cabinet for its approval, the budget estimates and other documents supporting the budget estimates.

(2) Where the Cabinet has approved the budget estimates all Ministers shall be collectively responsible to-
(a) observe, support and advocate the budget estimates; and
(b) supervise the implementation of the budget estimates.

(3) The Minister shall, by the 30th April in each year, submit to the National Assembly the following documents-
(a) the budget estimates; and
(b) documents supporting the submitted estimates
required to implement the budget.

(4) The Government and the National Assembly shall ensure that the budget process is conducted in a manner and within budget cycle that permits various participants in the process to comply with the requirements of this Act.

(5) The Minister shall, after the budget estimates and other documents have been submitted to the National Assembly cause the documents to be published in the Gazette and publicise the documents.

(6) The Minister shall, on approval of budget estimates by the National Assembly, prepare and submit an Appropriation Bill of the approved estimates to the National Assembly.

23.- (1) In addition to the documents submitted in terms of section 22, the Minister shall submit to the National Assembly the following budget documents for each financial year:

(a) the budget summary that includes:
   (i) a summary of budget policies including policies on revenue, expenditure, debt and deficit financing;
   (ii) an explanation of how the budget relates to the fiscal responsibility principles and to the financial objectives; and
   (iii) a memorandum by the Minister explaining how the resolutions adopted by the National Assembly on the Plan and Budget Guidelines have been taken into account;

(b) the format of the budget estimates that includes-
   (i) a list of all entities that are to receive funds appropriated from the budget of the Government;
   (ii) all estimated revenue by broad economic classification;
   (iii) all estimated expenditure, by vote and by programme, clearly identifying both recurrent and development expenditures; and
   (iv) an estimate of any budget deficit or
surplus for the financial year and medium term and the proposed sources of financing;
(c) information regarding loans made by the Government budget, including an estimates of principal, interest and other charges to be received by the Government in the financial year in respect of those loans;
(d) information regarding loans and guarantees made to and by the Government, including an estimate of principal, interest and other charges to be paid by the Government in the financial year in respect of those loans;
(e) information regarding any payments to be made and liabilities to be incurred by the Government for which an Appropriation Act is not required which shall include the constitutional or legislative authority for any such payments or liabilities; and
(f) a statement by the Minister specifying the measures taken by the Government to implement any recommendations made by the National Assembly with respect to the Government budget for the previous financial year or years.

(2) The Minister shall prescribe nature of information that is to be presented in the budget estimates and the form of presentation.

24.- (1) The National Assembly shall, by 30th of June each year, approve the annual national budget and work plans of government for the next financial year and the Appropriation Bill, The Finance Bill, and other legislative instrument that may be necessary to implement the annual national budget.

(2) The National Assembly shall approve the annual national budget by way of an open vote by call of names of members the National Assembly.

25.- (1) The Minister shall ensure that the expenditure appropriations and the budget estimates in an Appropriation Bill are presented in a way that-
(a) is accurate, precise, informative and pertinent to budget issues; and
(b) clearly identifies the appropriations by vote