PLANNING AND BUDGET PROCESS IN TANZANIA

Ministry of Finance and Economic Affairs
INTRODUCTION

The Government Budget is an important tool for implementation of policy decisions to achieve social, economic and political objectives.

Essentially it involves the determination of resources and their use for attainment of government objectives.
INTRODUCTION (cont...)

- Budget serves as a tool for economic and financial management as well as accountability.

- It also serves as a mechanism for allocating resources among different needs and priorities as well as bringing economic stability and growth.
There is a body of laws, regulations and administrative procedures which govern the budget system. They regulate format, timing and procedures as well as the allocation of formal powers and rights in the budget cycle or process.
Chapter 7: Articles 135 – 144 of the Constitution outlines the provisions regarding the finances of United Republic of Tanzania.

It indicates who has the mandate to prepare the budget and submit it to the Parliament, type of revenue receipts, accounts and authorization of payments.
The Public Finance Act, 2001 (as amended in year 2004)

- It is a legal instrument which provides the legal framework for the budget system with regard to revenue, expenditure control and accountability.
The AFA empowers the Minister for Finance and Economic Affairs to raise money by imposing taxes, levies, fees and charges to mobilize funds to finance the budget.
The Annual Appropriation Act (AAA)

- The AAA empowers the Minister for Finance and Economic Affairs to draw money from the Consolidated Fund and allocate it to various votes.
- It also provides powers for reallocation of funds between votes.
The Public Procurement Act, 2004

- This Act and its corresponding Regulations provides the legal framework for the procurement of goods and services using public funds.

- This Act replaced the former Public Procurement Act, 2001.
Local Government Finance Act No. 9 of 1982
(As amended by Miscellaneous Act No. 6 of 1999)

- It stipulates the requirements and procedures to be followed by LGAs in preparing annual estimates of revenues and expenditures.
The Pay Master General’s Circulars

- The Pay Master General (PMG) issues circulars from time to time including the budget implementation circular.
- It prescribes directives to be followed by the Accounting Officers in the accounting and control of government revenues and expenditures during the financial year.
THE BUDGET PROCESS

- The budget process involves a number of ongoing activities in a circle throughout the year.
- It starts with macro-economic policies and objectives, setting revenues and expenditure ceilings, approval and its execution.
- The following are important steps in the preparation of the budget.
1. Formulation of Budget Policy and Resource Projections

- The budget process begins with formulation of budget policy objectives, priorities and resource projections based on macroeconomic performance review.

- The macroeconomic review is facilitated by the Budget Guidelines Committee (BGC), which is charged with the responsibility of preparing annual Budget Guidelines.

- This committee is composed of officers from the Ministries of Finance and Economic Affairs, President’s Office - Planning Commission (PO-PC), Prime Ministers Office - Regional Administration and Local Government (PMO-RALG) and President’s Office - Public Service Management (PO-PSM).
THE BUDGET PROCESS (cont...)  

Review of macro-economic performance

- This review of macroeconomic performance starts with an assessment on performance of the previous budget assumptions and targets to determine the level of achievement.

- Other variables, which are reviewed, include economic growth rate, inflation and government finance.
THE BUDGET PROCESS (cont...)  

Setting of Macroeconomic Policy Targets

- Based on the macroeconomic and other developments as indicated in the economic performance review, the overall framework for the future is then formulated.
- The framework generally covers the following:
  1. Projected economic growth (GDP)
  2. Level of inflation
  3. External sector performance
  4. Sector Performance – i.e. PRS Sectors
  5. Budget Frame
  6. Financing
Once the macro-policy performance review and resource projections are completed, the Government then sets objectives and budget priorities to be achieved in the annual and next two years of the Medium Expenditure Framework (MTEF).

In setting the priorities, Ministries, Department and Agencies (MDAs)/Regional Secretariats (RSs)/Local Government Authorities (LGAs) are asked to fill in the Strategic Budgetary System (SBAS) and text elaboration of the requests.
THE BUDGET PROCESS (cont...)  

- This is an ideal time for stakeholders to be involved in the process as for LGA`s they start from Ward meetings (O and OD)  
- The PER process and Annual Review is also another avenue for DPs, members from Academic Institution, Political Parties, CSO`s, CBO`s participation in the budget process
The first charge to be considered in the allocation of resources is the Consolidated Fund Service (CFS).

The second consideration is outlays of meeting current expenses for MDAs, RSs & LGAs. These are meant for payment of Personal Emoluments (PE) and Other Charges (OC).

PE covers salaries and wages of Government employees while OC are outlays for financing goods and services needed for government operations.

The other important area is the Development budget for projects and programmes highly supported by Development Partners (DPs).
THE BUDGET PROCESS (cont...) 

Issuance of the Budget Guidelines

- The Budget Guidelines are submitted to Inter-Ministerial Technical Committee (IMTC) and Cabinet for discussion/approval and of recently to Parliament (January House) for discussion/approval before they are distributed to spending agencies.
Revenue & Expenditure Estimates Preparation

- Budget estimates preparation consists of estimates of revenue, recurrent and development expenditures by Ministries, Departments and Agencies (MDAs) as well as Regions and Local Governments.

- It involves linking institutional strategic plans and the budget (i.e. recurrent expenditure and development projects) and the MTEF.
THE BUDGET PROCESS (cont...)

- Essentially, this process is about linking institutional objectives, departmental targets and activities and identifying inputs and their prices and costing them for each year of the MTEF period.
- Institutional Budget Committees are responsible for carrying out all these activities.
Finalization of Budget Formulation

- Final phases of budget preparation includes scrutiny of estimates, Government/DPs Consultations, submission of estimates to Inter-Ministerial Technical Committee (IMTC) and submission of the Budget Cabinet Paper to the Cabinet for approval of proposed Budget frame for revenue and expenditure.

- Government/DPs consultations facilitate the budget process by confirming DPs financial commitments in the coming annual budget and MTEF period.
2. Budget Authorization by Parliament

- The process of obtaining Parliamentary authorization starts with discussions by Sectoral Parliamentary Committees.
- After the sector committees of the Parliament have reviewed the Estimates, the Budget Proposals are tabled to the Parliament for debate and authorization.
3. Budget Execution

- It is at this stage that actual revenue collections and service delivery takes place.
- Execution of the budget therefore is about the collection and accounting for revenue, provision of services through the recurrent budget and implementation of development projects.
Budget Execution (cont...)

- Collection and accounting for revenue collections by Tanzania Revenue Authority (TRA) and other MDAs.

- Accounting Officers are appointed as receivers of revenue and also accountable for expenditure in their respective votes.
THE BUDGET PROCESS (cont...)

Budget Execution (cont...)

- Maintenance of proper Accounts for control and Accountability.
- Reporting on budget performance (both financial and physical) and evaluation.
- Project inspection/expenditure tracking is undertaken at different levels, from central ministries like MoFIA, PO-PC, PMO-RALG to Sector/MDAs level.
4. Monitoring, Control and Evaluation

Mechanisms for control and monitoring are essentially:

- Periodic reporting and follow-up. Specific formats have been issued for budget monitoring and follow-up in the PBG.
- Internal Audits
- External Audits
- Parliamentary control- Public Accounts Committee (PAC), Local Authorities Accounts Committee (LAAC)
- Budget Reviews and Adjustments
- Public Expenditure Tracking and Physical Project inspection
- Evaluation
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<tr>
<th>Date</th>
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<tr>
<td>July 1</td>
<td>Beginning of Fiscal Year 2008/09</td>
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<td>Sep</td>
<td>Ministry of Finance and Economic Affairs, The President’s Office-Planning Commission, PMO-RALG and PO-PSM starts planning for FY 2009/10</td>
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<td>Nov-Jan</td>
<td>Government budget frame is approved by IMTC, The Cabinet and PBG tabled in Parliament</td>
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<td>Jan-Feb</td>
<td>Government budget guidelines are distributed to MDA’S, RSs and LGAs</td>
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<td>Feb-Mar</td>
<td>MDA’s, RSs, and LGAs budget preparation</td>
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<td>April-May</td>
<td>Budgets are submitted to MoFEA for scrutinization and thereafter data entry and submitted to PSCs</td>
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<td>June</td>
<td>Parliament approves government budget</td>
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<td>July 1</td>
<td>Beginning of Fiscal Year 2009/10 and Budget execution for fiscal year 2009/10</td>
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<td>July 1- June 30</td>
<td>Budget plans are executed: revenues are collected, grants are disbursed and expenditures are made</td>
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<td>July 1- June 30</td>
<td>Monthly and quarterly financial reports are produced</td>
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Challenges on budget process

- How to determine the resources and their use for the purpose of attaining the desired goals. The resources are local or foreign fund.
- How to harmonize and assess the achievement in linking the National Strategy for Growth and Reduction of Poverty-NSGRP, Strategic Plans-SPs and MTEFs
Challenges on budget process (cont…)

- How to improve the preparation of PE estimate in Central government, Local government and parastatals.
- How to improve prioritization of projects, programmes and activities by MDAs, RS and LGAs.
- Non-timely submission of reports for decision making.
Challenges on budget process (cont...)

- Budgeting deficiencies and setting of priorities - MDAs do not set their priority right
- Non-tax revenue collections - most of MDAs, RSs and LGAs under-estimate the expected revenues to be collected and sometimes do not expose the actual collections.
Challenges on budget process (cont...)  

- Not adhering to ceiling-some MDAs, RSs and LGAs propose special requests which exceeds the budget ceiling, and sometimes, special request include the basic functions of the institutions that might be funded within the ceiling, this reveal that budget request are not realistic
Challenges on budget process (cont…)

- How to capture and manage the LGAs own source—what if the LGAs especially do not disclose their own source of revenues?
- Budget reallocation—Issue of budget reallocation is still a problem as may cause divergence from the original budget
Recommendations

- Tax and non-tax revenue collections must be disclosed and boosted.
- The process of prioritization must be done accordingly by scaling down the targets and activities.
- MDAs, RSs and LGAs must adhere to the set ceiling after resources envelope has been determined.
Recommendations (cont...)

- Avoid divergence from original budget
- Fulfillment of Donor commitment according to Joint Assistant Strategy of Tanzania (JAST)
- Accounting Officers must be accountable and very responsible to public funds.
CONCLUSION

- The government budget is indeed a key and strategic tool that is used to provide services to the public. The processes and activities involved in budget management require attention of all stakeholders to ensure efficiency, accountability and transparency.

- The budget reforms are necessary for addressing some of the concerns in budget management at both the Central government level and the Local government level. More concerted efforts are needed to enhance efficiency and effectiveness in the use of resources.
THE END
THANK YOU FOR YOUR ATTENTION