



Unnecessary Expenditures

2009/10 – 2013/14

To get the chronically under-funded health system on its feet, unnecessary spending needs to be curbed by ensuring prudential costing of all budget activities.

The Government committed itself through the signing of the Abuja declaration in 2001 to allocate 15 percent of the total budget to the health sector. Over a decade after that pledge, the 15%-target has not been achieved. The allocation for the health sector in 2012/13 amounts to only 10 percent of the total budget.¹

How do we mobilize more resources to revitalize the health sector without harming other key areas which are also important for development?

The Government's policy on expenditure control

Both citizens and the government share concerns that the public sector is spending monies on activities that are not necessary for the achievement of Tanzania's development vision. Since 2008, the Minister of Finance has announced taking efforts to reduce unnecessary expenditures and to redirect the savings to strategic areas that promote the well-being of Tanzanian citizens. The budget guidelines² for the fiscal year 2013/2014 make the Government's endeavour very clear:

"Accounting Officers should take cost reduction measures particularly in such areas as seminars and workshops; public ceremonies, payment of

non-statutory allowances; procurement of furniture and motor vehicles. Specifically, during budget preparation, Accounting Officers should: (i) ensure that seminars and workshops are strictly controlled and preferably conducted in public facilities; (ii) get approval of the Prime Minister before procuring new vehicles. Regarding vehicle standards, PMO will issue circular for guidance; (iii) strictly control foreign travels. Other guidance will be issued through circular by mandated government authorities; and (iv) use existing ICT infrastructure such as website and email as official communication to retrieve and disseminate information as a means to reduce unnecessary expenditure."

Budget analysis

Sikika monitors the implementation of the Government's policy to control unnecessary expenditures since 2009/10. We hope that the saved resources will benefit the disturbingly poor state of the health sector. Our analysis focuses on six budget items which we deem to contain activities that have a questionable effect on the welfare of citizens.

The list encompasses:

- allowances (discretionary, non-discretionary, in-kind);
- training (domestic, foreign);
- travel (in-country, out-of-country);
- hospitality supplies and services;
- acquisition of vehicles and transportation; and
- fuel, oils, lubricants.

We do not claim that the entire allocation to those items is actually unnecessary since some of those activities are vitally needed. It requires a transparent budget planning and execution

¹ URT and Policy Forum (2012), p. 10.

² MoF and PO (2012), p. 11.

process to distinguish necessary from unnecessary expenditures. For reasons of linguistic convenience, we continue using the colloquial term *unnecessary* expenditures interchangeably with our list of six budget items.

‘Unnecessary’ expenditures in 2013/2014

Our analysis of the budget estimates for the fiscal year 2013/14 shows that these so-called *unnecessary* expenditures are expected to increase by 5% from TSH 681 billion (bn) in the fiscal year (FY) 2012/13 to TSH 714 bn in 2013/14. While estimated expenditures on various allowances are stagnating at TSH 360 bn, the estimates for ‘Fuel, Oils, Lubricants’ increase moderately by 6% to TSH 71 bn. Despite the Government’s clear intention to control the costs of seminars and workshops, overall travel expenses are estimated to grow by 11% and the budgets for ‘Hospitality Supplies and Services’ are expected to increase by 19% to a total of TSH 24 bn. Moreover, the estimated expenditures for trainings rise to TSH 79 bn TSH; this is TSH 37 bn more than two years before. Only the attempt to control the expenditures for the ‘Acquisition of Vehicles and Transportation’ is a consistent success: after an impressive reduction from TSH 36 bn to TSH 20 bn in the previous year, the estimated expenditures are planned to drop again by 10% to TSH 18 bn.

‘Unnecessary’ expenditures are steadily increasing

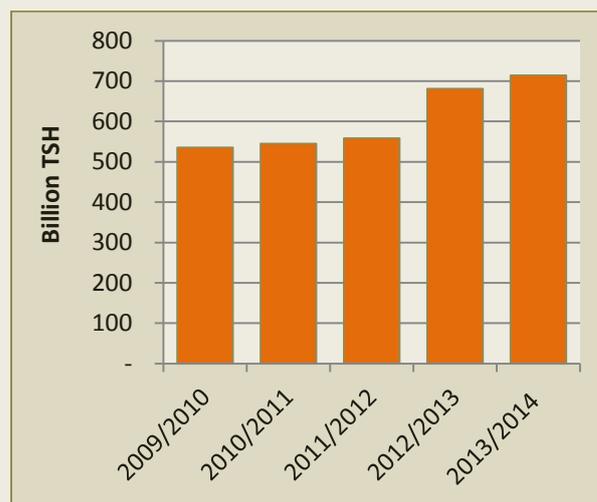
Thus, despite the Government’s policy to control *unnecessary* expenditures, the budget estimates for 2013/14 show that additional money has been earmarked for activities that should be curbed.

However, this contradiction is not new. A look back into the recent budget history shows that the most current estimates lay TSH 179 bn (or 33%) above the actual expenditures of the fiscal

year 2009/10 when they amounted to TSH 535 bn.

This amount of money could have been used to bring the health sector 1 percent closer to the Abuja target.

Figure: Total of all *Unnecessary* Budget Items of the Public Sector, 2009/10 to 2013/14.



Source: URT (2011a, 2011b, 2013a, 2013b).

The basic problem is that very few government agencies comply with the Government’s policy to control *unnecessary* expenditures. In 2013/14, only 13 of the 61 Ministries, Departments and Agencies (MDAs) and 16 of the 25 regions plan to reduce their overall *unnecessary* expenditures, while the rest does not.

We, therefore, surmise that the policy to control *unnecessary* expenditures has failed because the budget preparation process is not sufficiently controlled.

Inflated budget lines

The Medium Term Strategic Planning and Budgeting Manual (2005) requires budget committees to use consistent units of measurement and price lists when they cost the inputs of each budget activity.³ Evidence from the Medium Term Expenditure Framework 2012/13-

³ URT (2005), p. 43.

2014/15 of the Ministry of Health and Social Welfare (other MTEFs were not made available to us) suggests that these standard instructions were not followed properly. The Ministry used inconsistent units of measurement and varying prices for inputs. For instance, with regard to the input 'Food and Refreshments', the applied units of measurement are either 'days' or 'person'. 'Per Diems-Domestic' were measured by 'Trip' or 'Person'. Moreover, the unit costs of 'Food and Refreshments' per person vary between TSH 90,000 (see segment D01C01 on page 24) and TSH 500,000 (see segment D01S09 on page 5). Similarly, the unit price of 'per diems-domestic' per person ranges from TSH 400,000 (see segment D01C01 on page 11) to TSH 7,000,000 (see segment D01S0 on page 4).

The inconsistent costing of activities produces unnecessarily inflated budget lines which absorb funds that could be used to train doctors or to procure essential medicines and hospital beds. If the Ministry does not comply with the clear instructions of the Budgeting Manual, the question arises: who holds the accounting officer accountable for such practices?

Weak Paymaster-General

According to article 8(1) of the Public Finance Act (2001), the Paymaster-General has the power to appoint the accounting officers for each institution (expenditure vote). Hence, the Paymaster-General has the legal power to replace those accounting officers who don't prepare budget estimates in conjunction with directions of the Minister of Finance. The problem is that, in practice, the accounting officers are also the permanent secretaries in their respective ministries, like the Paymaster-General, and they are all appointed and replaced by the President. Because of that power interference, accounting officers are able to neglect the Budgeting Manual and establish inconsistent units of measurement and costs per units without fearing their

replacement by the Paymaster-General until the President considers this to be necessary.

Weak Parliament

Nevertheless, any appropriation bill that contains expenditures which do not reflect good value for money and the effective use of Government's resources still needs to be passed by the National Assembly before it becomes an act of law. As the previous analysis has shown, the Minister of Finance's budget speech contained many announcements that aren't reflected by the budget which he presented to the Members of Parliament. This can be explained by the Parliament's inability to realize such discrepancies.

One reason for this inability might be that the Parliament lacks the time to deeply analyse the Government's budget proposal. Article 96 of the Parliamentary Standing Orders requires the Government to submit the budget proposal at least 21 days before the Parliamentary debate begins in order to provide sufficient time to scrutinize it and prepare recommendations. But in the past years, the Government was not able to meet this requirement and, hence, the approval of the appropriation bill was reduced to a formality that does not provide a critical discussion about which expenditures are actually necessary and which are not.

Additionally, not all Members of Parliament have the required analytical skills and resources to meaningfully analyse the budget figures. They receive four big budget books that are not user-friendly, and the provision of hard copies limits the application of information technology. Also, the Tanzanian Parliament has currently no independent parliamentary research unit that could strengthen its constitutional oversight function.

Strengthen the budget process!

In 2013/14, the Government's budget is, once more, not in line with its publicly announced intention to control *unnecessary* expenditures. There exist systemic flaws in the budget preparation and oversight framework which allow for inconsistent costing of inputs. We suggest three measures to strengthen the governance framework that surrounds the budget process.

- **Every Accounting Officer ensures that the costing of activities is consistent and transparent.**

Accounting officers and budgeting committees must follow the Government's standard budget planning procedure and establish consistent units of measurement for all inputs and prepare a corresponding price list well in advance. This information should be made public to promote budget transparency.

- **The Paymaster-General monitors and enforces the budget guidelines.**

The Paymaster-General needs to monitor and sanction accounting officers who do not adhere to budget guidelines and planning procedures that are provided by the Ministry of Finance. It is necessary that the President relinquishes its power to appoint permanent secretaries who concurrently perform the function of an accounting officer.

- **The Parliament gets the time and capacity to scrutinize the budget proposal.**

The Government needs to submit the budget estimates to the Parliament at least 21 days

before the budget session begins to allow the legislators scrutinizing the proposal regarding suspicious budget allocations. Further, we recommend the establishment of a Parliamentary Budget Office which supports Members of Parliament during the budget preparation stage and the subsequent oversight process.

For more information about *unnecessary* expenditures, visit our website: www.sikika.or.tz.

Bibliography

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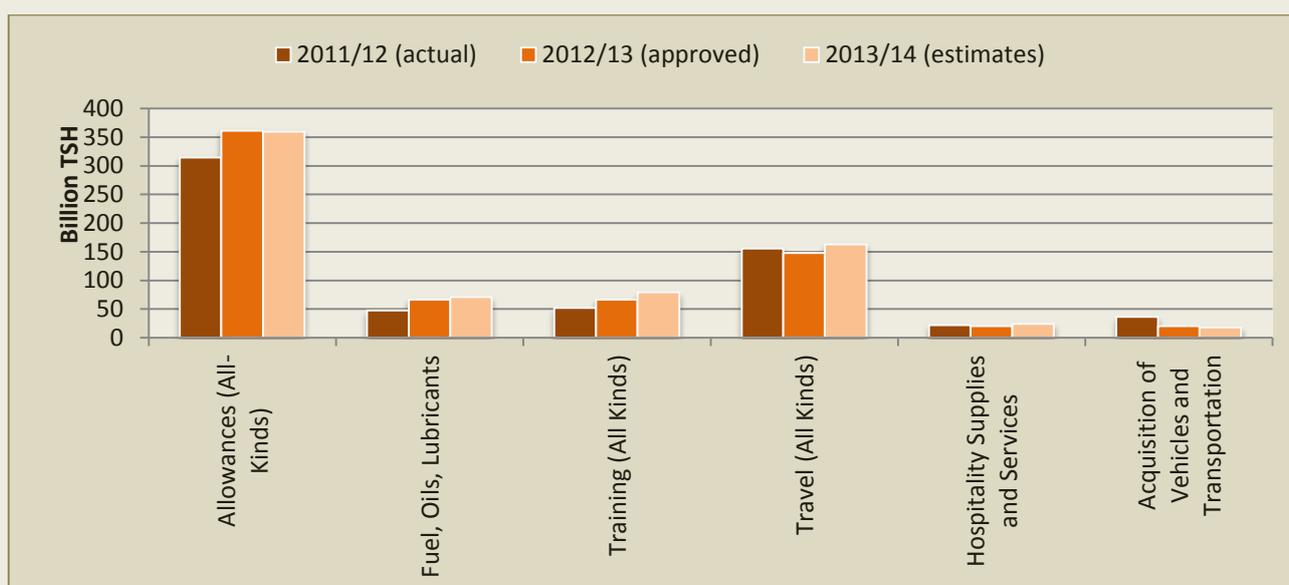
Introduction

Many people in Tanzania are concerned about spending that is not necessary to achieve the nation's development objectives. Since 2008, the government has committed itself to avoid incurring expenditures that are of little value to the well-being of Tanzanian citizens.

Overall Unnecessary Expenditures 2013/14

Our analysis of the budget estimates volume 2 (for MDAs) and 3 (for regions) for the fiscal year 2013/14 shows that so-called *unnecessary* expenditures are expected to increase by 5% from TSH 681 billion (bn) in the Fiscal Year (FY) 2012/13 to TSH 714 bn in 2013/14. These overall changes capture the allocative decisions of 61 Ministries, Departments and Agencies (MDAs) and 25 regions. Only 13 MDAs and 16 regions reduced their estimated their overall *unnecessary* expenditures while the rest did not.

Total Unnecessary Expenditures in MDAs and Regions



Allowances

After an increase of 15% in the previous year, the total of various kinds of allowances stagnates at TSH 360 bn in the FY 2013/14. 'Allowances (Non-Discretionary)' account for almost 90% of all kinds of allowances. However, the development of 'Allowances (In -Kind)' deserves special attention as it keeps increasing; after a surge of 59% in the

Bunge Inquiry Report (2011): "The Ministry of Energy and Minerals spent a total of TSH 127 million for Sitting Allowances for 61 staff for 5 days during the Parliamentary Budget Sessions of July 2011."

This is equivalent to about TSH 419,000 per person per day, higher than what MPs are paid.

In addition, two ministers were paid a total of TSH 8 million as honoraria for the presentation of the Ministry's budget speech.

previous year, the allocation raises again by 13% to TSH 27 bn.

A remarkable finding is that the The National Assembly Fund plans cutting its non-discretionary allowances down by TSH 38 bn (or 84%) from TSH 46 bn in 2012/13 to TSH 8 bn in 2013/14. On the other hand, the Ministry of Foreign Affairs and Cooperation increases the budgets for those allowances by TSH 13 bn (or 59%) from TSH 21 bn in 2012/13 to TSH 34 bn in 2013/14.

Fuel, Oils, Lubricants

Bunge Inquiry Report (2011): “The Ministry of Energy and Minerals spent TSH 5.8ml for fuel on 15 cars for 3 days during the Parliamentary Budget session in July 2011”

A vehicle with registration number STJ 9429 which was stationed in Dodoma for Budget presentation was reported to have spent a total of 230 litres (equivalent to a 1380 kilometers travel) of fuel for one day.

The 15 vehicles used for budget presentation may be too many and would have caused high fuel cost and some other possible maintenance costs.

After a steep increase of 41% in the previous year, the government’s estimated expenditures for ‘Fuel, Oils, Lubricants’ increase moderately by 6% to TSH 71 bn.

The Ministry of Home Affairs – Police Force cuts down its ‘Fuel, Oils, Lubricants’ budget down by TSH 3.3 bn (or 20%) while ‘Defence’ increases the allocation by TSH 5.2 bn (or 54%) from TSH 10 bn in 2012/13 to TSH 15 bn in 2013/14.

Training

Budget allocations for all kinds of trainings are increasing again despite the clear instruction by the

Ministry of Finance to reduce those costs. While the expenditures for training were TSH 52 bn in the FY 2011/12, the government plans to spend TSH 79 bn during the coming FY 2013/14. This is TSH 37 bn (or 53%) more than two years before.

Good performance is demonstrated by the National Audit Office which cuts ‘Training – Domestic’ by about TSH 888 million (mn) (or 38%) while the Ministry of Finance increases the budget ten-fold from TSH 885 mn in 2012/13 to TSH 8.8 bn in 2013/14.

Travel

After a moderate decrease (-5%) of travel expenditures in the previous fiscal year, overall travel expenses are estimated to grow by 11% in the FY 2013/14. ‘In-Country’ travelling account for two-thirds (or TSH 108 bn) of the overall travel budget of TSH 162 bn.

The National Assembly Fund cuts the ‘Travel – In-Country’ budget down by TSH 3.5 bn (or 18%) while the PMO-RALG increases the budget by TSH 3 bn (or 139%) from TSH 2.1 bn in 2012/13 to TSH 5 bn in 2013/14.

Tanzania sent a delegation of 34 officials to the 49th Session of the United Nations’ Committee on Economic, Social and Cultural Rights which took place in Geneva from 12 to 30 November 2012.

Other countries that participated in the session with number of their delegation in brackets are: Bulgaria (16), Ecuador (9), Iceland (6), Mauritania (13), and Equatorial Guinea (8).

Despite the comparatively large Tanzanian delegation, the concluding observation regarding Tanzanian session was: “It (The Committee) regrets, however, that during the dialogue many questions posed by the Committee remained unanswered.”

Source: www2.ohchr.org/english/bodies/cescr/cescrs49.htm

Acquisition of Vehicles and Transportation

The attempt to control expenditures for the 'Acquisition of Vehicles and Transportation' is the only consistent success that we observed. After an impressive reduction from TSH 36 bn to TSH 20 bn in the previous year (-45%), estimated expenditures are planned to fall again by (-10%) to TSH 18 bn.

The Immigration Department cuts the budget for 'Acquisition of Vehicles and Transportation' down by TSH 2.9 bn (or 56%) while the State House increases the budget more than four-fold from TSH 750 mn in 2012/13 to TSH 7 bn in 2013/14.

Hospitality Supplies and Services

Bunge Inquiry Report (2011): "A total of TSH 17.5 million was paid to *Africa dream conference center Ltd* for foods and refreshments by the Ministry of Energy and Minerals for service rendered for five days for 160 people"

It was further noted that the "payment was not in accordance with guideline Na. 86(1) of the Public Financial Regulations, 2001 and the amendments of 2004."

Such payments could have been used to finance other essential public goods like essential medicine which always gets lower funding compared to actual needs.

The estimated expenditures for 'Hospitality Supplies and Services' are expected to increase by 19% from TSH 20 bn in the FY 2012/13 to TSH 24 bn in the FY 2013/14. This renders the previous year's cuttings of 8% useless.

The Ministry of Water reduced the allocation for 'Hospitality Supplies and Services' by 79% from TSH 340 mn to TSH 71 mn. Meanwhile, the Ministry of Community Development, Gender and Children raises the allocation 13-fold from TSH 88 mn in 2012/13 to TSH 1.2 bn in 2013/14.

Conclusions and Recommendations

Our analysis has shown that most Accounting Officers have increase allocations for unnecessary expenditure items and, thereby, failed to adhere to the Budget Guidelines that are "of paramount importance for effective implementation of the next budget".⁴

It is indeed remarkable that our legislators in the National Assembly lead by example and curb their entire unnecessary expenditure allocation by 49% and, thereby, save the Tanzanian tax payer over THS 38 bn. We, therefore, urge the Members of Parliament to hold those Ministries answerable which do not take prescribed austerity measures.

⁴ Ibid.