

CCM MP Luhaga Mpina's Private Motion on Rampant Corruption in the government

PRIVATE MOTION ON GOVERNMENT'S REVENUE AND EXPENDITURE

In accordance with section 28(8), may I now table my private motion regarding the government's recurrent expenditure that exceeds internal revenue that has led to the increment in the national debt.

Honorable Speaker, during the Questions and Answers' Session on April 16th 2013 in this House, I asked a supplementary question based on question number 47 that had earlier been asked by Honorable Thuwayaba Idrisa Muhammed (Special Seats) on national debt. As well I asked for your guidance, citing one of the reasons behind the bulky national debt is because of the bigger recurrent expenditure the government entertaining than its domestic collections, thus to fill the gap, ending up borrowing within and outside the country.

Honorable Speaker, in her reply to my supplementary question, Deputy Finance Minister, Honorable Saada Mkuya Salum denied, saying that the government was not borrowing money for recurrent expenditure, but it was doing so only to implement development projects. Moreover, when she reacted on the guidance that I had sought from you on the 24th April, 2013, the Deputy Minister insisted that there was a big chunk for development in the recurrent expenditure of about Tshs. 1.6 trillion/- for Human Capital Investment.

Honorable Speaker, I have deemed it fit to table this private motion because I was not satisfied with the Deputy Minister's answers that were given in reaction to my question, as well as when I call for the chair's guidance on the matter as she could not answer the specific issue. This is in contravention to section 46(1) of the Parliamentary Standing Orders issued in 2013, so I have been tempted to make this presentation so as to advise government on this issue.

Honorable Speaker, her answers have brought about a massive confusion because instead of proving what she had earlier on stated, she paused in perplexity as to what is entailed in recurrent expenditure as opposed to development expenditure. She has gone to the extent of suggesting that even funds set aside for paying national debt and cover costs for seminars are from development expenditure budget. The question is - How does the Deputy Minister categorizes these and on what base does she substantiate her answers?

Basing on Finance Minister's budget speeches, funds are allocated in two baskets; recurrent expenditure (wages, national debt and Other Charges - OC) and development expenditure as per national standards (Government standing orders) and internationally as per (IMF, World Bank, Accounting International Standards etc).

Honorable Speaker, there is statistical evidence that the government's recurrent expenditure exceeds domestic revenue and that the government has been looking for grants and loans to have the gap filled.

Honorable Speaker, Finance Minister's speech for 2011/2012 financial years shows that domestic revenue was 7.3 trillion/- while recurrent expenditure amounted to 8.6 trillion/- indicating a difference of 1.3 trillion/-. In the budget speech for 2012/2013 domestic revenue was 9.1 trillion/- while recurrent expenditure was 10.6 trillion/- and this is a 1.5 trillion/- difference. According to these statistics, the revenue gap keeps on increasing annually and once domestic revenue increases, recurrent expenditure increases as well.

Honorable Speaker, furthermore Finance Minister's budget speech booklets show that 3.05 trillion/- (2011/2012) and 2.31 trillion/- (2012/2013) was borrowed to cover costs for development projects and 2.48 trillion/- (2011/2012) and 2.89 trillion/- in 2012/2013 was borrowed to replace where more had been withdrawn.

Honorable Speaker, Human Poverty and Development report for (PHDR-2011) indicates that Government expenditure has been going up year in year out from 15.1% in GDP (2000/2001) to 26.3% (2009/2010). In addition to that, the gap between domestic revenue and recurrent expenditure has been on that track yearly, for we can see that fiscal deficit (without grants) have been going up every year from 4.3% of GDP (2001/2002) to 10.9% (2009/2010). Budget deficit eased by grants has been going up as well from 0.4% to 4.7% (2009/10) in the GDP. As of now budget deficit after grants were issued amounted to 6.6% of GDP in 2011/12.

Honorable Speaker, as a nation, we have to put more effort in domestic revenue collection to reduce unnecessary recurrent expenditure if we are determined to move forward from where we are stuck. We should as well make sure we block every means used to lose revenue or spend unwisely.

It has been common to hear from Finance Minister's speeches as well as those of Prime Minister that Government is aimed at reducing unnecessary expenditure but for unknown reasons the expenditure keeps going up year in year out. As far as increasing revenue is concerned, various efforts have been applied but no noticeable success so far.

Honorable Speaker, Recurrent Expenditure entails national debt, wages and Other Charges (OC). If one goes through all these items he/she can find that if strenuous efforts are made, we can reduce by a great margin the government's expenditure.

Honorable Speaker, Other Charges – OC for ministries, regions and councils are areas where there has been rampant corruption. It is mostly in these areas that we have witnessed shoddy procurement like very expensive office furniture every year, huge travelling allowances (in and outside the country), procurement of posh cars, unending seminars and workshops, fuel, training, entertainment, questionable car repairs, dear exhibitions without productivity, unnecessary addition of resources and administration charges etc.

Honorable Speaker, an organization known as Sikika does budget analysis every year based solely on six areas; allowances (domestic and international), seminar (domestic and international), fuel, oil and lubricants, entertainments and cars procurement. Expenditure on these items have been rising year in year out as it is shown hereunder; 626.3 billion/-

(2011/2012), 681.2 billion/- (2012/2013) and the coming financial year it is expected to be 714.1 billion/-.

Honorable Speaker, the analysis has laid bare that in the financial year 2013/2014 Comptroller and Auditor General (CAG) office has slashed training costs by 888,000,000/- which is 38% but Finance Ministry has increased on tenfold costs for the same item from 885,000,000 in 2012/2013 to 8.8 billion/- in 2013/2014.

Honorable Speaker, allowances are the expenditure with a lot of queries due to their complexities and have caused a lot of complains in and outside your August House. The Sikika analysis shows that a whopping 360 billion/- have been set aside as allowances only in the financial year 2013/2014. That is a 15% addition to 2012/2013' budget for the same.

The November 2011 Bunge Report on Jairo's Scandal is a vivid example to show how the country lack ethics, hence stunt development due to shoddy use of allowances, as well as useless use of diesel in cars for no apparent productivity. Also according to the Ministry of Health and Social Welfare' MTEF 2011/2012-2013/2014 report, fuel was charged up to 4,000/- per liter instead of 2,200/- which is the market price. Finance Minister is aware of all these things and even the Prime Minister knows.

Honorable Speaker, another area where money is squandered is on travelling inside and outside the countries as well as on workshops. Complains were bitter to the point that Prime Minister decided that no seminar would be run without his office's permit. Despite all that, budget in these areas has been going up year in, year out.

Honorable Speaker, I will avail just one example here to depict the picture of corruption through seminar and trips. Tanzania was invited to the one of the United Nations meeting that is United Nations Committee for Economic, Social and Cultural Rights sessions that took place in Geneva, Switzerland from 12th to 30th November 2012.

Tanzania sent a contingent of 34 people, and that was the biggest of all other countries that were invited as other countries sent number of people shown in brackets; Bulgaria (16) Ecuador (9), Iceland (6), Mauritania (13) and Equatorial Guinea (8). Though Tanzania led in terms of attendance, her delegates were unable to answer questions while the tour cost more than 400,000 euro.

Honorable Speaker, I have quoted this information from the UN website hereunder: (http://www2.ohchr.org/english/bodies...anzania_49.pdf and Committee on Economic, Social and Cultural Rights - 49th session).

Honorable Speaker, apart from the six items mentioned above, there are other areas with a lot of misappropriation of public funds annual procurement of office furniture, devices, tools and gadgets, uniforms, stationeries etc over and above the market price. There are some inflated bills on rents, rehabilitation and repair (roads, buildings and cars) and arbitrary transfers.

Honorable Speaker, going by these statistics, it is evident that Government's promises to cut down costs that do not have any productivity are empty. The government does not take seriously the advice given by CAG, members of parliament and various stakeholders because budgets have since been tabled in the same structure.

Personally I declined to nod to Government's Budget tabled in 2012/13. The reason behind my decision was that little money was channeled for development projects while a lot of funds were for non-productivity expenditures had a lot to spend.

Honorable Speaker, in another development in the coming financial year, after members of Parliament coerced the Government, it has succumbed; is set to reduce Other Charges (OC) and increase development funds in different ministries. For example, Water (184.5 billion/-), Transportation (30 billion/-), Industries (30 billion/-) and Youth (9 billion/-). A vital question here is - Why is the government dragging its feet to reduce such expenditure?

For quite a long time too little money has been set for development projects while the country incur great costs in kind of loans, something that is unnecessary as it increases national debt burden. It is not right to use money in such a reckless manner while many Tanzanians die due to lack of basic social services such as health, clean and safe water, education, infrastructure etc. If we are keen on this we can save up to 700 billion/-.

Honorable Speaker, Wages; in this aspect we have witnessed a lot of ghost workers for a long time. According to CAG report a sum of 1.8 billion/- (2009/2010) and 142.7 billion/- (2010/2011) was paid to ghost workers in Central and Local Government and new salaries are set aside while permits for new employment are yet to be issued hence enlargement of Government structure without bearing in mind the scope of domestic revenue. For instance we have a lot of parastatals, more than 200 and some are doing the same work. In 2012/2013 financial year subvention to these public corporations was to the tune of 1.7 trillion/- that is 11.3% of the Government budget.

Honorable Speaker, there is also a question of full ministries doing similar jobs. For instance Prime Minister's Office- Regional Administration and Local Government (PMO-RALG) and Ministry of Education and Vocational Training, after matters relating to primary and secondary education were shuffled to RALG the Ministry of Education and Vocational Training is still massive.

Honorable Speaker, National Debt, it should be known that Government borrows within and outside the country to service development projects (Development Expenditure) and fill the revenue gap (Recurrent Expenditure) and as of now the national debt stands at 21 trillion/- which is 47% of GDP. This means that almost half of the national revenue is in the debt.

Honorable Speaker, it is not sin for a country to borrow but it is problematic once it borrows for big expenditure that is avoidable, and can be reduced or serviced by domestic revenue. Also there has been a problem of not servicing the debt in time and that causes a lot of arrears and the nation has to pay interest on the same, hence the national debt grows every year. For example in September 2012 arrears of interest accrued to 781.06 million dollars (1.27 trillion/-).

Honorable Speaker, there has been excessive use of Government's Guarantees as this gets big as contingent liabilities. Up to December 2012 Government guarantees rose to 1.4 trillion/-. There are a lot of examples to show companies that are not performing well in business after acquiring Government guarantee. Also, according to CAG there are some ghost debts as they lack necessary details; this is harmful to the nation.

Honorable Speaker, this is very risky to future government revenue and also a big burden for the nation. Our country must now have a new vision in borrowing and making sure the national debt does not grow.

Honorable Speaker, (Development Expenditure); the government relies on grants, loans, and internal revenue to service domestic expenditure. Due to the fact that domestic revenue is exceeded with recurrent expenditure government has been setting aside very little money from within for that purpose. Treasury does not even release the sum in time and once it is released it is less than the amount that was budgeted for and sometimes the money is not released at all.

Honorable Speaker, since the global financial meltdown in 2008 there has been a problem in getting enough and on time grants and loans for development projects. Some grants and loans have been released but are attached to very stringent conditions and questions that have no answers from the donors. At times the donors decline to help due to lack of integrity and ethics in public expenditure in the country.

Honorable Speaker, it seems an order of the day now that monies meant for development projects are released late and at times less than the amount mentioned in the budget. This problem has caused many projects not to be completed in time and even some brought to a standstill. For instance, water projects were given 140 billion/- from internal sources in the financial year 2012/2013 but until the second quarter of the year amount of money that was released were only 29 billion/- which is 20.7% only of the budgeted funds.

The budget for Ministry of Agriculture Food and Co-operatives was 120.4 billion/- but up to March 2012 only 22.96 billion/-, a 19% only of the sum was released. The same story applies in many councils and corporations, and it is not strange to find that until the end of financial year less than 50% of funds passed in budget has been released.

Honorable Speaker, Honorable MPs, it is right time now to tell Tanzanians the truth that there are every signs that Five Years Development Plan (FYDP-1) cannot be implemented as well the newly established President's Delivery Bureau will not bring any changes if we do not sought out funds shortage.

Honorable Speaker, Internal Revenue; Domestic revenue depends on collections from tax and non-tax revenue as well. Tanzania Revenue Authority (TRA) collects all tax while ministries, institutions and councils collect from other sources.

Honorable Speaker, Revenue Sources; According to TRA only 1.6 million people pay income tax out of 14.2 million people who are supposed to. This is a very small number compared to our neighbors Kenya who have 10 million taxpayers.

Honorable Speaker, TRA's Ability to Collect Tax; Despite TRA meeting targets and sometimes exceeding, there are mixed feelings that the set targets are too low at many times as compared to growth of the economy and important needs for the nation.

Tax collection trend for three years show that 5.2 trillion/- (2010/2011), 6.2 trillion/- (2011/2012) were collected while it is expected that 8.1 trillion/- will be collected in 2012/2013. These collections are very little as compared to country's resources and population that is 44.9 million people according to 2012 census.

Honorable Speaker, Ministries, Institutions and Councils' Capacity to Collect Revenue; the collection trend has not been good in spite of many available resources. Non-tax collections are below 10% of Government collections were 442.9 billion/- (2010/2011), 911.7 billion/- (2011/2012) and expectation is that 644.6 billion/- will be collected in (2012/2013). This shows clearly that there is no proper management in the revenue collection in the country.

Honorable Speaker, different researches, including that of Speaker's Special Committee (Incomes – 2012) show great weakness in collections of taxes and other revenues.

Honorable Speaker, there is an example of a lot of minerals being eloped and sold out of the country through illegal routes so as to avoid tax. Mining companies have also been avoiding to pay tax to the tune of 525 million/- every year. The companies have been doing so by cheating through inserting unauthorized expenditure accounts. Despite TMAA discovering this loss, TRA is yet to collect the revenue.

Honorable Speaker, telecommunication companies are going on in evading tax by concealing important information that are supposed to be used in calculating taxes. There are advertisements that are too expensive and endless, management and service fee and a lot of tax exemptions. It is estimated that every year telecommunication companies evade tax not less than 600 billion/-.

Tanzania is collecting very little revenue from that sector than any other country in East Africa. For instance, in 2010 Kenya collected USD 79.3 million, Uganda (USD 31.3 million), Rwanda (USD 14 million) while Tanzania is struggling to collect USD 1.7 million only.

Honorable Speaker Harbors; there has been a great loss of revenue in harbors due to delay in loading and unloading of loads, theft of the same, corruption whereby some business men collude with Government employees to rob the Government of its revenue. According to World Bank reports (Opening the Gate, 2012) revenue exceeding USD 1.8 billion (2.9 trillion/-) were lost at the ports in the same period.

Honorable Speaker, in other sectors such as fisheries, Government lose revenue amounting to 362 billion/- every year due to weakness to control illicit fishing and unavailability of indexes necessary for calculating taxes. In the informal sector every year we lose revenue amounting to 1.3 trillion/- because of failure to identify tax payers in this sector as the tax system leave them out.

In the Forestry and Bee sector as well we lose 93 billion/- every year due to corruption and smuggling of logs out of the country while public corporations lose up to 50 million/- every year.

Honorable Speaker, Illegal Stashing of Cash Out of the Country; various researches have shown recently that illegal stashing of cash abroad has gone up tremendously and the figure is said to be, in average, 600 billion/- a year.

Also, according to Chairman of the United Nations High Level on Illicit Financial Flow from Africa, Hon. Thabo Mbeki money transferred illegally out of African continent amounted to USD 50 billion (81.5 trillion/-) every year.

In spite of such acts of the cash being stashed away in other countries, something that is harmful and might even cause the continent and our country going bankrupt, Tanzania Government, for reasons not known, has deleted an important item in FYD-1 that was dealing with illegal transfer of money.

Honorable Speaker, even new sources of revenue highlighted in the Development Strategy in pages 82-96, have not being dealt with. That is Super profit tax on minerals, controlling Illicit Outflows, Taxation on Financial Transactions, and Tanzania in the Diaspora etc. At the same time, Tanzania now are independent as far as budget is concerned only by 54%-60% as opposed to neighbors Kenya who can boost of 98%.

Honorable Speaker, *Tax Exemptions;* Tax exemptions that are issued by Government as investment incentives in the country are too huge to the extent that it affects scope of country's revenue. Due to little own sources of revenue the nation fails to finance development projects, to pay its employee's good salaries and fail to finance different aspects of the government. This situation has made the nation to be dependent on grants and loans from abroad.

Honorable Speaker, in the Government budget speeches for five years running, Government has shown its intention to reduce tax exemptions down to 1% of GDP. Even in FYDP-1 it was agreed that tax exemptions should be lessened step by step until it reaches the 1% in financial year 2015/2016.

In CAG reports of every financial year, he has been advising that tax exemptions be reduced so as to increase the scope of Government revenue.

Honorable Speaker, there has not been any efforts in reducing the exemptions despite such advise, Government promises and even agreement in the development plan. Instead, tax exemptions have been increasing year in year out. For example, according to CAG in the financial year 2009/2010 exemptions amounted to 680.6 billion/-, while in 2010/2011 was 1.01 trillion/- and 2011/2012 was 1.8 trillion/-.

These figures show that tax exemptions have risen from 2.9% in 2010/2011 to 4.3% in 2011/2012. Thus tax exemptions have gone up from 19% to 27% of all tax collections. It can be seen here that if Government would not increase tax exemptions in the financial year 2011/2012 it could get extra revenue to the tune of 800 billion/-.

Honorable Speaker, Schedule 3 of Value Added Tax (VAT) had five groups in 1997 but now it has 26 as opposed to other countries such as Uganda, Malawi and Kenya that do not have such long periodic table like ours.

Tanzania issues big tax exemptions (4.3%), largest compared to other countries in East Africa, like Kenya stands at 1% and Uganda is further down at 0.4% only.

Honorable Speaker, Management and Control of Public Funds; various researches, CAG and PPRA reports show that there are squandering of money, theft and corruption in the use of public funds and resources.

Honorable Speaker, PPRA has been giving reports on public procurement and has been clarifying on how procurement entities-PE have been going against rules and laws guiding them, on purpose. Examples in this is paying over and above the contract, making payment for undone work, over pricing work in comparison to market price and some projects having no value for money.

For instance, in auditing of projects for value for money, out of 137 projects audited, only 63 contracts (46%) had real value for money while others were tempered after being cheated. According to CAG and PPRA more than 70% of yearly budget is used for procurement of goods and services so Government has been losing a lot of money in the area.

If there will be proper management in this aspect so that every shilling is dedicated to what is supposed to do, we will save more than 10% of the money approved in the budget for procurement. For example, in the 2012/2013 budget we could save not less than 1.1 trillion/- and would be directed to finance other areas.

Honorable Speaker, procurement is a very sensitive issue but Government has been number one opponent in obstructing resources control because PPRA is not given enough funds to carry out its duties. The authority in the financial year 2011/2012 was able to audit only 121 procurement entities out of more than 400 who were eligible for that; this is only 30%.

Procurement Act 2004 was amended in 2011 so as to enable it control public procurement and safeguard the same. We made a new procurement law (PPA, 2011) but funny enough it is almost two years now and no rules have been put in place, hence the law is not operational.

Honorable Speaker, *Controller and Auditor General (CAG)*; The CAG has been giving out his report and various proposals against the revenue and expenditure trend. He has as well singled out occurrences of embezzlement of public funds such as ghost payments, use of more funds than the amount that was passed in budget, loss of account books, payments not backed up by any statement etc.

It is sad that his reports are not given enough time for discussion in the House and furthermore audit issues are not answered nor are they tabled in the House.

Honorable Speaker, this year once again Government brought amendment to the Public Audit Act, 2008 sections 37, 38, 39 and 40, prohibiting CAG reports to be tabled and discussed in the House until the Government responds to such issues.

We have evidence that several times we have requested in this House for reports containing Government's answers to CAG arguments since 2009/2010 to 2010/2011 but to date we are not given the answers.

Honorable Speaker, these amendments do not involve the officers who do not reply to audit queries until CAG completes and issues his report, instead the law defends this negligence by legitimizing loopholes for misappropriation of public funds.

Honorable Speaker, the House' Participation in Budget Process. I should first commend you for overseeing and nodding to changes to budget cycle, that is for the process to start early and end up before July as well as setting up a Budget Committee.

Honorable Speaker, it is imperative to put in place a Parliamentary Budget Office if the Budget Committee is to be effective and the House to have good opportunity to analyse budget proposals.

Recent despite its existence the budget committee lacks important budget documents that would allow honorable MPs to have at their disposals enough information and data for proper analysis of the budget.

Available sources have is that Government is against this matter but it does not back up its position with reasons. It is said also that the Government objected to the formation of Budget Committee.

Honorable Speaker, our country is very poor so it is pertinent that every coin and resources be used carefully and in full. The nation has failed to achieve Millennium Development Goals in alleviating poverty, because the target was to lower it to 19.5% by 2015 but as of now, two years to the time Tanzania is at staggering 33.4%.

According to 2012 report on highly poor countries in the globe issued by UNCTAD at Geneva, Switzerland, Tanzania is among 33 countries in the Least Developed Countries (LDC) in Africa. Our fellow Kenyans are not in that list; this is shameful and not acceptable.

Honorable Speaker, Proposals;

1. The Government should reduce unnecessary expenditures and control misuse of funds in the likes of allowances, stipends, trip allowances (within and outside the country), training (within and outside the country), entertainment; procurement of cars, diesel, oil and lubricants, furniture, uniforms and stationeries etc; arbitrary rental (Dar es Salaam and Dodoma), dear costs for rehabilitation and repairs (roads, cars and buildings) and arbitrary transfers. The Government should step up a spirited attempt to stop ghost workers and avoid arrears on interest and other such expenditures. Before tabling of 2013.2014 Budget Government should present to the House report on reducing unnecessary expenditure, it parade exactly the amount saved in its new strategy.
2. The Special Committee that was formed by Honorable Speaker to advise Government on best ways to increase revenue should present its report before the 2013/2014 Budget is tabled.

3. The Government should block all loopholes for revenue loss; it should make up a strict follow-up on tax and other collections that were being evaded in the yesteryears and come up with a strategic plan on how to increase its revenue from internal (own) sources before tabling its 2013/2014 budget.
4. The Government should present a detailed report on national debt before it tables it's 2013/2014 Budget. The debt is now at a staggering 21 trillion/- and with this, it should present debts it is owed in tenders and contractors.
5. Given the fact that the Government has promised several times to reduce tax exemptions, and because in the Five Year Development Plan we were at one on that, in this financial year's (2013/2014) budget the Government should tell the House and Tanzanians the extent to which it has gone. The reduction must show the trend that until 2015/2016 the reduction will have reached the agreed 1% of GDP.
6. There is a huge confusion on disbursement of funds among Treasury and users – ministries, institutions and councils, so the Government should table in the House report on disbursement of the same in the financial year 2011/2012 and 2012/2013 and reasons to why monies are not sent out as approved by the House.
7. Parliamentary Budget Office (PBO) should be formed and involve MPs and other stakeholders so as to help MPs to deeply analyse the budget sector by sector so as to increase efficiency and accountability of the House and Government. It is difficult to understand the budget fully without proper scrutiny and analysis.
8. Public Audit Act, 2008 and other laws governing public funds; Public Finance Act, 2001 and Local Government Finance Act, 1982 should be brought to the House for amendment so as to shape them in proper utilization in safeguarding, managing and controlling expenditure of national resources.
9. Ministry of Finance should upload budget drafts in its website while it is debated in the House. The budget should have analysis of all ministries (MTEF). This will enable many citizens to make a follow-up and air their views whilst the budget is being discussed and will make it easy to be analysed expertly. The budget that has been approved by the House should as well be uploaded in Ministry of Finance's website so that citizens can compare the draft and the approved budget.

Honorable Speaker, May I present.

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KISESA'S MEMBER OF PARLIAMENT
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