



THIS PRESENTATION IS ABOUT:

**THE ROLE OF PARLIAMENT (AND
PARLIAMENTARIANS) IN ENSURING
AN EFFECTIVE BUDGET PROCESS :**

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OUTLINE OF THE DISCUSSION

1. Definitions
2. Who are the key stakeholders in the budget process
3. Key aspects to be considered to ensure an effective budget process
4. Relating to the timelines and stakeholder engagements in the budget process
5. Aligning the budget to national medium and long term developmental objectives
6. Thinking out of the box to address some emerging issues particular to Tanzania: 10 key areas for a start!
7. Recalling the main points of the presentation



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JUSTIFICATION FOR OUR CONCERN ON THE ROLE OF PARLIAMENT IN EFFECTIVE BUDGET PROCESS



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- Our inspiration to explore this topic can be drawn from Carlos Santiso's (2005) that "Parliaments' role in the governance of the budget is ...subdued and often dysfunctional, partly as a result of executive predominance, but also because of legislatures' own deficiencies. Parliaments do possess a wide range of budgetary powers, but often fail to exercise them effectively or responsibly. Legislative oversight of the budget remains inhibited by technical and institutional constraints, both internal and external to legislative organisation"
- He continues "Largely neglected in the first stage of economic reform, legislative budget institutions are now being re-discovered as part of a second wave of reform in governmental financial administration"



LETS START WITH THE DEFINITIONS OF: BUDGET

- Government budget is a plan or contract, sealed by Parliament, for how the Government will collect and spend mobilised revenue resources.
- It has two sides: revenue collection and revenue expenditure
- Revenue components in TZ: domestic revenue and foreign aid. Domestic revenue come from tax and non-tax sources
- Expenditure side is how the Government spends money through allocation to different cost centres based on approved expenditure priorities
- The budget runs according to the financial or fiscal year running from from 1 July to 30 June for both Central Government and Local Government Authorities.
- As shown by the first presenter: Budget estimates are prepared and presented to the public each June (and April for LGAs), just before the financial year begins.
- Although most of the attention around the budget focuses on “Budget Day”, the budget process is cyclical -ongoing throughout the year.



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DEFINITION: EFFECTIVE



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- If one adopts the “cash flow” approach, then an effective budget is defined as that ensure that expenditures never outpaces income (source: www.cashflowtech.blogspot.com)
- Based on that simple definition, there are **Two Fundamental Budgeting Principles** to be observed for it be **EFFECTIVE**:
 - a) for it to be effective the budget should be taken as a tool for *planning* and *monitoring*; and
 - b) for the budget making process to be effective it must be **INCLUSIVE** and **UNITING**.



DEFINITION: EFFECTIVE



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- For the Budget Process to be an Effective Tool for Planning and Monitoring, the process should start long before the end of the year to allow enough time for strategic thinking and reflections on:
 1. What is intended to be accomplished
 2. determining priorities to be funded
 3. How the required resources will be generated
- Once adopted, the budget becomes an essential financial management tool for monitoring and controlling ongoing activities.
- A budget does not exist in a vacuum. Instead it should respond specifically to the country's and specific sectors' context. Including asking:
- What does the country/ministry/district want to do differently or better next year?

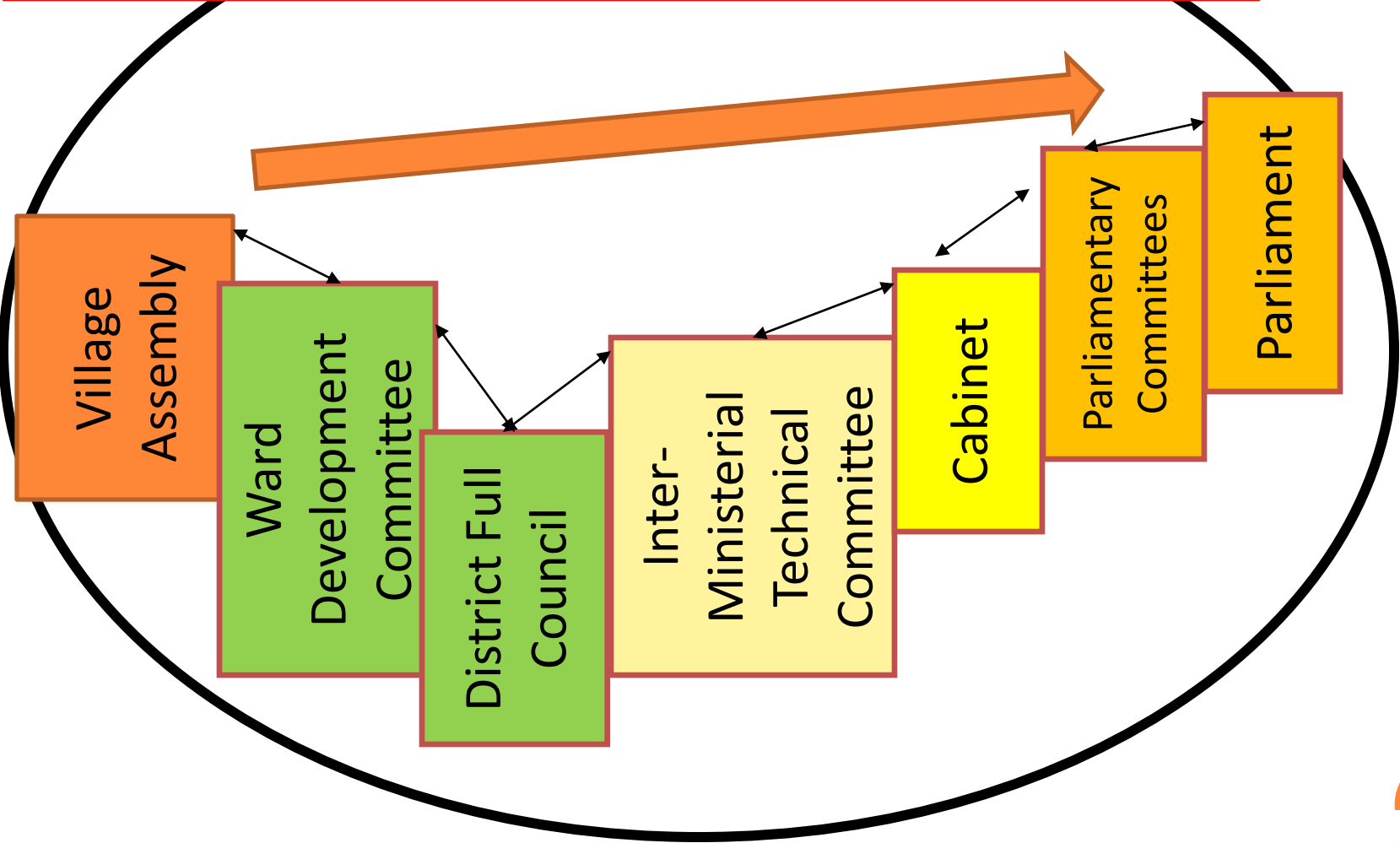


DEFINITION: PARLIAMENT

- Highest level of decision-making organ in Tanzania. Its members are democratically elected represented constituents and some are appointed to represent special interest groups as part of affirmative action.
- Part of the Tripartite Powers at Highest Level: Parliament, Judiciary and the Executive.
- The Parliament draws its character and strength to influence an effective budget process from the nature of its Parliamentarians and the system in place for them to be involved.
- The member of Parliament must start to assert influence on the budget process at the Ward Development Committee (WDC) and District Council levels.
- Starting Point therefore: The MP must therefore be empowered with basic knowledge on the planning process and elements/procedures of the budget process. Research capacity backstopping is essential



KEY STAKEHOLDERS IN THE BUDGET PROCESS



WHO ARE THE KEY STAKEHOLDERS IN THE BUDGET PROCESS

- The Chain: Village Assembly>>Ward Development Committees>District Councils>Inter-Ministerial Technical Committees>Cabinet>Parliamentary Committees>Parliament
- Key Actors:
 - Village Assembly, Ward Development Committees and District Full Council
 - Tanzania Revenue Authority: Revenue collection and law enforcement
 - Ministry of Finance and President's Office-Planning Commission (POPC): sets projections (based on macro-economic modelling) and ceilings for budget allocations, negotiates priorities, collects revenues, disburses funds through the Budget Guidelines Committee (inter-ministerial)
 - Donors: consultations that inform budget formulation, disburse funds, and monitor Government spending and expenditure systems.
 - Civil Society Organisations ACTIVELY follow and comment on the budget contents as part of the process. BUT this is NOT legally binding



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WHO ARE THE KEY STAKEHOLDERS IN THE BUDGET PROCESS

- Cabinet ministers present respective budgets for MDAs for debate and approval by cabinet.
- President and Cabinet: Through the Minister for Finance presents budget before the legislature for approval.
- Parliament: scrutinizes budget through standing parliamentary committees for adoption, amendment or rejection; monitors implementation of budget and performance of the MDAs; and oversees use of public funds.
- Controller and Auditor General: ensures that the expenditure of public money has been properly authorised and applied for the intended purposes



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KEY ASPECTS TO BE CONSIDERED IN ENHANCING EFFECTIVE BUDGET PROCESS

- Enhance knowledge and understanding by the MPs of the budgeting process and the budget structure. Include capacity to get independent researched evidence to inform his/her opinion
- An objective Public Expenditure Review (PER) to understand the previous year's budget performance for improving the next budget planning process based on macro-economic modeling projections
- Involvement of Non-State Actors in the Budget Process as part of social accountability
- Adequate Lead Time before the Final Budget to allow for effective Consultation Process and incorporation of collected stakeholder views
- Anchoring the plans and budget on the medium and long-term planning process



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ISSUE 1: TIMELINES AND EFFECTIVE STAKEHOLDER ENGAGEMENT IN THE BUDGET PROCESS



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1. Currently, the lead time between consultations with stakeholders and the reading of the budget is too short. Consequently a lot of valuable MPs time is wasted highlighting weaknesses and threatening non-support but eventually left to be passed without the suggested improvements out of sympathy for the consequences if it was rejected altogether!
2. Efforts must be made to get views and consensus of non-state actors in the PER and the budgeting process as part of Social Accountability Process for it to be eventually successfully implemented
3. There should be enough time for the Government to incorporate the views from stakeholders, including the Parliamentary Committees, in the final budget estimates before tabling to the Parliament.
4. Timely feedback mechanism to the WDCs and Village Governments on the approved activities by Parliament



ISSUE 2: ALIGNING THE BUDGET TO NATIONAL MEDIUM AND LONG TERM DEVELOPMENTAL OBJECTIVES



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- Recall earlier statement that *“A budget does not exist in a vacuum. Instead it should respond specifically to the country’s and specific sectors’ context”* (refer to slide no.6)
- 1. Our plans and budgets should be dictated by the aspirations stated in the Tanzania Development Vision 2025 and Zanzibar’s Vision 2020. Three key Pillars: A strong competitive economy; High Standard of Living; Good Governance&Rule of Law
- 2. Currently the overarching implementing instrument is the Five Year Development Plan, with strategies such as MkukutaII and Mkuza, Mini-Tiger Plan 2020, Agricultural Sector Development Programme (ASDP) and the various sector specific strategies covering transport and energy sector development.

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ALIGNING THE BUDGET TO NATIONAL DEVELOPMENTAL OBJECTIVES-(CONT'D)



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3. Pursuing a Vision is a long term mission. It requires focused leadership, consensus building and consistency in pursuing development agenda in stages. More often than not it will requires sacrifices by the population due to trade-offs needed in implementing prioritised programmes.
4. For that to happen the budgeting process **MUST** have the support of **ALL**: from the Village to the Parliament.
5. There must be assurance of consistency, continuity and sustainability of the programmes irrespective of the government and ruling party in power.

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ALIGNING THE BUDGET TO NATIONAL DEVELOPMENTAL OBJECTIVES-(CONT'D)



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5. The Development Vision has to be owned by all irrespective of party affiliation and ideological persuasion. Irrespective of having a single party or coalition government!
6. How? It has to be legally protected by an Act of Parliament. Some very basic tenets of the Vision can be enshrined in the Constitution as well. E.g.
 - (a) ensuring economic growth with equity and promotion of interests of vulnerable or historically marginalised groups through affirmative actions
 - (b) universal level of minimum education and access to health and water facilities and information
 - (c) citizen empowerment to control the local economy
 - (d) state control of strategic pillars of the economy

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ISSUE 3: THINKING OUT OF THE BOX



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1. For the parliament to be relevant it should be able to proactively address some emerging issues particular to Tanzania before they proliferate out of control and sabotage the chances of having effective budget processes. For example:
 - if the population or a section of the population with influence believe that the sacrifices they are compelled to make are not made in good faith, they will protest and withdraw support to the budget process.
 - This has happened in the case of reducing or eliminating tax exemptions or attempts to expand the tax base by including small businesses or trying to formalise informal businesses

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THINKING OUT OF THE BOX



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1. If the tax payers are questioning the expenditure pattern of the government, then Parliament should come with directives to STOP all the questionable areas of expenditure in order to gain the confidence of the tax payers and achieve an effective budget process through extra raised revenue and expenditure cuts
2. Fiduciary system failures: With the current culture of misuse of public resources, Parliament is supposed to have already instituted special intervention measures beyond the Parliamentary Committees and CAG roles.
 - At district level its evident that the “cat is afraid to tie the bell on the rat”, a rather strange phenomenon!
 - Councillors simply complain about misuse of resources but are reluctant to take any disciplinary actions against the culprits, some of them junior officers. Do we need a District-based CAG and special courts? Failure to address the problem then the budget process becomes a mockery

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THINKING OUT OF THE BOX



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3. Infrastructure projects: Among the factors responsible for lowering the effectiveness of budget implementation for infrastructure is the adherence to the government budget cycle, whose funds are released 1-2 months into the fiscal year and have to stop a month before the next budget session. About 3 months are lost each year.

A considered solution could be to the creation of a special fund for infrastructural development from where monies are continuously drawn for projects in roads, railways, airports, seaports, and electricity. Government and donors would contribute to this Fund under a semi-autonomous authority or agency.

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THINKING OUT OF THE BOX



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4. Legal system failure: Rule of Law is key to the success of achieving a just society and also supporting a competitive economy with an inclusive growth agenda. Failure of the legal system will protect or fail to punish looters of public and private assets and funds, robbers, irresponsible leaders occasioning loss to companies; economic saboteurs; drug dealers and users; delayed arbitration of commercial disputes. Parliament should come with some innovative ways to address some of the critical areas of judicial weakness that threaten the pace of industrialization and creating a just society

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THINKING OUT OF THE BOX (CONT'D)



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5. Addressing urban planning chaos and invasion of land reserves for infrastructure development (roads, railways, airports, sea ports and ways for electricity main grid). Failure to address the chaos through unusual means results to delayed implementation and escalated costs of implementation of infrastructural projects
 - It worked in with Dar es salaam City Commission- suspension of councilors
6. Grassroots Democratic system failures: acceptable norm to influence voters using one's wealth and voters' expectations to be pampered. Eventual Effects on budget priority setting and instilling expenditure discipline
7. Ministers and Deputy Ministers: Can they be objectively partial in overseeing the budget process?



THINKING OUT OF THE BOX (CONT'D)

8. Independence of Government Agencies: Mostly not independent from ministries. Question: how free should they be allowed to execute their mandates without looking over their shoulders for every action?
9. Working culture and ethics: the impact of negative aspects of social capital and networking permeating the workplace, eroding discipline, work ethics and emasculating the managers' powers. Eventual effects on expenditure oversight and discipline through peer protection of, and sympathy to wrong doers
10. But most serious: What if the Parliamentarians are not immune to the contagious effects of the social evils: dodging of responsibilities, engaging in forgery, rent seeking behaviour, and lack of leadership as role models in branding Tanzanian products and preserving social ethics and morals



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WHATSOEVER WE DO: LETS REMEMBER

- What Carlos Santiso (2005) said after drawing lessons from Latin America: that “...*a more purposeful contribution of parliaments to the oversight of the budget might help countries seeking greater accountability in the management of public finances. Ultimately, the governance of the budget reflects a delicate balance between executive power and legislative oversight. The key challenge of legislative budgeting ... is how to retain the advantages of strong executive authority required to ensure fiscal discipline while providing the institutional checks and balances that guarantee effective accountability*”.

RECAPPING- KEY POINTS COVERED



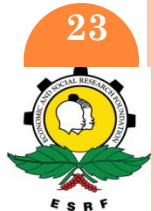
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Started with definitions: including a simplified meaning of an “EFFECTIVE” budget. Argued that for an effective budget process the following are key:

1. Proper appreciation of the revenue sources and expenditure priorities
2. MPs Enhanced knowledge of budgeting process and structure. Research capacity empowerment desired
3. NSA involvement in Public Expenditure Review (PER) to draw lessons for improving the next budget as part of social accountability
4. Adequate Lead Time before the Final Budget to allow for effective Consultation Process with MPs and NSAs and incorporation of collected stakeholder views
5. Anchoring the plans and budget on TDV2025/ZV2020 and the medium and long-term planning process
6. Parliament to institute special measures to address non-conventional challenges without experience elsewhere. Thinking out of the Box (TooB)!

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