

Report from the CSOs' Forum on the 2004/05 Government Budget

Friday 11th June 2004, Dar es Salaam

Introduction

Following the presentation of the 2004-2005 budget in Parliament on the 10th of June 2004 by the Minister of Finance, Hon. Basil Mramba, REPOA in collaboration with the NGO Policy Forum (NPF) organised a meeting for NGOs and CSOs to discuss the implications of the budget for poverty reduction. Approximately 60 people representing various organisations attended; including local and international NGOs, CSOs, banking institutions and donors. There was a good attendance by media from radio, television and print. Mr Rakesh Rajani of HakiElimu facilitated the two-hour meeting.

Prof. Semboja of REPOA opened the meeting. He introduced the aims of the meeting as: to further the participants' understanding of the budget; to examine if the budget was consistent with the Vision 2025 and PRSP policies, and to produce recommendations on how the budget could be made more pro-poor. Speakers gave presentations on the budget's weaknesses and strengths:

1. A macroeconomic overview of the budget and last year's performance by Dr Amon Mbelle of the University of Dar-es-Salaam
2. How the social services are addressed in the budget by Fr Victor Missiaen of the Tanzanian Episcopal Conference
3. How the budget addressed cross-cutting issues (gender, HIV/AIDS and poverty) by Ms Mary Rusimbi of the Tanzanian Gender Networking Program (TGNP)

Following the presentations the participants discussed the 2004/2005 Budget.

Conclusion from Participants' Discussions

Participants generally concluded that while the 2004/2005 budget contains some measures to combat poverty, overall these are insufficient and the budget is not pro-poor. It lacks specific initiatives that target the poor. The poverty alleviation measures that have been included are not enough to address the problems that exist and those areas in which the most money has been allocated – electricity, debt servicing and defence- are not areas that affect the poor directly. The Government's expenditure for 2004/2005 is unlikely to benefit those who need it most.

Key Issues That Emerged From The Discussion

1. The Budget Does Not Have Specific Initiatives That Target The Poor

It was recognised that the 2004/2005 Budget attempts to be pro-poor. This is evidenced by such issues as the emphasis on agricultural development and the reduction of nuisance taxes and licensing requirements. However, the poverty alleviation measures that have been put in place are insufficient to address the challenges that exist. Specific initiatives that target the poor lack depth. Also lacking is inter-sectoral coordination of crosscutting issues such as gender, poverty and HIV/AIDS.

2. The Budget Does Not Reflect National Poverty Reduction Policy Commitments

While the Budget has some elements of poverty-reduction, it is not formulated in keeping with national poverty reduction policies such as the PRS, Vision 2025 and the recommendations from the PER. Resources that could be used for development have been diverted to the elections:

"Mr. Speaker, the budget allocation for the year 2004/2004 has taken into account the following:

*i. More attention to priority sectors in line with the Poverty Reduction Strategy. However, in view of the new financing needs associated with the forthcoming General Elections, and requirements of the energy sector particularly for electricity, the additional allocation to the poverty reduction sectors will not be robust, except for those sectors that receive substantial external financing."*¹

Participants questioned the priority setting implicit in this statement, and the departure from poverty reduction policy commitments. For example: why should TANESCO be subsidised at high rates when medicines are insufficiently funded?

3. Economic Equity Is Not Addressed

Despite positive macro-economic performance, many Tanzanians continue to live below the poverty line. In particular the gap between the rich and the poor has increased. The high VAT rate and high taxes are not pro-poor because the cost of consumer goods has increased. The minimum wage has not taken into account the eroded purchasing power of the average Tanzanian. Cost-sharing in public services has meant that poor people cannot afford them any more. The budget should put in place specific equity measures such as providing a living minimum wage and making primary health care free of charge.

4. Agricultural Development Should Target The Average Tanzanian

It was felt that the heavy investment that is planned for the agricultural sector will not benefit those people who need it most. While agriculture employs the majority of Tanzanians, the measures will mostly benefit intermediate and large-scale farmers. It was recommended that this be reviewed so that small farmers receive the bulk of the support. While efforts to boost the agricultural sector are commendable, the Government should keep in mind that manpower is moving to the urban areas and the poor and vulnerable who remain in the rural areas are more concerned with food security than with the production of cash crops.

5. Employment Issues Are Not Addressed

The budget does not answer the question of unemployment patterns. Many young people are migrating to urban areas to engage in business using imported products. The budget should concern itself with job creation for people, especially the young. One way in which this could be achieved would be through greater investment in developing small and medium-sized enterprises.

6. Dependence On External Funding

Dependence on external aid for much of the budget undermines the sustainability of development projects. A large percentage of the budget goes towards recurring costs and very little is left over for development. It was advocated that there be better coordination of borrowing, as well as an analysis of national borrowing and spending patterns. Borrowing means an increase in national debt, and ultimately it is the poor of Tanzania who bear the burden of paying this debt.

¹ Speech by the Minister for Finance, Hon. Basil P. Mramba (MP), Introducing to the National Assembly the Estimates of Government Revenue and Expenditure for the Financial Year 2004/05 On 10th June, 2004. Paragraph 40.

