

# The PRSP, the PER process and the Budget in Tanzania



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# Summary

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## # INTRODUCTION

- # ■ Objectives of case study series
- # ■ Tanzania's starting point

## # KEY FISCAL ISSUES

- # ■ Role of Data
- # ■ Openness and participation
- # ■ Resource Allocation
- # ■ Donor coordination and alignment

# CONCLUSION: achievements and challenges

# Introduction--Objectives

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- **Assessing to which extent PRSPs are being implemented by studying the evolution of budgets and budgetary processes**
- **Assessing the contribution of the PRSP process to improved public finance management**

(Case studies: Bolivia, Burkina-Faso, Cambodia, and Tanzania)

# Introduction—Tanzania's Starting Point

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- # PRSP built on previous reform efforts:
  - Prior government focus on poverty reduction
  - Participatory public expenditure review
  - MTEF
  - Donor commitment to improved coordination

# Data Production, Availability and Use

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- # Greater coverage and disaggregation
- # Greater supply and demand of data
- # Improved availability and dissemination
- # No systematic feedback into policy-making

# Priority Expenditures

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## # Priority expenditure means:

- Priority ministries received quarterly budget allocation
- Allocations are increased yearly at least in line with inflation
- Protection from potential budget cuts

## # Intra-sectoral prioritization protected by need for MoF authorization

# Priority Expenditures

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## # However, changing definition:

- No clear process for change
  - Too large--total priority expenditures over total non-debt expenditures—from 58 to 70 percent
  - Some “priority” sectors such as justice only get 37 percent of their requirements
- ## # Problems in consistency of definition and in reporting

# Openness and Participation

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- # The budgeting process is quite open and participatory-- PPER
- # Good dialogue between line ministries, Ministry of Finance, donors, and CS during the budget elaboration process
- # PER process provides a forum for the exchange of views among key stakeholders at the sectoral as well as the macro levels

# Openness and Participation-- Accomplishments

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- # PRSP and PPER mutually reinforce each other:
  - PPER—institutionalizes participation in PRS implementation
  - PRS:
    - Focuses PPER on poverty
    - Increases its results-orientation
    - Increases its stakes in donor community

# Openness and Participation— Next steps

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- Need to strengthen links between PER outputs, MTEFs and annual budgets
- Change timing of PER process to allow for proper feeding into budget process
- Increase role of Parliament and LG
- Extend PER process to non-priority sectors
- Step up role of CS in external review phase

# Openness and Participation: next steps

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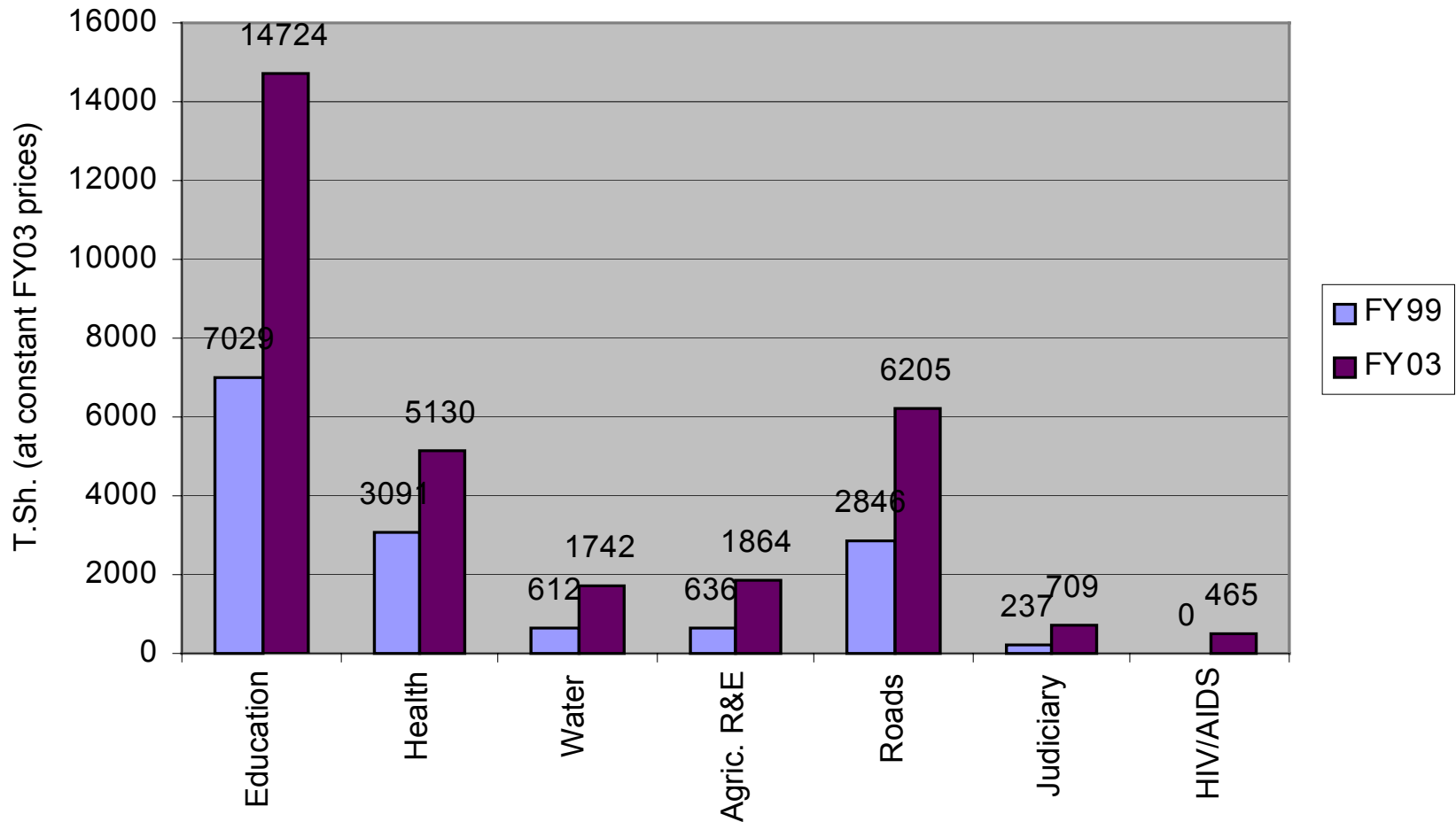
- # **More active involvement of CSOs and Parliament in the external review phase of the PER process**
- # **Re-structuring the PRS monitoring master plan to include a participatory monitoring and evaluation system in which CS could play a leading role**
- # **Increased coordination between line ministries and local government**
- # **Strengthening the capacity of CSOs, Parliament and local governments**

# Resource allocation: Priorities

- # PRSP led to prioritization of development objectives and hence of expenditures. Sectors “prioritized” in PRS.
- # The sectors and specific sub-sectors prioritized are **pro-poor**
- # **HOWEVER, costing was weak in PRSP**
- # Since the advent of the PRS (1999) to 2002:
  - Public expenditure in the priority sectors has increased from 1.5 to 3.5 percent of GDP
  - Expenditure in the social sectors has increased from 2.6 to 4.7 percent of GDP

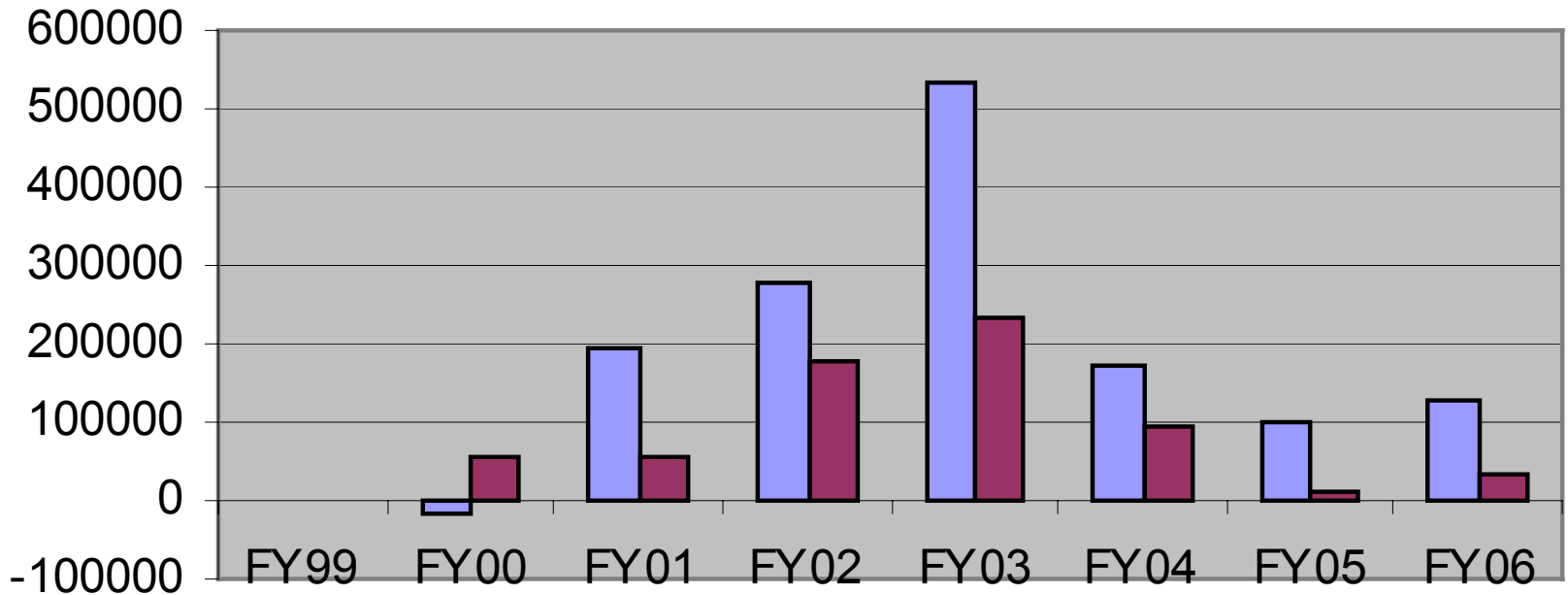
# Resource allocation: Priorities

## Real Spending Per Capita



# Resource allocation: Priorities

## Real Expenditure Increases



■ Discretionary Expenditure ■ Priority Sector (broad)

# Resource allocation: Priorities

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## # Achievements:

- Improvements in **intra-sectoral** resource allocation
- Progress in capturing **donor assistance** in the budget

## # Shortcomings:

- Current **geographical resource allocation** tends to favor richer regions
- **Significant gaps in funding** in MTEF

# Resource allocation: expenditure management

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## # Priority expenditure means:

- Priority ministries received quarterly budget allocation
- Allocations are increased yearly at least in line with inflation
- Protection from potential budget cuts

## # Intra-sectoral prioritization protected by need for MoF authorization

# Resource allocation: the revenue side

- # Very low and stagnant tax effort—among lowest in SSA-- 12.3 to percent of GDP
- # Horizontal and vertical inequities
- # However, the revenue side is absent from the PRS
- # The MTEF projects only a modest increase of the tax-to-GDP ratio –from 12.3 to 13.4 percent-- over the next three years...
- # And no specific measures to achieve it are identified

# Donor Coordination

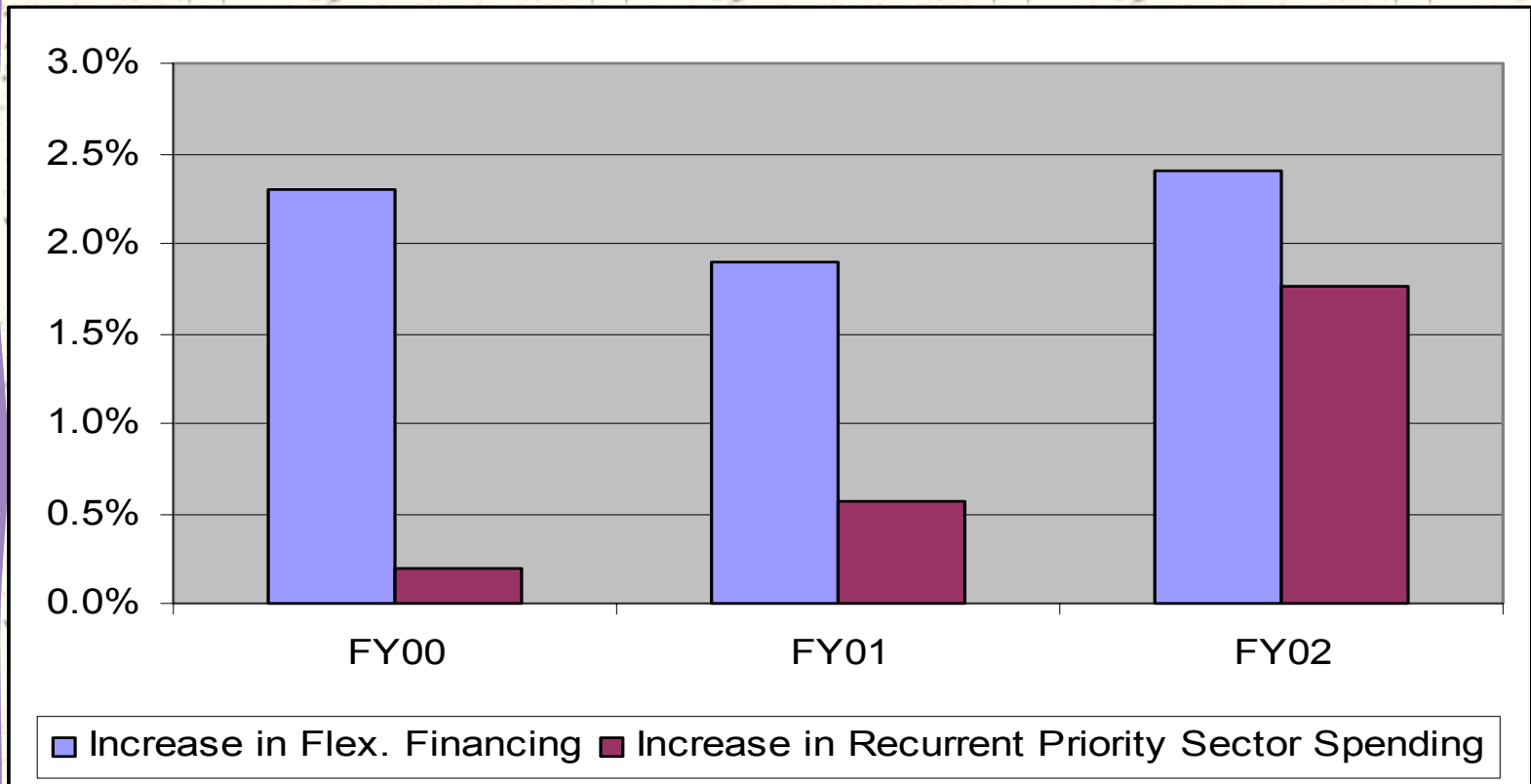
- # PRSP was based on late 90s collaborative approaches -- TAS 2001 based on government "ownership" and calls for donors to:
  - Decentralize decision-making to field offices
  - Adopt basket funding or budget support
  - Ask for medium-term aid forecasts to be integrated in MTEF
  - Untie aid and harmonize financial reporting
- # **Independent Monitoring Group** in 2002, to monitor the performance of Gov. and donors

# Donor Coordination and PRSP

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- # The PRSP gave strength to a process that was already under way, deepened it and helped it widen within the donor community:
  - Donor participation in PRS process (in the elaboration, implementation, M&E phases)
  - Focus on donor alignment with government priorities identified in PRS
  - Movement toward SWAPs and budget support/PRSC
  - Emphasis on donor coordination and harmonization

# Donor coordination: increase in flexible resources



# Donor Coordination and PER

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- # Allows donor participation in reviewing public expenditures and expenditure management
- # Facilitates dialogue and fosters the formation of sectoral programs and movement toward budget support
- # Has enhanced the integration of donor financing in the budget

# Donor Coordination

- # **However**, still poor coverage of development assistance, both in terms of:
  - Reported disbursements
  - Planned commitments
- # Lack of project monitoring information does not allow an **assessment of performance**
- # Information on the **composition of project expenditures** follows donor rather than government classifications
- # Donor alignment with PRS priorities less than **perfect**

# Conclusion: Good practices

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- PRSP increase focus on on-going reforms
- Production, availability and dissemination of good poverty and fiscal data and policy and analytical documents
- Open, participatory processes in PRS and PER → good ongoing dialogue between government, CSOs and donors
- Re-alignment of expenditure according to PRS priorities
- Progress on donor coordination and alignment

# Conclusion: challenges ahead

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## # For the government:

- Consistent definition and identification of pro-poor “priorities”
- Improved geographical distribution of expenditure
- Strengthening ability to track executed expenditures by sector
- Stronger link between PER and budget
- Increasing public revenue

# Conclusion: challenges ahead

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## # For donors:

- Further aligning their aid to PRS priorities
- Continuing integration of aid into budget
- Improving reporting of committed and disbursed aid with appropriate classifications
- Finding a balance between country ownership and holding recipient government accountable – what to do if budget support resources do not go to priority sectors?



Thank you !

# Concluding questions

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- # What are the challenges ahead for:
  - Civil society
  - Parliament
  - Local government
- # What are the main changes you would introduce to the PER process to strengthen its link to the budget?