

Water Sector's Budget Analysis for the Financial Year 2020/2021

BACKGROUND

This analysis takes into consideration the fact that the Government of Tanzania (GoT) through the Ministry of Water (MoW) aligns its goals and works to contribute to the goals and targets in the overarching national policies (e.g. the Tanzania Development Vision 2025; the Five years Development Plan; National Water Policy among others); as well as regional, continental and international development commitments such as the Sustainable Development Goals (SDGs), especially the goal number 6 which emphasises on ensuring availability and sustainable management of water and sanitation for all.

This is the second budget analysis after the enactment of the Water Supply and Sanitation Act No. 5 of 2019. Among other things, through this new Act, followed the establishment of the Rural Water Supply and Sanitation Agency (RUWASA) which took over mandates previously vested to PO-RALG, Regional Secretariat (RS) and Local Government Authorities (LGAs). The transferred mandates involve ensuring the provision of water services to rural communities, small towns, and district headquarters, and to some extent planning and budgeting. The Act has also transferred accountability of officers responsible for water service provisions from PO-RALG, RS and LGAs to the MoW. The nascent nature of these institutional changes has serious implications not only on planning but also budgeting. The roles and responsibilities and positions created to fulfil the mandates stipulated in the new Act, also had financial bearing on the sector's budget and expenditure as it is necessary to equip newly created structures with adequate facilities for execution of the stipulated responsibilities.

In this reporting period, Tanzania's continued to operate within the challenge of the outbreak of the global COVID 19 pandemic. As reported in the previous budget analysis (2019-2020); awareness on the value of water and sanitation has increased. Hand washing practices have increased, and hand washing containers are visible in many public places. We recommend at this early stage however that, a separate study to ascertain the consequences of COVID 19 on water and sanitation in Tanzania.

This brief analysis has taken into consideration the above-mentioned structural changes and their influence on 2020-2021 Water Sector's budget and offer recommendations. It should be observed that this analysis is working principally with information from the 2019/2020 and 2020/2021 budget speeches and associated financial memoranda. Data on budget execution is seriously lacking given the timeframe of this analysis. Information on budget expenditure was expected from various official documents such as the annual sector audited report by the Controller and Auditor General (CAG); but the relevant CAG's report is not out yet, hence it has caused a limitation in this analysis. Most of the expenditure data was obtained from the report of Water Sector Status Report (WSSR: January to December 2020); and Ministry of Water Budget Speech 2020/21 and 2021/2022.

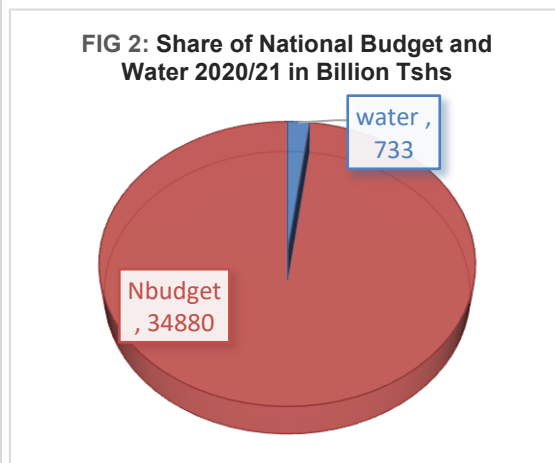
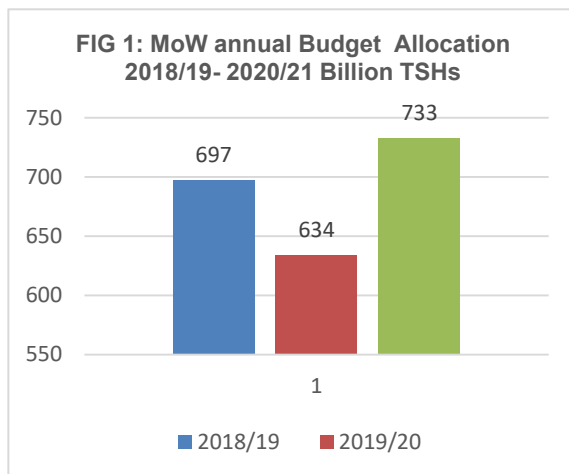
In addition, this brief report has analysed the 2020-2021 Water Sector's budget in relation to key water sector's indicators such as water supply infrastructures, functionality of public water points in rural areas and households' connections to the water network in urban areas; number of people with access to safe and clean water in both urban and rural areas; and status of sanitation again in both urban and rural areas.

Policy Level Recommendations

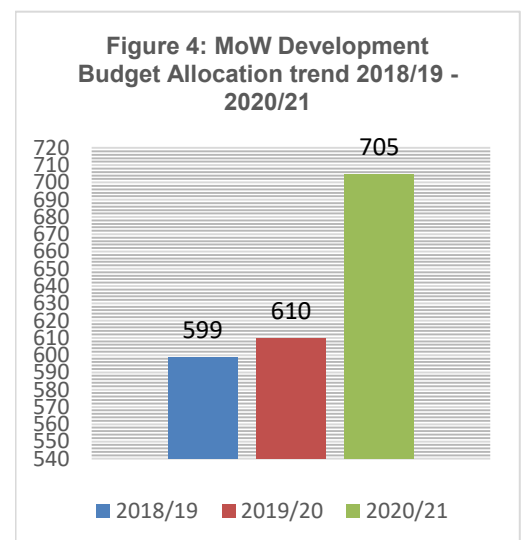
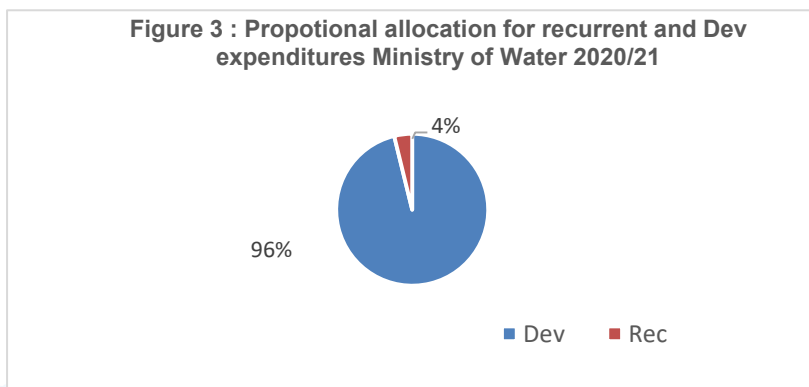
1. The 2020/21 water sector's budget increased by Tshs. 99 billion compared to the last financial year. However, the increase does not match with percentage share which remained 2% against national budget. ***It is therefore recommended the increase to be consistently aligned to at least 5% annual allocation and expenditure as set out in WSDP requirement figures.***
2. Allocation to WRM has remained at low for this year, at 6% share of the budget. An equitable allocation as estimated in the WSDP requirement for this component is 25%. ***It is therefore recommended funds budgeted for this component to be ring fenced by introducing a finance regulation that the annual allocation at percentage of the water sector budget.***
3. The disbursement follows same trend as the last financial year. The WSSR 2020 indicates that over 2 years of planning, the MoW received 57% of allocated funds for 2019/2020 – 2020/2021. ***It is therefore suggested that planning and budgeting of the program take a review to consider 4 levels of project planning: Project preparation/initiation, Project planning, Project execution, closure and handover, considering financing and budgeting along this line of project cycle.***
4. As noted in the previous financial year, the water sector's development budget is still highly dependent from external borrowing and donations. During the financial year 2020/2021 for instance almost 50.4% of the water sector's development budget was expected from donors and non-domestic revenues, and those from domestic source stood at 49.6%. ***It is therefore recommended to increase fuel levy to Tshs 100 for the period of the program, by 2030, and reduce it to current level for sustaining services.***
5. There is a remarkable weakness on coordination and accountability of sanitation and hygiene component. The component is hosted by the Ministry of Water, but led by the Ministry of Health under WSDP. ***It is therefore recommended a deep assessment to be done within the sector both on budget and off budget to determine funding landscape for sanitation and hygiene sector component.***
6. According to the targets set in the WSDP, we are short of achieving the desired targets – the coverage was estimated to be at 72.3% for rural water and 86% for urban. Rural has functionality rate at around 66% and urban NRW stood at 36.5%. ***It is therefore recommended a review of WSDP II to assess, and estimate, based on the experience of two phases review if Tanzania will achieve SDGs targets and its shortfalls by end of program in 2025.***

KEY FINDINGS

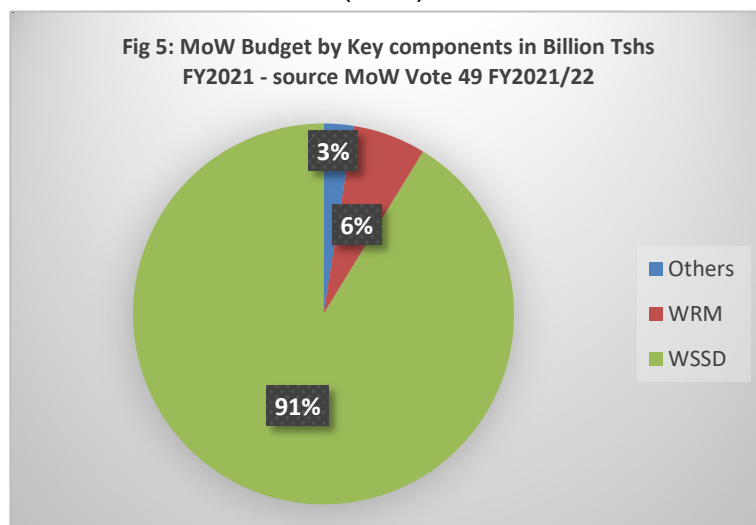
1. **Budget Allocation and Major Water Sectors Spending:** To implement planned activities of strengthening Water Sector's Institutions, WRM; improved Water Supply and Sanitation services in rural and urban areas and promotion of sanitation and hygiene, the MoW was allocated a total budget of TShs. 733 billion for its recurrent and development expenditures in the FY2020/2021. Whilst this budget allocation registers an increase of almost TShs 99 billion from the budget of TShs 634 billion allocated in the FY2019/2020, proportionately, the budgetary increase did not differ from that of the previous year because both stood at approximately 2% of the National Budget (TShs. 34,880 billion or 34 trillion TShs) allocated for the FY 2020/2021. This proportion of Water and Sanitation Sector budget falls way too short from the National Commitment to Abuja declaration which states that "a country to set 15% of their budget to improve health and Donors to set 0.7% of their GNI to Aid". The figures below illustrates the Water Sector's Allocation for the FY 2020/2021:



2. **Recurrent vs. Development Budget Allocation MoW:** The 2020/2021 MoW's budget was divided to TShs. 28 billion (equivalent to 4%) for recurrent and TShs. 705 billion (equivalent to 96%) for development expenditures, which is slight increase of 0.7% in the recurrent allocation of the previous financial year. The figures below, narrates the proportional share between recurrent and development spending for the FY 2020/2021 and trends:



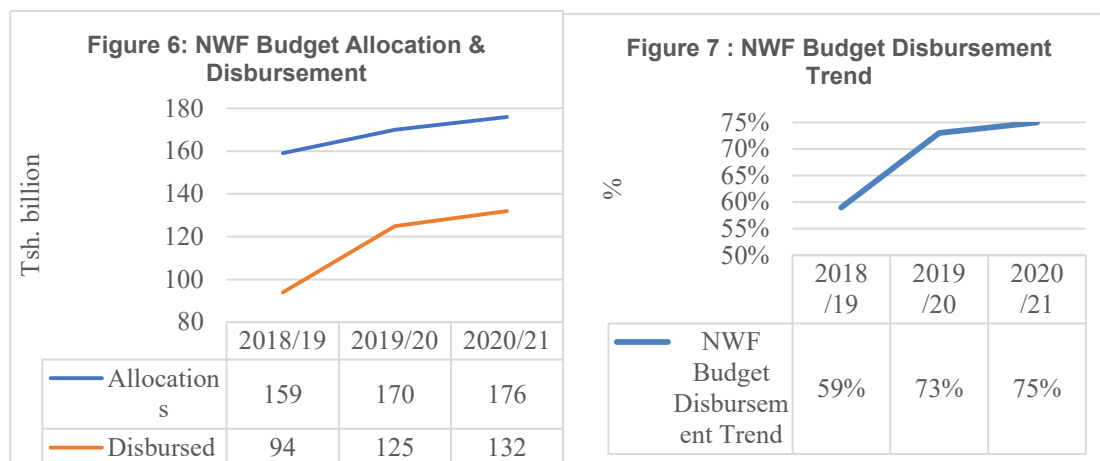
3. **Allocations for major Water Sectors:** Budget allocations to the key components of the WSDP have continued to favour the Water Supply and Sanitation component, which is comprises of the Urban and Rural water supply and sanitation sub-components. In the FY2020/2021, the WSS took a lion's share of TShs 643 billion (91%) while Water Resources Management (WRM) component was allocated TShs. 44 billion (equivalent to 6%) and other remaining components were allocated TShs. 18 billion, (equivalent to 3% of the budget). The 2020/2021 budget allocation to the key water sector components is illustrated in the figure 5. While rural and urban water supply is key toward ensuring access to safe and clean water; the consequences of investing 'poorly' in the management of water resources are equally severe. Budgetary allocations in the WSDP components as indicated in the programme design envisaged a 25% of the sector budget to be allocated to the WRM, to ensure that the activities for this component which are relating to meeting sector's obligation of ensuring water security, and sustainability of provision of water for domestic, ecology, environment and uses for economic production is guaranteed.



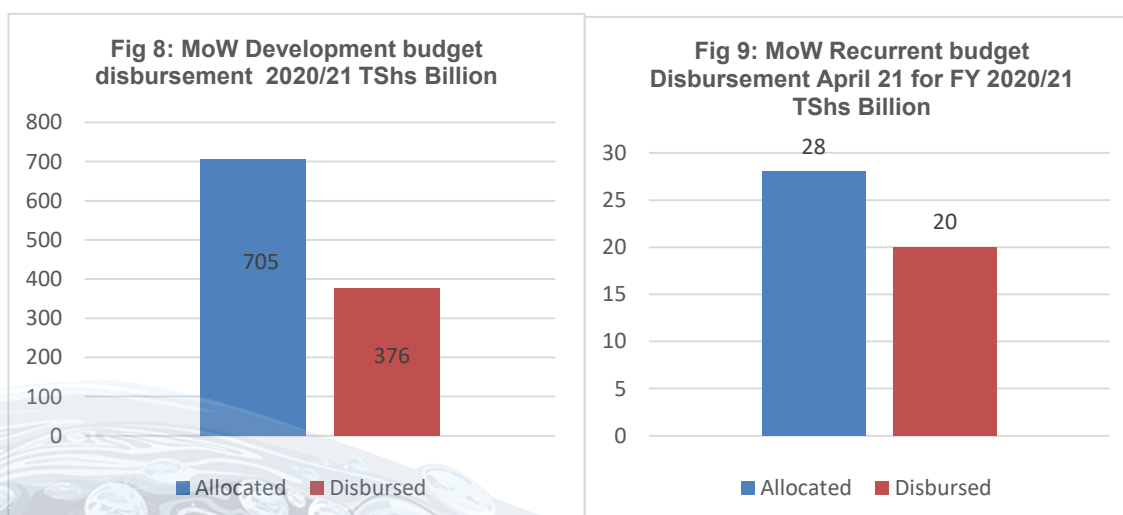
4. **Sources of the Water Sector's Budget for 2020/21:** As the WSDP II came to an end in FY2019/2020, it was expected that the financing trend should shift so that the sector graduates from donor dependency. According to the MoW's budget speech for 2021/2022 and Vote 49 budget sheet for the 2020/2021, water sector's allocated budget was expected to come from country's internal sources such as taxes, and user fees. Development budget analysis shows domestic financing was approximately 49.6% which is lower compared to funding from the previous FY2019/2020, which stood at 57.2%. On the other hand, external contribution increased to 50.4% while that of the previous financial year was slightly lower than half of the budget allocation i.e., 42.8%. Table 1 below illustrates the performance of internal and external financing for development budget for a period of three FYs 2018/2019; 2019/2020 and 2020/2021:

Table 1: Sources of Ministry of Water's Development Budget			
	2018/2019	2019/2020	2020/2021
	(Amount in Tshs. Billion)		
Domestic Sources	443.2 (65.8%)	349.5 (57.2%)	349.45 (49.6%)
Forex Sources	229.9 (34.2%)	261 (42.8%)	355.6 (50.4%)
Total Development	673.1	610.5	705.1

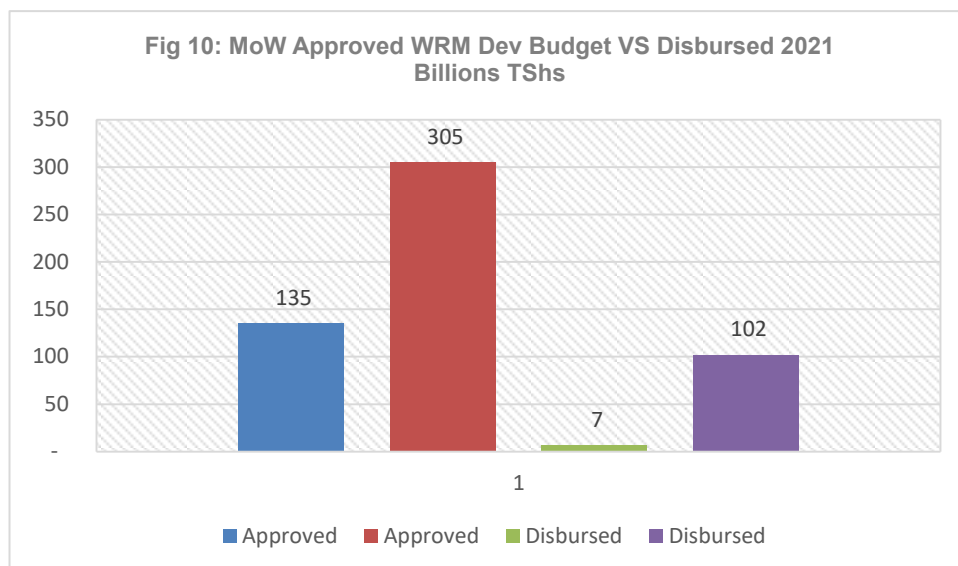
5. The National Water Fund (NWF): The NWF occupies a unique position as an important source of domestic funding to the MoW, which collects monies from internal sources. One of the major sources include the TShs. 50 fees deducted from every liter of petrol and diesel fuel purchased. In the financial year 2019/2020, the NWF through the fuel fees was supposed to collect or receive TShs. 170 billion for execution of its water sanitation projects across the country. By April 2020, the NWF had collected TShs. 125 billion from treasury equivalents to 73% of the allocated fund from fuel levy. In the FY 2020/2021 the Fund had received 75% of allocated as of April 2021, amounting to TShs 176 billion. Although the percentage of disbursement is slightly increasing but it has not been a full disbursement, as illustrated in figures 6 and 7 below:



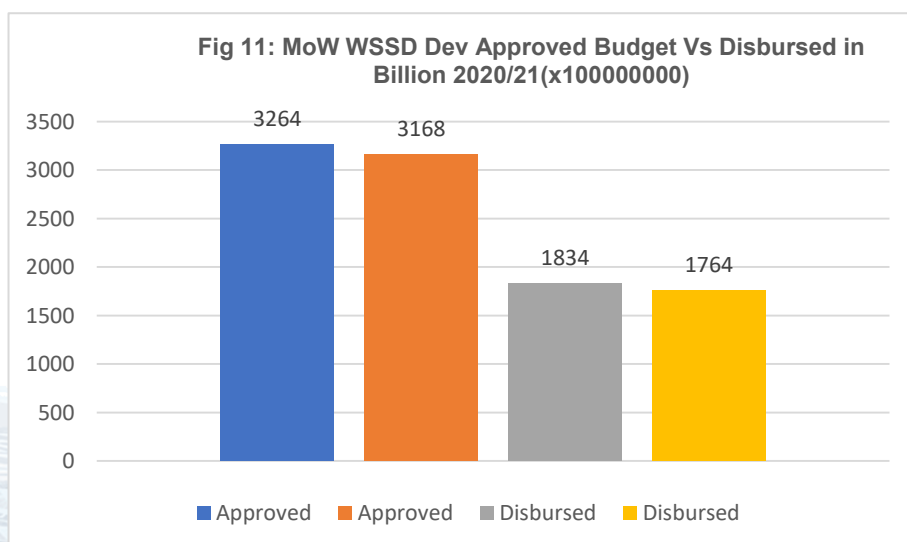
6. Total Ministry's disbursements: According to the Budget Speech of the MoW for FY2020/2021 budget allocation for Water Sector is a total of TShs 733 billion of which for recurrent and development allocations are TShs 28 billion and TShs 705 billion respectively. The major challenge in the water sector is on efficiency of budget disbursement. As of April 2021 the MoW had received from both internal and external sources, slightly more than half (54.2%) of allocated and approved funds for that year. Further analysis of development and recurrent budget shows endemic disbursement challenges in the water sector. According to the budget books Vote 49 only TShs 376 billion for development budget equivalent to 53% were disbursed and recurrent budget amounting TShs 20 billion equivalent to 71.4% were disbursed.



7. **Disbursements for the WRM Component:** The WRM component for instance, was allocated with TShs. 44 billion for its 2020/2021 development project budget slightly above the last FY by 4 billion. Out of this, TShs. 30.5 billion (69.3%) was donor commitment and TShs. 13.5 billion (30.7%) was domestic funds commitments. As of April 2021, the WRM component had received TShs. 10.8 billion (equivalent to 24.5%) for its development project spending, of the disbursed budget TShs 651 million, 5% of the total domestic allocation was from internal sources and TShs. 10.8 billion, 33% of total allocation from donors.



8. **Disbursement for the Water Supply and Sanitation Division:** The Water Supply and Sanitation Division (WSSD) on the other hand, was allocated with TShs 643 billion for its development projects' budget, being TShs. 326.4 billion (equivalent to 50.7%) anticipated from domestic sources and TShs. 317 billion (equivalent to 49.3%) from external sources. As of 30th April 2021, the WSSD component had received a total of TShs. 360 billion, equivalent to 56%, and of the allocated budget TShs. 183 billion from domestic sources equivalent to 56% of the anticipated domestic funds and TShs. 176 billion, equivalent to 55.7% from external sources including donor's commitments.



9. **Sanitation and Hygiene:** This is located as component 4 in the WSDP II; and is implemented through a complex institutional setting with a multitude stakeholders: The MoW is hosting the component through the National Sanitation Campaign (NSC) within the WSDP. Other implementers includes Ministry of Health (MoHCDGEC) Ministry of Education (MoEST), President's Office - Regional Administration and Local Government (PORLAG), RUWASA, the LGAs and Regional Secretariat. According to the MoW Budget Speech of 2019/20, MoW allocated a total of TShs 36 billion to key agencies implementing NSC in 26 regions and their districts including those in urban authorities, and similar allocation to Ministerial level for monitoring of the campaign. All funds are from external financing.

Table 2 Sanitation and Hygiene allocation FY 2019/20

Component	Amount In TShs	Function
LGA in 26 Regions	9,270,000,000	NSC
Region (RS)	10,115,000,000	Monitoring
TAMISEMI(PORALG)	350,000,000	Supervision
Ministry of Health	15,860,000,000	Supervision
Ministry of Education	200,000,000	Supervision
	35,795,000,000	

Conclusion

It is undisputed that there have been enormous efforts by the government toward provision of improved water and sanitation services in Tanzania. While we acknowledge the commitment toward allocation, disbursement, and spending on provision of water services that government put, this analysis looks more on the obstacles and challenges that hinder back those positive committed intentions.

Generally, the 2020/2021 Water Sector's budget analysis supports the argument that the water sector is still not only underfunded compared to other key priority sectors, but also its annual financial commitments through the allocations in the budget speech are not met in time as efficiently and timely as desired.

Characterised by the mismatch between budget allocation and budget disbursement, the 2020/2021 water sector budget begs a question whether planned activities particularly the new special programmes will be implemented as desired. Drawing from the main question behind this analysis, on whether there are adequate resources allocated, equitable and disbursed to ensure achieving set goals on the water sector; one would confidently conclude that allocated resources to the water sector are not only inadequate, but also are expended beyond the time frame of planned activities.

- According to the WSDP financing requirement for the FY 2018/19, it was the end of phase II of the program (WSDP) of which the program was expected to spend TShs 1,022 trillion. Beyond this year, there are no documented estimated requirement figure established and confirmed as reference to the planning and delivery of program.
- Despite good intention by the government and DPs to increase their commitment in the FY 2020/21 by raising funding closer to the WSDP II requirement, however, this was hindered by timely disbursement as been stated in the Vote 49 budget book and MoW budget speech that only 46% of the allocated funds was disbursed. Its proportion to the National budget share has remained at same figure of 2% and was placed at 5 positions among social sectors in terms of sector priority for budget allocations.
- With the allocated budget experiencing fluctuating trend, it is also still a donor dependence. The water sector despite being key to social and economic drive has been left financially unpredictable. The allocation has also deviated immensely from the financial requirement projections set forth in the WSDP. There are also serious inequity allocations particular to WRM as this may have high impact on future sustainability of the investments.



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