Connecting Country’s Investment efforts on Water, Sanitation and Hygiene (WASH) Services to Social and Economic Returns.

The Water Sector Budget Analysis (FY 2014/15 – 2018/19)

TAWASANET, 2020
Acknowledgements

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Abbreviations

WRM  Water Resources Management
MoW  Ministry of Water
RWSS Rural Water Supply Services
UWSS Urban Water Supply Services
MIS  Ministry Information System
WSDP Water Sector Development Program
LGAs Local Government Authorities
TAWASANET Tanzania Water and Sanitation Network
PO-RALG President's Office, Regional Administration and Local Government
MoHCGEC Ministry of Health, Community Development, Gender, Elderly and Children
MoF  Ministry of Finance
FY   Financial Year
CAG  Controller and Auditor General
IWRM Integrated Water Resources Management
LGDCG Local Government Development Capital Grant
NAWAPO National Water Policy – 2002
SWAp  Sector Wide Approach to planning
GoT  Government of Tanzania
GDP  Gross Domestic Product
URT United Republic of Tanzania
WASH Water Sanitation and Hygiene
PDS  Program Delivery Support
WHO  World Health Organization
TGNP Tanzania Gender Network Program
NAOT National Audit Office of Tanzania
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Data Source Declaration

Data and figures in this report have been obtained from official sources, including the Ministry of Water’s Management Information System (MIS), Water Sector’s Development Programme (WSDP) II, approved budgets, Volumes II and IV of the audit reports from the National Audit Office Tanzania (NAOT), for Financial Years 2014/15 to 2019/20.

Triangulation was done using Ministry of Water’s budget speeches and budget memoranda for Vote 49, for the respective financial years. Other sources of information are the analytical reports from Development partners and Civil Society Organisations under the water sector dialogue platform.
Executive Summary

Driven by the country’s concern on water sector’s financing gap, this budget analysis is made with the purpose of getting insight on how the budget is planned, money allocated and spent within the Ministry of Water and sector’s components. The analysis specifically seeks to explore whether financial resources are allocated adequately and equitably; and, are used effectively in order to ensure that the set goals including access to Water Sanitation and Hygiene (WASH) in Tanzania are achieved.

The findings of this analysis are troubling. Despite the outstanding economic performance and increased national budget, water sector allocation remains underfunded and responding negatively to the stimulating economic indicators. Basically, the water sector’s correlation with the national budget in the past five years has been fragile.

On average, the government allocated only 3% of the national budget to water sector, which does not suffice the increasing demands. Save for the established minimum budget allocation requirement of 0.5% of the GDP for Sanitation and Hygiene through the 2008’s eThekwini Declaration, made during the African Conference on Sanitation and Hygiene, there is no agreed standard as to what percentage of national budget should be set aside for water sector’s expenditure.

Reports from Ministry of Finance indicate increased investments in infrastructures, electricity and transport services. However, investments in the water sector show a decreasing trend. Water sector has ranked poorly out of the top five priority sectors in terms of budget allocations. Currently the top five priority sectors are Infrastructure, Education, Agriculture, Health and Energy.

Furthermore, this analysis shows that the nature of actual allocation within the water sector, has also affected allocations within its components. This analysis indicates that almost all five WSDP II components i.e. Water Resources Management (WRM), Rural Water Supply and Sanitation (RWSS), Urban Water Supply and Sanitation (UWSS), Sanitation and Hygiene (S&H); and Programme Delivery Support (PDS), were allocated a deviated budget from the financial requirement proposed in the WSDP II. In this regard, the water sector budget allocation to the key components of the water sector has failed to even abide with the financial requirements projected by its own WSDP II.

According to findings, during the past five years (2014/15 – 2018/19) for example, the WSDP II financial resources requirements for both recurrent and development expenditure, was USD 3,275,386 or Tsh. 7,592 trillion. However, the actual water sector’s allocation for the same period was only USD 1,667,731 or Tsh. 3,865.8 billion which is about 51% of the anticipated resource envelope. Three key components of the WSDP: WRM, UWSS, and RWSS received an allocated amount of Tsh. 3,390.7 billion which is less than the half (only 48%) of Tsh. 6,987 billion proposed in the WSDP II.

1 According to the NBS, the economy in Tanzania registered high growth levels with real GDP growth rate mounting to 7% in 2018 compared to 6.8% 2017.
This analysis also found out serious expenditure challenges within the water sector. Trend analysis of actual expenditure indicates that the water sector has been receiving and spending less than half of the financial commitment made during budget allocation of each financial year. For instance, in the last five financial years (2014/15 – 2018/19), the Ministry of Water approved (allocated) expenditure was Tsh. 3,316.5 billion. The actual expenditure as at June 2019 was only Tsh. 1,304.2 billion which is only 39% of the approved budget.

Under spending is equally experienced in the water sector’s components. In the last five financial years for instance, the three components (WRM, RWSS & UWSS) received only 35.5% of all the allocated funds from different sources. While the approved expenditure was Tsh. 3,397.2 billion but up to June 30, 2019 the components had received only Tsh. 1,205.5 billion as actual disbursements.

The report also points poor Development Partners (DPs) disbursement trend. In the period under review for instance, DPs disbursed only 18% (Tsh. 132.5 billion) of the total commitment (Tsh. 722.3 billion) made through basket funding. In addition, the DPs had committed Tshs 1,336 billion through Earmarked Funding. However actual funding from this source was only 12% of the said commitment amounting to Tshs 166 Billion. Furthermore, out of Tshs 7,217 billion committed by the DP for the entire programme, only 9% or Tshs 629 billion was realized.

The only source of WSDP funding that was disbursed as planned was the ‘other sources category’, which comprised of funds from community contributions, LGAs own sources and from LGCDGs.

While this report acknowledges all the ongoing efforts by the government on revamping the water sector, its conclusion retains the belief that the water sector has stuck between serious financing challenges and increased demands for WASH services. Various factors have contributed to these challenges, and it is this report’s submission that collective efforts are encouraged to address them.

Key recommendations of this report in order to leverage the situation at hand are highlighted below:

- The water sector budget proportion to the National Budget be raised to at least 5.5% from the current average of 3% if the sector is to achieve national targets (Based on the WSDP II financial projections).
- The government should at any cost avoid divergence of the water sector’s financial allocations and disbursements from the ascribed projections under the WSDP.
- It is important for the government to ensure timely and adequate funds disbursements to the WSDP components and LGAs. This will improve actual expenditure pattern and ensure the delivery of intended services.
- Government should maintain increased allocation trend for the water sector’s budget. TAWASANET believes that the cost drivers for the national budget have a bearing on equity issues.
- Government should strengthen transparency and accountability mechanisms within
the WASH programs. It should be observed that WASH programs are implemented by different sectors including Education, Health and Water. The diverse nature of WASH implementation poses critical challenges in budget planning, tracking expenditures and evaluating performance.

- TAWASANET suggests that the Ministry of Water takes lead in coordinating and reporting on WASH programs and projects and related initiative under the SWAp and WSDP funding.
- Donor dependency woes should be lessened by properly improving dominating financial resources and strengthen bilateral discussions with potential partners to ensure adequate financing to the water sector.
1. Introduction & Background

The global and domestic water sector’s challenges require a distinct anxiety over the water sector. The United Nations World Water Development Report 2019, ‘Leaving no one behind’ points out that in 2015 only one in five of the Sub Saharan region’s rural residents had access to at least basic water supply and sanitation. About 10% of the population still drinks untreated surface water. The report further points three out of ten people to have no access to safe drinking water and almost half of people drinking water from unprotected sources. Under these circumstances people, particularly women and girls, spend a significant amount of time traveling some distance to collect water (water.org). While six out of ten people lack access to safely managed sanitation services, the WASH situation is anticipated to worsen as the World population increases according to the Report.

According to the National Bureau of Statistics (NBS), Tanzania population is estimated to be about 60 million people and is anticipated to hit 90 million by 2035. In this situation, WASH demands and challenges are expected to rise. Currently only 57% of the Tanzanian's population million have access to an improved source of safe water, and only 30% of Tanzania’s population has access to improved sanitation.

Complementing the Vision and Objectives of the WSDP 2025, the Ministry of Water in Tanzania has put a target of reaching 85% of the rural population and 90% of the urban population by 2020, a total of 131,370 water points. In this regard, the MoW’s targets are to increase proportion of the rural population with access to clean and safe water to 90% by 2025 and increased access to clean and safe water to the urban population to 100% by 2025.

With the implementation of WSDP II – 2014/19 coming to an end, performance analysis and discussions on the status of provision and contribution of the water sector to the country’s economy is crucial. This analysis therefore serves as both; analysis of the financial commitments within the water sector and performance evaluation of the WSDP II.

Looking into the water sector through the WSDP II is crucial not only because the program serves as a water sector provision blueprint, but also because the WSDP 2025 echoes the Tanzania’s Development Vision 2025 which aims at absence poverty and high quality of life for all people by 2025. Specifically, the WSDP translates the vision 2025 by offering high quality life through strengthening water resources management and improved access to water supply and sanitation services.

Understanding that the WSDP 2025 has set up dialogue mechanisms in efforts to ensure participation and involvement of all key players, accountability and inclusiveness. And as part of WASH financing monitoring, TAWASANET through this analysis was interested in exploring water sector’s budget trends for the financial years 2014/15 – 2019/20 in order to establish the progress toward achieving the WSDP’s objectives and targets.

The purpose of this budget analysis was to get an insight how budgets were planned, and money was allocated and spent within the Ministry of Water sector components. The analysis further sought to explore whether there were adequate resources allocated and equitable to
ensure achieving set goals on WASH in Tanzania, and where do these come from? The analysis examined whether the provided resources were being used in the most effective ways to improve access to WASH, and to establish whether the existing dialogue mechanism were effectively performing its role as a coordinating and accountability mechanism to the water sector. The report informs the sector for further improvement on equity and inclusion aspects.
2. Purpose and objectives

The purpose of this budget analysis was to get an insight of how budgets were planned, and money were allocated and spent within the Ministry of Water sector components. Generally, the work sought to explore the following key questions:

a) Were adequate resources allocated and equitable to ensure achieving set goals on WASH in Tanzania, and where do these come from?

b) Were the resources provided being used in the most effective ways to improve access to WASH?

c) Was the dialogue mechanism effectively performing its role as a coordinating and accountability mechanism to the water sector?

2.1. Specific Objectives

The analysis specifically aimed to at least address the following key questions:

- How were budgets planned and accounted for?
- What were the process for planning the funding required by the Ministry of Water and its components (i.e. how are size, water resources, water users/population, and headcount considered?
- What was the calculated/estimated need vs the amounts requested, allocated, disbursed, received and spent?
- What were the proportion of basket funding in comparison to earmarked and projects under the WSDP?
- Where most of funds did came from? (i.e. sources and its impacts to the entire financing of the sector
- Were funds dispersed and used efficiently, and what were the time lags between request, approval, and disbursement and spent
- What were the reasons for any differences?
- How was expenditure by the Ministry and its components tracked and what oversight procedures were in place to manage fiduciary risks?
3. Budgeting and Planning within the Water Sector

Overseen by the MoW, the Water Sector budgeting and planning abides to the WSDP; and, follows the national annual budget cycle. Essentially, planning and budgeting for water involves determination of resources and their uses for attainment of pre-determined objectives. Planning and budgeting are done mainly through the Ministry of Water, National Irrigation Commission (when the sector included irrigation) and through the WSDP which attracts funding from numerous sources including DPs. The budget estimates were formulated in line with detailed macroeconomic forecasts given by the Ministry of Finance (MoF); domestic resources mobilization forecast and donor’s financial commitment in the budget.

Recently, a slight change on the budget and implementation structure within the MoW was made through the Water Services and Environmental Sanitation Act, No 5 of 2019. Under this new legislation, the National Irrigation Commission (Vote 05) which was previously under the MoW, was re allocated to the Ministry of Agriculture. Equally the departments of rural and urban water supply formally under separate program sub votes are now merged into a Department of Water Distribution and Environmental Sanitation.

Normally, the MoW’s implementation plans aligned to the national plans such as the Development Visions 2025; the Sustainable Development Goal number 6 that aim at ensuring availability and sustainable management of water and sanitation for all, WSDP II and the National Water Policy 2002.

To support implementation of different water projects, the WSDP funds were transferred to 183 Local Government Authorities (LGAs); Ministry of Health Community Development Gender Elderly and Children (MoHCDGEC); and, Presidents Office – Regional Administrative and Local Government (PO-RALG). Other water sector’s projects not under the WSDP received funds directly from financiers for their implementation. The water sector’s major finances came from the Government of Tanzania (GoT) through the MoW’s own revenues, General Budget Support, the Sector based Basket Funding which has a holding account at the Bank of Tanzania (BoT); Earmarked Projects funded by DPs.
4. The Nature and Allocation for the National & Water Sector’s Budget

4.1. The National Budget Outlook

Led by the National Five Years Development Plan 2016/17-2020/21 that focuses on building an industrial economy and improving citizens’ welfare, the Central Government of Tanzania allocated a total amount of Tsh. 136,705.8 billion for recurrent and development spending for the period of 2014/15 to 2019/20. Characterized by robust GDP growth of 7% and a single-digit inflation, the national budget increased by Tsh. 13,252 billion (67% increase) rising from Tsh. 19,853 billion in 2014/15 to Tsh. 33,105 billion in 2019/20.

According to the NBS, Tanzania’s economy registered a high growth level with real GDP growth rate mounting 7% in 2018 compared to 6.8% in 2017. Reports from MoF indicate increasing investments in infrastructures, stable supply of electricity and improvement in transport services. The economy also experienced a trend of favorable weather conditions that resulted in an increased harvest of food and other crops.

4.2. Water Sector as a percentage of National budget

Despite striking economic performance and increased national budget allocation, the water sector’s budget in relation to the national budget in the years under review has been fragile. On average, the government allocated only 3% of the national budget for water sector in the last five years. Whereas total national budget amounted to Tsh. 136,705.8 billion; water sector budget allocations summed up to Tsh. 4,527.8 billion (3.3% of the total national budget).

Whether the allocation of 3% of the national budget to water sector is a practical allocation or not, is subject to discussion. Serve for the eThekwini Declaration made at the Africa Conference on Sanitation and Hygiene, (2008) which establish a minimum budget allocation requirement of 0.5 percent of the GDP for sanitation and hygiene; there is no agreed standard as to what percentage of national budget should be water sector’s expenditure.

A logical approach to establish allocation benchmark for the water sector perhaps, would be to refer to the WSDP II’s financial requirement framework for the period from 2014/15 to 2018/19. The WSDP II proposed a total of Tsh. 7,593 billion which is 5.5% of the total national budget of Tsh. 136,705.8 billion allocated in the same period. Since the needs analysis and costing for the WSDP II was done in consultation with key water sector’s stakeholders; it would be financially ideal to suggest the 5.5% allocated be the reference standard of how much of the national budget should go to water sector’s expenditures.

The figures below compare the annual allocations for national budget and the water sector’s budget for the period from 2014/15 to 2019/20.
Source: Citizen Budget’s figures

From the figures above, it is shown how the water sector’s budget does not resonate with national budget financing trend. While the national budget indicates increasing trend, the water sector’s budget allocation had the up and down bouncing trend. Basically, the water sector’s budget has been unstable in the past five years. The national budget for instance raised from Tsh. 19,853.3 billion in the financial year 2014/15 to Tsh. 33,105.4 billion in 2019/20; the water sector fluctuated from Tsh. 665.1 billion in 2014/15 to Tsh. 1,020 billion in 2016/17 then dropped to Tsh. 662 in 2019/20. The figure below elaborates more;

Source: Citizen Budget figures

4.3 Water Sector budget relation’s with other government priority Sectors

It is fortunate that the government of Tanzania has given a public commitment on lifting the country economy and improving the business environment through improving access to quality health services, education and skills, food and nutrition as well as clean and safe
The Water Sector Budget Analysis Brief (FY 2014/15 - 2018/19). This commitment means a lot to TAWASANET, as it gives a glimpse of government’s political will and awareness on the importance of the water in lifting the country’s economy. The vital questions may now be to enquire on whether the government translates its political will into practical commitment, whether the water sector is among the government’s priority sectors in terms of budget allocation? And what is the proportional water sector’s budget allocation as compared to other sectors?

Analysis on the government’s priority sectors list indicates that for the last five financial years, the water sector has ranked out of the top five government’s priority sectors in terms of budget allocations. Led by Infrastructure, other sectors in the top five priority sectors for the government in the past five years are Education, Agriculture, Health and Energy. The empirical advantage of being ranked among priority sectors is the fact that the higher-ranking sectors benefit from prioritized financial allocation. The total budget allocation for the top priority sectors in the past five years have been in the following order:

i. Education Sector’s allocation of Tsh. 25,965 billion,
ii. Infrastructures sector of Tsh. 25,593 billion,
iii. Health Sector Tsh. 11,174 billion,
iv. Energy Sector Tsh. 7,980 billion,
v. Agriculture sector Tsh. 5,841 billion; and,
vi. Water sector Tsh. 4,528 billion.

Source: Citizen Budget figures
5. Allocations for the Ministry of Water’s Budget

As pointed out earlier in this report on the modalities of water sector financing, the water sector is financed either through the Ministry responsible for water sector policy implementation (i.e MoW) or through funding of activities under the WSDP II. Funds are disbursed to LGAs, Water Boards and the components. Allocations for the MoW’s budget excludes all financial spending allocated through the National Irrigation Commission (budget vote 005); WSDP’s direct project funding by DPs; and, earmarked water projects under the MoF. Under this circumstance, it is quite important to specifically state the unit of analysis in each part of this report.

As the custodian of the water management and supply activities in the country, the MoW through supply vote 49 was allocated with a total of Tsh. 3,951.7 billion in the last six years of WSDP implementation. This is equivalent of 2.9% of the national budget allocated during the same period. The allocation was further divided into recurrent expenditures which amounted to Tsh. 155 billion equivalents to 3.9% of the total allocation; and, Tsh. 3,796.7 billion for development expenditures which is 96.1% of the entire Ministry’s allocations in the same period.

Just like the water sector’s budget, allocations within the MoW had also a fluctuating trend. Its allocation in the last five years has fluctuated from Tsh. 520 billion in 2014/15 to Tsh. 939 billion in 2016/17 then to Tsh. 634.2 billion in the financial year 2018/19. The positive aspect, however, is the fact that the largest part of this funding is budgeted for development spending. On average, for the period from 2014/15 to 2019/20 Ministry has allocated over 96% of her budget to development related expenditures leaving only 3.9% for her recurrent expenses.

![Figure 7: The nature of budget allocation for the Ministry of Water](image_url)
6. Aligning the Water sector budget to the WSDP & Regional Commitments

6.1. Traces of water sector’s compliance to the WSDP II

The WSDP 2025, is regarded as the main national water services’ plan. It echoes both, the National Water Policy 2002, and the Tanzania’s Development Vision 2025. The WSDP is founded on a sector-wide approach to planning (SWAp) which incorporates structures for joint government-development partner dialogue and financing mechanisms include budget support administered via a basket fund, plus additional ‘earmarked’ funding allocated by a number of DPs outside of the basket to support special projects in selected locations.

Given the WSDP’s position in the water sector, TAWASANET believes that any efforts to understand how budgets are planned, allocated and spent within the water sector’s components should refer to the WSDP document for comparison as a basis to establish whether financial resources are adequate and equitably allocated, in line with the set goals on WASH in Tanzania. The WSDP also indicates funding sources and budget categorization for its different components.

For the period of five years (2014/15 – 2018/19), the WSDP II financial resources requirements was USD 3,275,386 million (equivalent to Tsh. 7,592 trillion based on current market exchange rates). This financial resource covered both recurrent and development expenditures of the sector. However, the actual water sector’s allocation for the same period was only USD 1,667,731 which is equivalent to Tsh. 3,865.8 billion (51%).

The projected funding mechanism for the WSDP II was expected to include the joint government-DPs dialogue and budget support mechanisms administered through a basket fund. Another source of sector funding was the ‘earmarked’ funding arrangement allocated by several DPs, outside of the basket funding arrangement. The earmarked funding was directed to support special projects in selected locations.

Table 1: Percentage of Financial Requirements by Components 2014/2019

<table>
<thead>
<tr>
<th>Components</th>
<th>Proposed WSDP II Allocations (in 000 USD)</th>
<th>Tsh billion (USD1: 2,318 Tsh)</th>
<th>% of Total Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>WRM</td>
<td>803,601</td>
<td>1,863</td>
<td>25%</td>
</tr>
<tr>
<td>RWSS</td>
<td>862,394</td>
<td>1,999</td>
<td>26%</td>
</tr>
<tr>
<td>UWSS</td>
<td>1,348,103</td>
<td>3,125</td>
<td>41%</td>
</tr>
<tr>
<td>Sanitation &amp; Hygiene</td>
<td>150,000</td>
<td>348</td>
<td>5%</td>
</tr>
<tr>
<td>Programme Delivery Support (PDS)</td>
<td>111,289</td>
<td>258</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>3,275,386</td>
<td>7,593</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: WSDP II document

It is important to point out that the financial requirements highlighted in the WSDP II was a result of consultations with the implementing agencies representing all the water sector’s components.
Table 2: WSDP II vs Actual Water sector’s allocations 2014/2019

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>WSDP II Budget</th>
<th>Actual Water Sector Budget</th>
<th>% of WSDP II budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>January Forex rate (1:2318)</td>
<td>USD (000)</td>
<td>Tsh billion (USD1:2,318 Tsh); In USD (000)</td>
<td>Tsh. billion</td>
</tr>
<tr>
<td>2014/15</td>
<td>386,207</td>
<td>895</td>
<td>286,928</td>
</tr>
<tr>
<td>2015/16</td>
<td>854,422</td>
<td>1,981</td>
<td>247,412</td>
</tr>
<tr>
<td>2016/17</td>
<td>958,545</td>
<td>2,222</td>
<td>440,035</td>
</tr>
<tr>
<td>2017/18</td>
<td>632,942</td>
<td>1,467</td>
<td>322,692</td>
</tr>
<tr>
<td>2018/19</td>
<td>443,270</td>
<td>1,027</td>
<td>370,664</td>
</tr>
<tr>
<td>Total</td>
<td>3,275,386</td>
<td>7,592</td>
<td>3,865.8</td>
</tr>
</tbody>
</table>

Source: WSDP II document

It is important to note that this analysis uses the sector amount as presented in the Citizen Budget documents for the corresponding years. The citizen budget documents use the figures based on the national budget distributions. The national budget source of revenue includes Domestic Revenue (Tax and Non-tax revenue), revenue from Local Government authorities (or collection from usage); Grants and concessional Loans (General Budget Support and Basket Loans and Grants).

The results of this budget analysis indicate that despite of having a financial roadmap or a blue print of what is required to meet the objectives of the WSDP II in the last five years, the water sector was allocated only half (51%) of the required resources.

6.2. Allocation trend within water sector’s components

The nature of actual allocation within the water sector has also affected allocations within its components. This budget analysis indicates that almost all five of the WSDP II components were allocated a deviated budget from the financial requirement under WSDP II. For instance, in the last five years the key three WSDP II components namely WRM, UWSS, and RWSS were allocated a total of Tsh. 3,390.7 billion which is only 48% of Tsh. 6,987 billion proposed in the WSDP II.
According to the WSDP II’s financial requirement analysis, the proportion allocation of the components was: 25% for the WRM, 26% for RWSS, 41% for the UWSS, 5% for the S&H and 3% for the PDS. However, in the last five years the average proportion allocation of the water sector’s component was 8.3% for the WRM instead of 25%, an average of 36.2% instead of 41% for the UWSS; and, an average of 36% of the RWSS instead of the planned 26%.

The figures above indicate that in general terms, in the last five years of WSDP II’s implementation the actual budget allocations for the water sector’s components have fallen short of the financial requirement proposed during the establishment of the program.

A slight difference from the general is observed in the RWSS which according to the figures above had an actual allocation of 36% which is greater than the recommended allocation under the WSDP II document of 26%. While allocating more than what was planned is a commended decision considering the intensity of the water challenges in rural areas; proper justification for the changes will help future planning and accountability of the disbursed or increased funds.

The table below compares the actual budget allocations for the three components (WRM, UWSS & RWSS) in the last five years.
From the figures above, it is obvious that the government has diverted hugely from the allocation patterns proposed by the WSDP II during financial requirements analysis. Apart from allocating deficit budget, there are traces of over budgeting in some components. For example in 2015/16 and 2016/17 where the allocated budget for RWSS components surpassed the UWSS contrary to the agreed proportion in the WSDP II. The proportion allocations of specific components have also been unstable or fluctuating from time to time (Up and Down movement) making it impossible to predict government spending habit in the water sector hence affecting both forecasted planning and involvement of stakeholders.

Table 3; Actual allocation pattern for the water sector and its components

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>665.1</td>
<td>66.5</td>
<td>214</td>
<td>199.9</td>
</tr>
<tr>
<td>2015/16</td>
<td>573.5</td>
<td>55</td>
<td>189</td>
<td>232</td>
</tr>
<tr>
<td>2016/17</td>
<td>1,020</td>
<td>71.3</td>
<td>396</td>
<td>422.5</td>
</tr>
<tr>
<td>2017/18</td>
<td>748</td>
<td>69.9</td>
<td>276</td>
<td>265</td>
</tr>
<tr>
<td>2018/19</td>
<td>859.2</td>
<td>56.7</td>
<td>325</td>
<td>263</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,865.8</td>
<td>319.4</td>
<td>1,399.7</td>
<td>1,382.4</td>
</tr>
</tbody>
</table>

Reflecting the water sector’s budget allocation structure, the components plans, and allocation indicates increased development expenditures than recurrent. Given the nature of the water services which require higher investments in infrastructures for water supply, this is a positive pattern. It is observed for example that, in the last five years, the three components (WRM, RWSS & UWSS) were allocated a total of Tsh. 3,101.2 billion out of which Tsh. 71.9 billion (2.3%) was for recurrent expenditures while the rest 97.7%, or equivalent of Tsh. 3,029.3 billion was dedicated to for development expenditure.

This analysis has established a fluctuating trend for both development and recurrent expenditures in the water sector.
expenses in the water sector’s budget in general. However, examining with the sector, the findings indicate through the trend analysis of the recurrent expenses in the sector components indicates allocations have been falling while experiencing fluctuating trend in its development expenditure. Total recurrent expenditures for components’ recurrent for instance have moved from Tsh 17.8 in 2014/15 to Tsh 13.2 in 2016/17 then to Tsh. 12.3 billion in 2018/19. To the contrary, development budget has moved from Tsh 462.6 billion to Tsh.876.1 billion then to Tsh. 632 billion in the same years consecutively. The figures below elaborate more on the component’s recurrent and development budget allocation trend.

![Figure 12: Total allocations for the three (WRM, RWSS & UWSS) components in last five years](image1.png)

![Figure 13: Allocation trend for components' recurrent and development expenditures](image2.png)
7. Water sector budget disbursement and expenditure trend

7.2. Actual expenditures’ challenges for the Water Sector

On top of existing allocation challenges, the water sector encounters even more serious challenges on actual disbursement and financial expenditures. Actual expenditure trend analysis indicate that the water sector received and spent less than half of the financial commitment made during budget allocation each financial year. For instance, in the last five financial years (2014/15 – 2018/19) the MoW’s approved (allocated) expenditures was Tsh. 3,316.5 billion, but the actual expenditures at as of June 2019 was only Tsh. 1,304.2 billion which is only 39% of the approved budget.

Expenditure challenges have been even more serious to development budget than to recurrent budget. In the last five financial years for instance, the MoW allocated a total of Tsh. 131.3 billion for recurrent expenditures and spent Tsh. 121.8 billion (93%); while allocating Tsh. 3,186.2 billion and spending only Tsh. 1,182.4 billion (37%) for development. Even as the budget allocation trend analysis indicates development spending as the government priority; figures for actual expenditures prove otherwise. Table and figure below, compares allocation and disbursement trends for MoWs’ budget in the last five years.

Analyzing actual expenditure trend is crucial as it highlights the status of program or project plan implementation. With the actual expenditure’s statistics indicated above, it is evident that the services delivery plans of the MoW were partially implemented. To be more exact, for the last five years the Ministry implemented only 39% of its commitments. Putting this context in other words, with this trend of implementation, the water sector would potentially take a minimum of 15 years to deliver the 5 years commitments. It would therefore be a challenge to attain the objectives of the WSDP II by 2025 as anticipated.

According to the MoF, under expenditures attributed to insufficient funds disbursed to the sector against the projects made in the plans and budgets. The positive aspect perhaps that we need to uphold is the increasing disbursement trend for the MoW and its development expenditures. For instance, disbursement for MoW’s budget increased by 215 billion in the last five years, from Tsh. 145 billion in 2014/15 to Tsh. 260 billion in 2016/17 then to
Tsh. 360 billion in 2018/19. On the other hand, development budget increased by Tsh. 219 billion, from 125 billion in 2014/15 to Tsh. 344 in 2018/19.

7.2. Subcomponent’s disbursement & expenditure trend

The effects of under expenditures of the MoW’s budget equally affected the water sector’s components budgets. In the last five financial years for instance, the three components (WRM, RWSS & UWSS) received only 35.5% of all the allocated funds from different commitments.

Whilst the approved expenditure was Tsh. 3,397.2 billion, but up to June 30, 2019 the three components had received only Tsh. 1,205.5 billion as actual disbursements.
From figure 19 above, it is obvious that disbursement of funds to components and to the water sector at large was a serious challenge. For the last 5 years none of the component has received a full allocated amount. The situation was worse in the WRM component as indicated in its disbursement trend. It was found out that allocations have been falling from 60% in 2014/15 to 17% in 2018/19. Disbursements for the RWSS and UWSS have been increasing although they also face a similar challenge of underfunding and poor disbursement. Disbursement for the RWSS has increased from 11% in 2014/15 to 67% in 2017/18 while the UWSS disbursement increased from 19% in 2014/15 to 58% in 2017/18. There is slight decrease for both RWSS and UWSS disbursement in 2018/19 to 46% and 36% consecutively, situation which suggest a nose dive trend in near future hence needs to be looked upon.

**WASH and PDS Disbursement challenges.**

There were even more challenges to the other two components, the S&H and the Program Delivery Support (PDS) whose allocation and disbursement data have been difficult to obtain. According to MIS the S&H components received a total of Tsh. 8.4 billion only out
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The financial requirement identified for the S&H service provision in the last five years is only 2.4% of the financial requirements of Tsh. 258 billion for the entire WSDP II period. The PDS component on the other side, received only 10.1% which was Tsh. 26 billion of the financial requirements. One would therefore ask how practical is this kind of planning? How many years will it take for the country to realize the objectives of S&H in the country? The current S&H situation in Tanzania is alarming. According to the WHO/UNICEF Joint Monitoring Programme (2019), the proportion of population using safely managed sanitation services is only 25%, the population using basic sanitation services is only 5% while the proportion using unimproved sanitation facilities is 41%. Only 57% of the population is using at least basic drinking water services.

8. Donor funding allocation and disbursement pattern

8.1. Comparison between basket funding, earmarked and project funding for WSDP II

There are serious allocation and disbursement challenges to all sources of funding for the WSDP II in the last five years. Comparative analysis made to the figures from the Ministry's Information System (MIS) on allocation and disbursement for the Basket fund, Earmarked fund, Project funding and other sources of funds mainly from community contribution, district own sources and LGCDG, suggest a serious mismatch among them. For instance, donors had committed to disburse a total of Tsh. 9,279.2 billion through different sources (including GOT Basket) from July 1, 2014 to July 30, 2019; but as of June 30, 2019, only Tsh. 929 billion (10%) was disbursed.

Specifically, donors disbursed only 18% (Tsh. 132.5 billion) of the total Tsh. 722.3 billion, commitment made through basket funding. Furthermore, DPs disbursed only 12% (Tsh.166 billion), of the entire Tsh. 1,336 billion commitment made for earmarked funding; and disbursing only 9% (Tsh. 629 billion) of the total project funding commitment amounting to Tsh. 7,217 billion.

The only source of WSDP that met financial commitments at least in some significant level, is the ‘other sources category’ comprising of funds from community contributions, LGAs own sources and from funding from the LGCDGs. In the last five years, the LGCDGs committed to allocate Tsh. 1,234 billion but up to June 2019 a total of Tsh. 1,232 billion, equivalent to 99.9%.
Generally, the water sector has been facing serious cases of underfunding and expenditures a situation that has affected service delivery. In the last five years, the CAG report has been pointing cases relating to underfunding and underutilization in water sector’s projects. In the 2016/17 Audit report for Development Projects the CAG highlighted a number of discrepancies relating to the amount of funds released to MoHCDGEC (for implementation of WSDP National Sanitation Campaign), PO-RALG and LGAs. For, MoHCDGEC, the amount mentioned was identified to be to Tsh. 1,219,925,810.55. This analysis noted that up to 30th June 2017 it is only Tsh. 817,396,711.27 (67%) of the funds available was spent, leaving a balance of TZS 402,529,099.28.

During the financial year 2017/18, the CAG audited seven projects financed by the World Bank, AfDB, UNDP, KFW Germany and DFID. In order to implement WSDP, projects funds were transferred to 183 LGAs, MoHCDGEC and PO-RALG. The remaining projects received their funds directly from financiers for implementation. During the said financial year, Tsh. 48.9 billion was available but only Tsh. 38.85 billion (79%) was spent leaving a total of Tsh. 10.05 billion for implementation of the outstanding activities unspent.

According to CAG’s report for 2017/2018; under expenditure is mainly caused by two major factors; firstly, the Insufficient Release of Funds to the Development Projects and government’s failure to contribute her Share of Project Financing. In the 2017/2018 for instance the audit report pointed to under release of Tsh. 157 billion from 203 implementers’ approved budget due to insufficient release by the Treasury and DPs. In some projects the under release was due to delays and incomplete submission of fund accountability reports; inhibiting credit holding DPs from releasing funds in line with set the agreements.

In review of various projects financing for the year ended 30 June 2018, the CAG noted that the Government failed to fully contribute its share of project financing. It was noted that in ten projects, the Government was supposed to contribute Tsh. 118,446,616,605 but contributed only Tsh. 7,436,712,224.57 equal to 6%, leaving out Tsh. 111,009,904,380 not contributed. This is contrary to the project agreements signed between the Government and DPs. According to CAG, underfinancing constrains effective implementation of projects.
activities therefore denies beneficiaries from enjoying the benefits expected from projects. The table below as extracted from DP General audited Report for 2017/18 financial year elaborates more.

**Table 3.6: Summary of Funds available and utilized (amount in TZS/million)**

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of Project</th>
<th>Financier</th>
<th>Funds Available&lt;sup&gt;12&lt;/sup&gt;</th>
<th>Funds Utilized</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural Water Supply and Sanitation Programme (RWSSP)</td>
<td>World Bank and GOT</td>
<td>255</td>
<td>250</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Centre for Water Infrastructure and Sustainable Energy Futures (WISE-FUTURES)</td>
<td>World Bank</td>
<td>2,620</td>
<td>1,616</td>
<td>1,004</td>
</tr>
<tr>
<td>3</td>
<td>Water Sector Development Programme (WSDP)</td>
<td>KFW, Germany and DFID</td>
<td>1,217</td>
<td>896</td>
<td>321</td>
</tr>
<tr>
<td>4</td>
<td>Arusha Sustainable Urban Water and Sanitation Delivery Project</td>
<td>AfDB</td>
<td>22,226</td>
<td>21,926</td>
<td>300</td>
</tr>
<tr>
<td>5</td>
<td>LIVVATSAH Awanza Project</td>
<td>AfDB</td>
<td>14,621</td>
<td>6,223</td>
<td>8,398</td>
</tr>
<tr>
<td>6</td>
<td>Securing Watershed Services through Sustainable Land Management (SLM) Pangani Water Basin</td>
<td>UNDP</td>
<td>2,126</td>
<td>2,126</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Lake Victoria Environmental Management Project II (LVEMP II)</td>
<td>World Bank</td>
<td>5,837</td>
<td>5,815</td>
<td>22</td>
</tr>
</tbody>
</table>

**Total**  48,902  38,851  10,050

*Source: Management Letters of financial year ended 30 June 2018*
9. Connecting Country’s Investment efforts on WASH Services to Social and Economic Returns

It is unfortunate that the increasing national budget allocation trends; the national macro-economic growth (7.1% for 2019 compared to 7% in 2018) and the increase in revenue collection (Tax to GDP ratio of 13.1%, compared to a projected 12.1% for 2018/19); has not been reflected fully in the water sector for the past decade. Despite of all the positive government efforts toward achieving the national development priorities as set out in the National Five-Year Development Plan 2016/17 - 2020/21; budget allocations and actual expenditures have remained poor.

This misfortune for the water sector can be best elaborated by comparing the nature and importance given to key social sector in terms of budgeting and spending. Although it is among the top ten priority sector, the water sector receives meagre budget amongst the first six priority social sectors. While it is unquestionable that each sector has its role and importance in the livelihood; it is this analysis submission that crosscutting sectors such as water should by any means rank high in terms of priority sectors because through them, many other rights and services are achieved.

The improved and adequate water, sanitation and hygiene services for instance, are essential components of providing basic health and education services. In the Health sector for instance, provision of WASH in health care facilities serves to prevent infections and spread of diseases, protect staff and patients, and uphold the dignity of vulnerable populations including pregnant women and the disabled.

Due to budgetary challenges in the water sector, it is reported that many health care facilities in low resource settings have no WASH services which severely compromises the ability to provide safe and people-centered care and presenting serious health risks to both health care providers and those seeking treatment.

According to UNICEF (UNICEF/ITAL2010-0028), an efficiently and effectively implemented WASH in Schools programme will lead to students who are healthier; perform better in school; positively influence hygiene practices in their homes, among family members and in the wider community. However, lack of better WASH facilities and services has serious negative learning outcomes in the education. In Tanzania for instance, various community surveys done (e.g. by TGNP, SNV, TAWASANET) indicate that girls abscond classes for 3 to 5 days a month due to WASH related challenges. Most of the girls especially in the rural context fail to manage their menstruation circles due to poor facilities and infrastructures, including running water, sanitary pads, disposals, toilets and even female teachers to engage in this issue.
Reading and analyzing the government allocations and budget commitment partner to the water sector tells a lot on what gaps need to be addressed in order to make the sector a priority and performing. Diverting trend from the WSDP II financial requirement in any other water sector’s investment efforts by government is in itself a stumbling block to water provision services. To TAWASANET, any efforts diverging from the commitment set forth in the WSDP (which align to National Vision 2025, and other national plans) will retard the water sector and other country’s economic and social development efforts.

Disbursement and expenditure challenges that highlighted in this report, worsens the water sector situation and contradict the country’s direction toward protecting, managing water resources and offering services. Understanding the paradigm shift toward budgeting and funding the public sector and relating challenges; it is vital to ensure that the commitment made by government and DPs in allocations are actually met during disbursement and actual financial expenditures. Disbursing a deficit budget exposes high risk to future accountability issues within the sector. Any anticipated deficit budget disbursement should be well communicated to public and implementers and equally considered in the subsequent plans and commitment.
10. Conclusion and Recommendations

10.1. Conclusion

Basically, it is undisputed that there have been enormous efforts by the government and DPs towards provision of the water services and sanitation in Tanzania. The commitment that the government is showing towards improved water supply in rural and urban settings, and management of the water resources; worth pointing out as we conclude this analysis. Government’s efforts to embark on a major sector reform process since 2002 through the update of the National Water Policy (NAWAPO); implementation of the WSDP 2025; implementation of the National Sanitation Campaign and mobilization of domestic and external resources indicates both the positive political will and the urge to develop a nation.

Despite these efforts of sector reforms however, the water sector experiencing financing challenges and increased demands due to population growth and rapid urbanization. The challenges around allocation of financial resources for instance has led the sector into ‘inadequate financing’ in the last five years. With the allocated budget experiencing fluctuating trends; its proportion to the national budget falling; soaring DPs dependency and its position among government’s priority sectors falling; the water sector is left financially unpredictable.

Apart from lacking definable domestic and international allocation standards that may act as benchmark; the water sector allocation has deviated immensely from the financial requirement projections set forth in the WSDP II, a document that is considered as an implementing framework used by the government of Tanzania for water sector provision. This situation entails that since the WSDP II contains goals and activities on WASH; then the allocated financial resources may be comfortably described as ‘inadequate and inequitable’ to ensure achieving set goals on WASH in Tanzania.

Funds disbursement is another area this report found to be a potential barrier toward making the water sector an integral part of the necessary economic drivers. Experiences from analyzing the water sector’s budget allocation and expenditures for the last five years, indicates that the sector receives almost half of the financial commitment made each financial year. This simply mean, only ‘perhaps’ half of the government’s water sector plans are actually implemented each financial year. The emphasis is on the word ‘perhaps half’ disbursement does not mean expenditures, there are incidents where what was disbursed was actually not spent. This even worsens the water sector situation for it entails that there are evidences to believe that the resources provided are NOT being used in the most effective ways to improve access to WASH.

It is in this report conclusion that, the current existing water sector’s dialogue mechanism have not been effectively performing its role as a coordinating and accountability mechanism to the water sector. The weaknesses in planning, allocation and disbursements pointed above are some few structures that drags the WASH efforts to underperform. Distributing WASH implementation activities to different Ministries such as Education, Water, and Health has for the big part contributed to challenges in transparency and accountability. Tracing and obtaining WASH figures and implementation in such a complex and diversified structure brings unnecessary challenges.
10.2. Recommendations

- The water sector budget proportion to the National Budget should be raised to at least 5.5% from the current average of 3% (Based on the WSDP II financial requirement projections). Increase in proportion will not only increase financial allocation to the sector but will also increase water sector’s value to the economy. It would also be ideal if the government consider 5.5% a percentage standard or benchmark against which subsequent water sectors’ allocations will be referred to. The water sector is among areas with no national or international budgetary commitment projections. Other sectors such as education has the Incheon Commitment that proposes 20% proportion allocation and in Agriculture the Malabo Agreement that suggest at least 10% proportion allocation.

- It is important for the government to ensure timely and adequate funds disbursements to components and LGAs. This will improve actual expenditure pattern and ensure the delivery of intended services.

- The government should at any cost avoid divergence of the water sector’s financial allocations and disbursements from the ascribed projections under the WSDP. It is important for the government to stick to the implementation plans and objectives stated within the WSDP which considered as a blueprint for the water services delivery.

- Government should maintain increased allocation trend for the water sector’s budget allocation. TAWASANET believes that the cost drivers for the national budget affects equally sectors’ and specifically the water sector. Therefore, as the National budget increases the water sector’s budget should equally be increasing to cater for the increasing water sector’s challenges.

- It is vital for the Government to strengthen resources mobilization mechanisms and approaches that will lead into improved collection, disbursement and actual expenditures of financial resources to the water sector. The identified allocation gaps are largely contributed by the government financial mobilization trends that find the national budget share not enough to support all sectors as per demands. Mostly the government should strengthen mechanisms to increase internal collection such as user fees, and other water usage charges.
Government should strengthen transparency and accountability mechanisms within the WASH programs. WASH programs are implemented by different sectors including education, health and water among others. Implementation trajectories for WASH are diverse hence making it difficult to budget, track expenditures and evaluate performance. TAWASANET suggests that the MoW takes lead in coordinating and reporting on WASH projects and related initiatives.

Donor dependency challenges should be moderated by improving and strengthen bilateral discussions with DPs to ensure smooth and adequate financing to the water sector.
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