

Report No. 587-TA

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Tanzania: Fiscal Aspects of Decentralization

March 19, 1975

Eastern Africa Department

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International Development Association

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Tanzania during July-August, 1974.

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INTRODUCTION

1. Since the Arusha Declaration of 1967 Tanzania has set before itself the goals of socialism and self-reliance. In achieving these goals the Government has recently emphasized an urgent need for the development of the rural sector where the bulk of the country's population lives. It has also recognized the limitations of centralized planning in bringing about widespread rural development consistent with people's participation.

Philosophy Behind Decentralization

2. Tanzanian leadership has expressed its belief that people must be given "power over their own lives and their own development"^{1/} and this naturally called for a reform in the existing system of planning where "to the mass of the people, power is still something wielded by others -- even if on their behalf". The decentralization of administration of Tanzanian Government, announced by President Nyerere in May 1972,^{2/} should therefore be considered a major institutional change in order to democratize the decision-making process for planning and foster development from below.

3. Before July 1972 the planning and control of development of the Tanzanian economy was concentrated in Dar es Salaam and so were the bulk of Government's technicians, engineers, bureaucrats and finances. The country did have a system of local governments but their role in economic development was really minimal, their finances very weak and their staff extremely poor. While many ministries from the Center did post some of their own staff in the regions and districts, such officials were given no authority of their own nor did they enjoy any discretion. In fact each such functional officer felt more responsible to his own ministry in Dar es Salaam than to working in coordination with others in solving local rural problems.

^{1/} All the quotes in this Chapter have been taken from President Nyerere's speech, entitled "Decentralization" given in May 1972.

^{2/} The original Act in respect of decentralization was passed in July 1972. It was called "The Decentralization of Government Administration (Interim Provisions) Act, 1972" and was to expire on July 1, 1973. The life of this Act has now been extended up to December 31, 1975.

4. The wishes of the local people did not seem to influence the regional or district plans in any significant manner. Consequently people felt no involvement in or commitment to their development plans. It was therefore difficult "for local people to respond with enthusiasm to a call for development work which may be to their benefit, but which has been decided upon and planned by an authority hundreds of miles away". This lack of local participation in development seemed to Tanzanian leaders contrary to the country's ideal of democratic socialism.

Objectives of Decentralization

5. It was to remedy these weaknesses of the existing administrative structure that decentralization of the planning process as well as implementation of the plans was considered absolutely essential. In announcing the new structure the Government hoped that the following objectives of development would be simultaneously furthered:

- (a) As under the new system "the Regions and Districts will be free to make their own decisions about priorities and methods of work", this would mean that the process of decision-making would be substantially democratized. It would also mean that the wishes of the local people from now on would greatly influence the formulation of the local plans. In addition, to the extent lower level (regional and district) administrators would be provided with the qualified functional staff from the Center to achieve inter-functional coordination and "for the implementation of their approved part of the plan", more effective project preparation and implementation could be expected to result. On the whole, thus, the major purpose of decentralization was "to ensure that future economic planning stems from the people and serves the people directly."
- (b) If "local responsibility is to become a reality, greater financial control must be vested in the Regions and the Districts. They must also be allowed to exercise self-discipline in financial matters, and be allowed some discretion in the use of money allocated to them." This would mean that Regional and District Administrations would enjoy substantial spending authority and financial discretion under the new system so that "the amount of red tape and bureaucracy" would be cut down and "the thicket of red tape and the tyranny of 'the proper channels'" eradicated. As a result it was believed that marked improvement would take place both in plan implementation and speed of development spending. Besides, the regions and districts would also have some incentive to cost-effectiveness, for "If they are able to economize . . .

while maintaining acceptable standards, they will be allowed to use their 'savings' on other projects."

- (c) Once the local people can see their needs being fulfilled, they would be eager to participate and contribute voluntary labor to the development projects. Consequently self-help element in the development effort would substantially grow.
- (d) The abolition of the former system of local governments and its replacement by the decentralized administrations would permit the Central Government to implement its policy "of a gradual equalization of well-being between different regions" and the achievement of inter-regional equity in the availability of essential public services.

Possible Dangers of Decentralization

6. All these great hopes from decentralization were, of course, not without dangers. The Government showed awareness of at least two possible dangers and took the necessary safeguards.

7. First, as the lower levels of administration would not have any revenue raising authority of their own, it is possible that they might not fully appreciate the "value" of public funds or the "costs" of raising tax revenues.

8. In order to make them fully conscious of the need for fiscal discipline, it was clearly laid down that "Districts or Regions or Divisions or Ujamaa villages, as the case may be, will not be allowed to spend more than they are given." Besides, it was emphasized that they would be held fully accountable to the public. "If a region gets the money for five dispensaries and health centers, they will have to show five dispensaries and health centers at the end of the year or produce the money in lieu . . . (i.e.) at the end of the year they will have to be able to show projects for all the money they have been allocated and have spent - together with the accounts!"

9. Secondly, in a situation where the desires of the masses are to be given due recognition there exists a real possibility that public resources might in some sense be "over-allocated" to the provision of social services at the cost of productive investments. Or, in other words, decentralization could possibly carry with it the seeds for an undesirable "imbalance" between social consumption and economic investments in the use of limited public resources.

10. Once again, this danger was foreseen and it was stressed that "Each District Plan will have to be prepared in such a way that, in general terms, the extra production of goods which will result from it could be expected to do much more than pay for the future recurrent

costs of the non-revenue earning investments it proposes."

Organization of Report

11. When President Nyerere announced the decentralization of Tanzanian Government administration he observed that "The details of the financial arrangements are still being worked out." The present report therefore begins with a description of the financial, as well as administrative and planning arrangements which have evolved since May 1972 (Chapter I).

12. It then attempts to evaluate, though somewhat qualitatively at this stage, the achievements of decentralization in terms of its above mentioned objectives viz:

- (a) Democratization of the decision-making process and its impact on sectoral allocations of government resources (Chapter II);
- (b) Financial autonomy and discretion given to the regions and districts and its impact on self-help contributions for and local participation in development (Chapter III); and
- (c) Decentralized Planning and its impact on the achievement of inter-regional equity in public services (Chapter IV).

13. The report also indicates certain problems with the working of the financial control mechanisms and highlights the distinct possibility of expenditure explosion following decentralization (Chapter V).

14. Finally, the report concludes with certain hypotheses regarding the impact of decentralization which should be tested as more data become available (Chapter VI).

CHAPTER I. FINANCIAL ARRANGEMENTS UNDER DECENTRALIZATION

1.01 A description of the financial arrangements between Central Government and Regional and District Administrations must begin with a statement on the state of local government finances before decentralization and the economic implications of such a situation had it been allowed to continue for long. A brief description of the present administrative and planning structures is also relevant to an understanding of the present financial arrangements.

Local Government Finances Prior to Decentralization

1.02 Before the decentralization of administration in 1972, local government system of Tanzania was organized into 58 rural district councils and 15 town councils. The rural districts differed from each other widely in terms of area and population. Masai, the largest rural district, for example, was more than 120 times Mafia Island, the smallest in area. Similarly, Kilimanjaro, the largest in population, was over 28 times Mafia Island. Same was also true of town councils -- Dar es Salaam, the largest municipality was 33 times the smallest town of Bukoba.

1.03 All local authorities undertook activities generally fit to be pursued at the local level; in addition, the administration of primary schools and health services had also been made their responsibility since 1962.

1.04 To finance these services, rural district councils received bulk of their revenues from local rate -- a sort of graduated poll tax -- and produce cess. Most of the revenues of the town councils, on the other hand, came from three separate property taxes -- site rates, urban housing tax, and municipal house tax -- and licenses, fees and other charges. In addition, both rural and urban councils received loans financed from the local governments' Loans Board. Published data for 1967 suggest the following relative importance of different taxes in local government finances: local rate 36%, produce tax 6%, urban property taxes 6%, urban licenses, fees and charges 8%, market dues, primary school fees and other administrative charges 14%, and income from property and investments 4%.^{1/} Central Government grants-in-aid accounted for the remaining 26%.^{1/} The expenditure pattern of local authorities, in turn, was as follows: education accounted for 46%, administration 29%, health 13%, roads 9% and natural resources 3%.^{2/}

1.05 The Central Government in Tanzania was not satisfied with the financial position of the local authorities and this for many reasons.

1/ About 82% of these grants were given for education (financing teachers' salaries in particular) and another 12% for health services and the rest for road maintenance and towards the salaries of senior administrative staff. See Tax Reform Planning in the United Republic of Tanzania (a study by Ibrahim M. Kaduma and Jitendra R. Modi presented at the Meeting of the Expert Group on Tax Reform Planning, 8 - 14 September, 1970, under the auspices of United Nations, New York), Table VIII.

2/ These percentages relate to the year 1966 and are taken from IMF's Report on Local Government Taxation in Tanzania, prepared by S.B. Skutton (January 28, 1969).

1.06 First, as the 1966/67 Report of the Public Accounts Committee of the Parliament stressed "We are gravely concerned at the deteriorating financial situation of the Local Government Authorities as revealed in this and previous reports. There are evidently serious short-comings in both the collection and spending of revenue, and we consider that to remedy these, the extensive re-organization of the system of local government is necessary."^{1/} The local authorities were not generating enough revenues on their own and as a result their dependence on Central Government grants was rapidly growing. Whereas in 1961, Central Government was called upon to contribute only 11% of total local authority expenditures, in 1967, its contribution had grown to about 26%.^{2/} The "own" revenues of the local governments did not show much elasticity -- they remained at about 4% of GDP all through the decade of sixties and, as a share of total (central and local) revenues declined from 21% in 1961 to 15% in 1968. The Central Government transfers to local authorities absorbed almost 40% of the former's total current expenditure in 1968/69. Despite all this help from the Center the liquidity crisis of local authorities was forcing many to ignore capital spending altogether.^{3/}

1.07 Secondly, the manpower and administrative costs of collecting most local taxes, local rates and urban property taxes in particular, were found to be so high and tax evasion so widespread that it did not seem worthwhile to continue collecting many of these taxes without major reforms.^{4/}

Inequities of Local Finance

1.08 Third, and this perhaps was the most important problem, local authority finances perpetuated many inequities. There were significant differences in the levels of public services offered by different districts as indicated by the local expenditures per capita. Whereas, for example, the cost of local government was Sh 18 per capita in the rural districts in 1966, it was Sh 101 per capita for all towns. The substantial differences between rural and urban areas were thus apparent. Even among themselves, there were substantial differences. Among rural districts, for example, local expenditure per capita ranged between Sh 11 in Kigoma to Sh 32 in Kilimanjaro. Similarly, in the town councils, it ranged between Sh 65 in Dodoma to Sh 106 in Dar es Salaam and Sh 113 in Moshi.^{5/}

^{1/} Quoted in the Budget Speech, 1969/70, p. 16.

^{2/} Tax Reform Planning in the United Republic of Tanzania, Tables VIII and XII.

^{3/} R.G. Penner, Financing Local Government in Tanzania (1970).

^{4/} Eugene C. Lee, Local Taxation in Tanganyika (1965), pp. 39-44.

^{5/} IMF's Report on Local Government Taxation in Tanzania, pp. 8-9.

1.09 While some of the inequity in the local government cost per capita might have resulted from the differences in the size and density of population as well as the size of the area comprising various district or town councils, other relevant factors here were the differences in the levels of prosperity of different rural districts and towns and the differences in the rates and structures of taxes which often determined their respective revenue generating capacities.

1.10 The rates of taxes varied significantly from one district to another. The amount of minimum local (personal) rate, for example, varied from Sh 25 in Nachingwa district to Sh 65 in Kilimanjaro district. The maximum rate also ranged from Sh 60 in Maswa district to Sh 450 in Kwimba district. The levels of income to which the maximum local rates applied also varied from Sh 2,400 to Sh 25,000. The tax treatment of women also differed from district to district. Such a great variation in local personal rates and exemptions from one district to another was obviously highly inequitable and unacceptable in a socialist country.

1.11 Same was also true for produce cess, a kind of local sale tax on marketed produce including exports, levied on agricultural, livestock and fish products up until 1965 when the Central Government forced uniformity from above in the rates of these taxes. It has been estimated that about 88% of the produce tax revenues were collected from the smallholders and only 12% were attributable to estates.^{1/} This, once again, was unacceptable to socialist leadership.

1.12 The burden of local taxes in town council areas also varied from one area to another. On the assumption that the burden of property taxes (i.e., site rate, the municipal house tax and the urban house tax) was shifted to tenants and lodgers, the burden per household, independent of size, was estimated to range between Sh 35 in Tabora to Sh 100 in Arusha.^{2/}

1.13 It was not only that the local taxes generated and perpetuated inter-district inequities, most of them were also considered to be regressive with respect to income and inelastic with respect to tax bases. Largely because of their regressivity with respect to income it was found that the average burden of local taxes did not vary much between rural and urban areas. The average burden of local taxes in rural districts was Sh 51 against Sh 66 in the towns.^{3/}

1/ Ibid, p. 27.

2/ Ibid, p. 33.

3/ Ibid, p. 36.

1.14 The rural-urban inequity, the inter-district as well as the inter-personal inequities implicit in the local tax systems became the focus of Government's attention particularly after the Arusha Declaration of 1967 setting the country on the path of socialism. The Government now desired a near uniformity in tax treatment, removal of certain nuisance taxes and the introduction of progressivity in the tax burdens. The facts that local authority finances were in a critical situation -- 34 out of 58 rural districts and 8 out of 15 town councils overspent in 1966 running down their reserves to dangerously low levels or ending the year with bank overdrafts -- and that pressure was mounting through the Public Accounts Committee of the Parliament as regards the quality of local tax and expenditure administration forced the Government to start thinking about the overall reorganization of the system of local governments in Tanzania.

Local Finance Reforms, 1969/70

1.15 As a first step, the Government took the following measures at the time of its 1969/70 budget.

1.16 First, the local (personal) rate was abolished with effect from January 1, 1970 which was the start of the next financial year for all district councils.

1.17 Second, the produce cess was abolished immediately, i.e., with effect from June 20, 1969.

1.18 Third, it was announced that in due course the Government would aim to have a single tax levying and collecting machinery to serve both the local authorities as well as the Central Government. The idea behind such a move was to use the country's tax system as a developmental and redistributive tool in a more vigorous fashion.

1.19 It was estimated that the district councils would lose about Sh 110 million in revenue due to the abolition of the local rates and produce cesses. To balance their budgets, the Central Government decided to take over some of their more expensive functions, particularly the maintenance expenditures on rural health centers, rural water supplies, district roads, and the payment of salaries of categories A and B primary school teachers. At the same time it was also decided to make compensatory payments of about Sh 32 million to the district councils.

1.20 To finance the extra burden of these compensatory payments and their newly acquired functions from local authorities the Central Government decided to levy a national sales tax on a variety of imported and locally manufactured articles. By abolishing the two local taxes, which were primarily paid by the farmers, and levying a national sales tax, which was expected to be paid primarily by the urban people, the Government immediately shifted the tax burden from rural to urban population and corrected the past rural-urban tax inequities resulting from local taxation.

1.21 During the period 1970/72, rural local governments thus operated at a substantially truncated level. They were stripped of all of their taxing authority though they did continue to collect fees, market dues and certain other charges yielding relatively small amount of revenues. On the expenditure side their activities in relation to rural health, roads and water supplies were completely taken over. As far as the town councils were concerned their functions and taxing powers were not changed up until early 1974.

1.22 As a result of these changes, the revenue pattern of district councils changed markedly. In 1971, 80% of their revenues came from the Central Government as compensatory payments and grants, 7% from primary school fees, 5% from market dues and other fees, 4% from liquor licenses and another 4% as income from rented property and investments. On the expenditure side now close to 60% of their receipts were spent on education, 15% on administration and 25% on all others.^{1/}

1.23 All these were obviously transitional arrangements which, as far as local governments were concerned, could not have lasted for long. In effect, they paved the way for the abolition of local governments as separate entities and the decentralization of (Central) Government administration in May 1972.^{2/} It must be pointed out here that the process of decentralization is still continuing. For example, all urban councils were brought under decentralized administration early in 1974^{3/} and two new regions of Dar es Salaam and Rukwa were formed on January 1, 1974.

Decentralization: Administrative Structure

1.24 The main highlights of the decentralization announced in 1972 were as follows:

^{1/} IMF Report on the Rationalization of Taxes in Tanzania, prepared by R.N. Malhotra (June 29, 1973), pp. 54-57.

^{2/} Even as it was a two-tier Government performing largely the same kinds of tasks it was considered by many too costly for a country with limited skilled personnel.

^{3/} The 1974/75 budget also abolished the complex urban land and property taxes accruing to the urban councils and replaced them by a single charge called the "Land Rent and Service Charge" yielding a similar amount of total revenues to the Central exchequer.

- (a) First, the rural district governments were abolished right away and their assets and liabilities became the assets and liabilities of the Central Government.^{1/} Their existing staff now became Central Government employees subject to the same salary structure, personnel policies, and conditions of service as the existing employees of the Central Ministries.^{2/} A decentralized structure of administration replaced the former local governments. This structure consisted of the Central Government, Regional Administrations and District Administrations. The structures of the last two are described in the attached charts (pp. 12 and 13). The whole country was initially divided into 18 (now 20) regions and about 65 (now 73) districts.
- (b) Second, agricultural and rural development as well as the development of small industries and commerce were made the primary responsibility of the District and Regional Administrations. To make this effective, nine Central Ministries viz. Agriculture, Lands, Housing and Urban Development, Natural Resources and Tourism, Health, Education, Water Development and Power, Commerce and Industry, Communications and Works, and the Prime Minister's Office (responsible for Regional Planning) were decentralized. As Table 1.1 shows, Regional and District Administrations were made responsible immediately in 1972/73 for spending about 52% of the recurrent budget and 10% of the development budget of the decentralized Ministries.
- (c) This also meant that their staff was now dispersed into the Regions and Districts.^{3/} These staff were now to receive their direction from and be responsible to the Regional Development Director rather than any Central

1/ Section 8(b) of the Decentralization Act.

2/ Section 9 of the Decentralization Act.

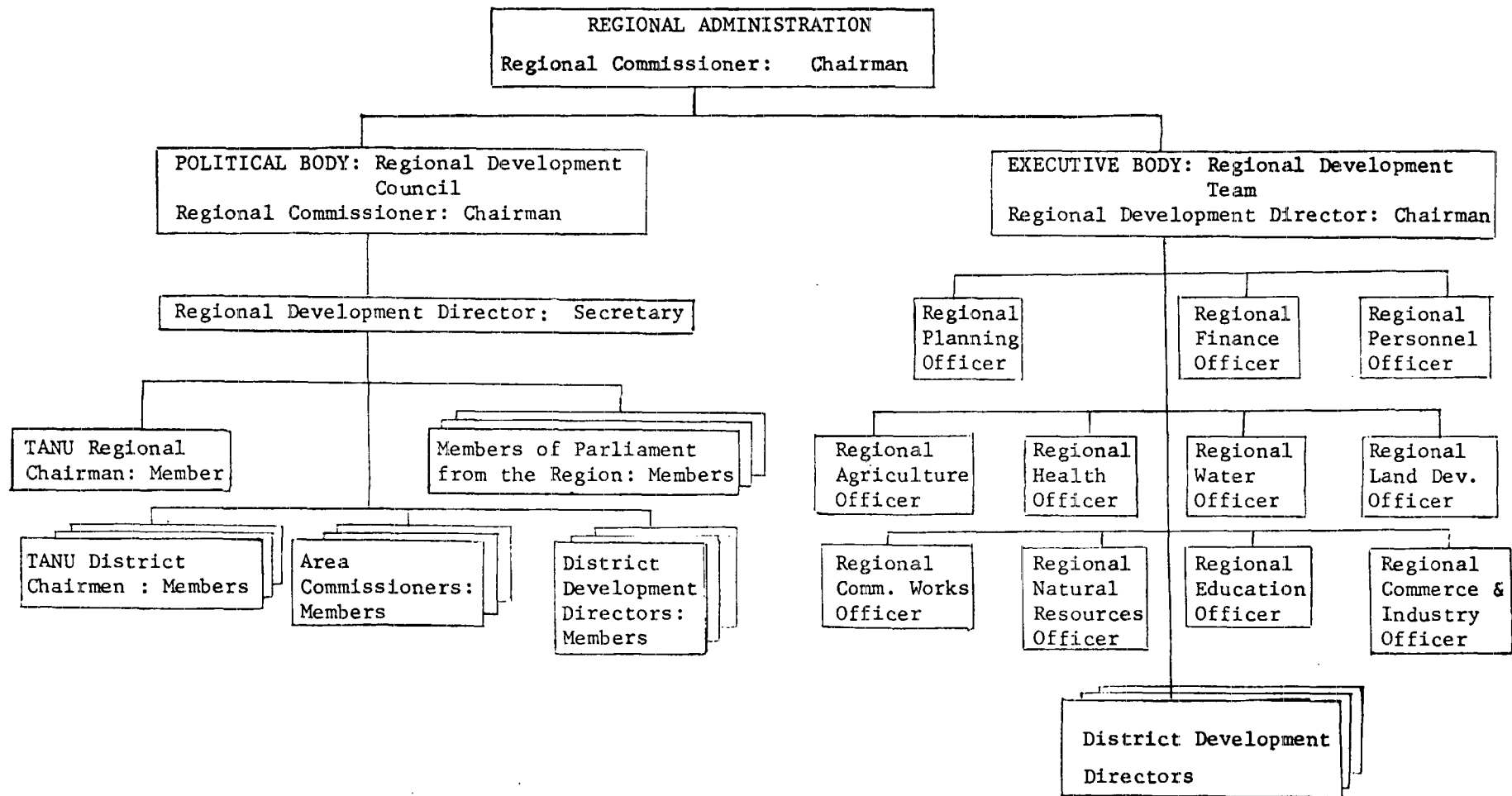
3/ It is estimated that nearly 3,000 high-quality central employees have been dispersed into regions since 1972/73. Many of them had been promoted to higher positions as an "incentive". In addition, they had to be provided with housing in the regional headquarters or rural areas. All these factors must have resulted in substantial budgetary costs but then they are considered insignificant in comparison with the benefits which the nation is expected to reap from decentralization.

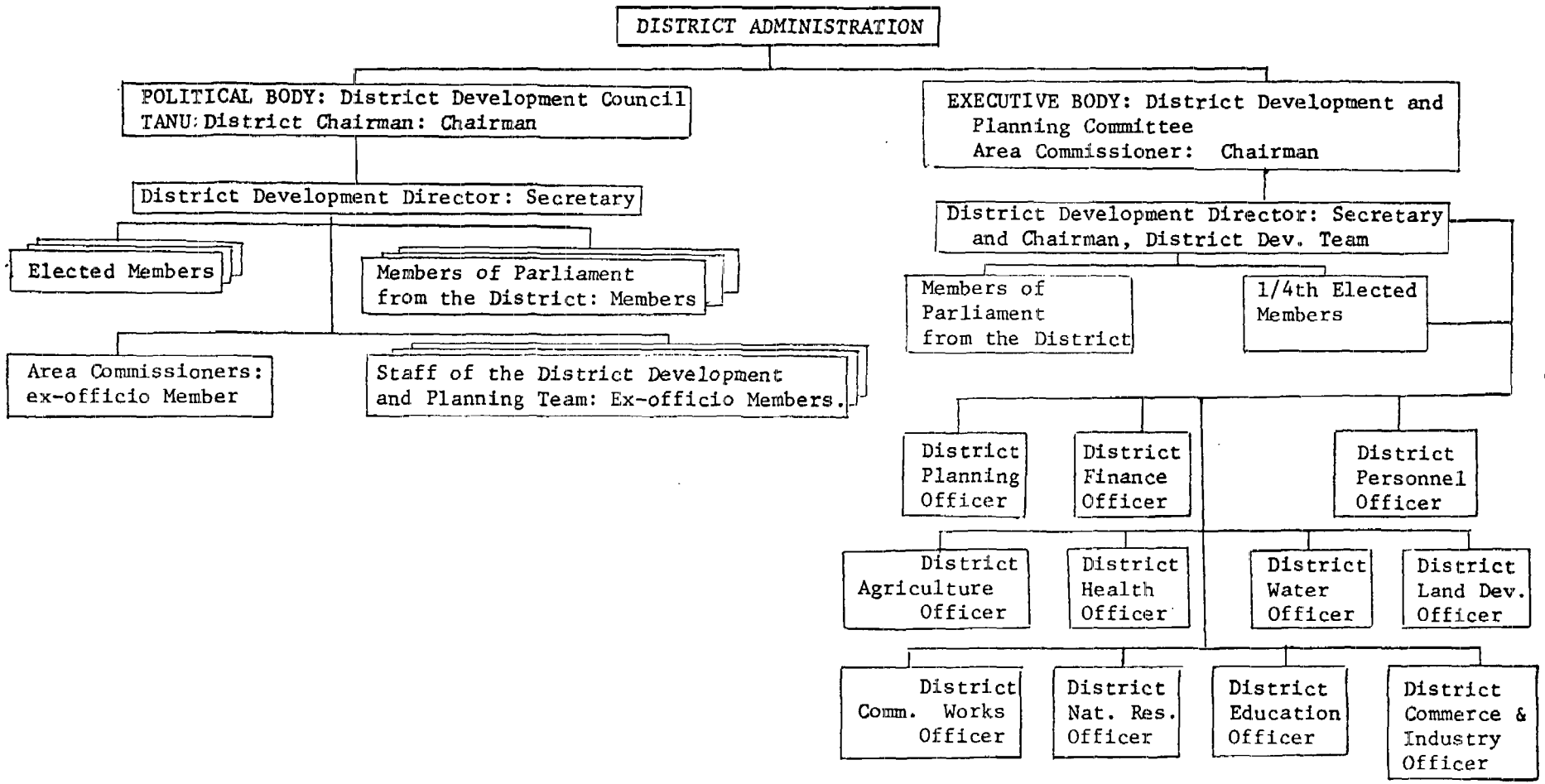
Table 1.1: TANZANIA: DEGREE OF MINISTERIAL DECENTRALIZATION SINCE 1971/72
(in millions of Shs.)

	Recurrent Expenditure			Development Expenditure		
	1972/73 (PA)	1973/74 (AE)	1974/75 (BE)	1972/73 (PA)	1973/74 (AE)	1974/75 (BE)
1. Office of the Prime Minister	84.2	81.0	60.6	17.7	69.1	87.3
2. Agriculture	88.8	200.4	103.1	102.2	146.4	319.6
3. National Education	192.0	224.4	308.1	59.6	53.8	63.3
4. Commerce and Industry	10.6	14.4	20.7	26.3	47.3	150.5
5. Communication and Works	74.6	90.2	99.0	359.2	374.3	202.9
6. Lands, Housing and Urban Dev.	9.4	9.7	12.0	8.5	30.5	30.4
7. Health	95.1	96.2	116.2	5.0	35.5	47.7
8. National Resources and Tourism	39.3	34.7	41.8	39.9	54.6	49.7
9. Water Resources and Power	42.9	32.9	52.8	189.6	348.7	380.1
10. Nine Ministry Total	636.9	783.9	814.3	808.0	1,160.2	1,331.5
11. Regional Total	700.4	773.5	976.7	92.4	194.5	297.5
12. (10) + (11)	1,337.3	1,557.4	1,791.0	900.4	1,354.7	1,629.0
Ratio of $\frac{10}{12}$	47.6	50.3	45.5	89.8	85.6	81.7

PA = Provisional Actual
AE = Approved Estimate
BE = Budget Estimate

SOURCE: Budget Estimates, Various Years





Ministry.^{1/} The remaining staff of the nine decentralized Ministries now played the role of generally laying down the policy framework and plan guidelines, fixing user charges, and giving technical assistance and guidance whenever necessary. They were not to monitor and control the work of the officials employed in the Regional and District Administrations.

- (d) Fourth, the Regional and Area Commissioners who were to be appointed by the President were to be like ministers in Regional and District matters. Similarly, the Regional Development Directors and District Development Directors, to be appointed by the President's Office, had the same position as principal secretaries to ministers. Thus in their own jurisdictions the Development Directors were given real power and responsibility for management, including the administration of regional (and district) budgetary funds.
- (e) Fifth, political bodies and executive agencies were fully integrated under decentralized administrations. For example, the proposed plan of a district or a region is prepared by the executive agencies but it cannot be forwarded to the higher agency until it was approved by the TANU District Executive Council or the TANU Regional Executive Council.

Decentralization: Planning System

1.25 The most important impact of decentralization was, however, on the planning process and the implementation of development plans. With effect from July 1, 1972 the responsibility for planning and control has

^{1/} Yet, as mentioned earlier, the personnel policies have now become centralized. The hiring, firing and promotion of onal staff remain a central responsibility. This system create problems of "dual loyalty" of the decentralized 'f who might now be spending too much time writing reports nded to make an impression at the Center and perhaps too le on actual development work.

been decentralized to the Regional and District Administrations. They are now responsible for carrying out the plans as well. The role of the Prime Minister's Office is simply to provide the overall plan guidelines, monitor the physical performance of the plan, coordinate the phasing of the projects, and to provide aid in effective corrective actions once the lower level administrations have identified potential and actual problems or bottlenecks.

1.26 Although the system of decentralized planning is still evolving, efforts are being made to inculcate the following two elements into it: Firstly, the planning process must really start at the village and ward levels. As it stands now, district is the first level at which the formal plans originate and are prepared. The initial suggestions made by the people for the development projects in their area are compiled and codified by the district functional officers and used as a basis for drawing up the district plans. These draft plans are then approved by the people through their District Development Committees as well as by the TANU District Executive Committees before they are sent upwards to the Regional Administration to be reconciled with plans of other districts and finally to be forwarded to the Center.

1.27 In formulating their plans, the District Administrations are expected to specify not only how much each project will cost or what type of manpower, equipment and materials will be needed but also how many people will benefit from the project and what will be different phases of the physical progress of the project. In this way it is expected that outputs of a project will get linked with its inputs and a planning control mechanism will be automatically established. District Administrations thus are the key developmental agencies under decentralization with Regional Administrations more or less acting as coordinating links between them and the Center.

1.28 Second, the overall plan coordination is carried out by the Prime Minister's Office where the "Plan Guidelines" are drawn. These "Guidelines" contain, among other things, the Center's suggestions regarding the overall sectoral investment allocation which each region should try to conform to subject, of course, to its own special circumstances. Besides, for the benefit of the Planning Officers in the regions, the "Guidelines" also specify the standard (material) cost estimates of various categories of projects.

1.29 The 1974/75 "Plan Guidelines", for example, suggested that directly productive investments, economic infrastructure and social infrastructure investments should receive investible funds of each region in the proportion of 34, 16 and 50%, respectively. This overall guideline could, however, be modified only in the interest of inter-regional balance in public services. Given the national targets of education, health, water supply, housing, etc., those regions which were below the "national average" in respect of a particular service were encouraged to spend more

on it. The achievement of inter-regional equity in public services and taking the whole country towards the long-term national targets with regard to different public service seem to have been two paramount considerations in the allocation of development funds since decentralization.

1.30 Under Tanzania's decentralized structure, annual planning and control cycle goes through five stages:

- (i) Reviewing Performance (July-August). At this stage both District and Regional Administrations review the performance for the completed plan year and determine changes in the current and next (fiscal) year's plan.
- (ii) Establishing Plan Guidelines (October-November). At this stage the lower level administrations review the preliminary guidelines proposed by the higher level administrations. The regions review those proposed by the Center and the districts review those proposed by the regions. Only after their interaction the final regional and district guidelines are prepared by the Center and the regions, respectively.
- (iii) Preparing Plans (December-February). During this period, the District Administrations identify programs to be included for the next two years, select and document specific projects for the first plan year and prepare the draft district plans. The Regional Administrations simultaneously document possible regional projects, integrate regional and district project proposals and prepare a draft regional plan. For each project a stage-by-stage "Action Plan" is also expected to be formulated.
- (iv) Reviewing and Approving Plans (March-June). During this period, the Center approves the regional plan for the next fiscal year and authorizes its implementation and similarly Regional Administrations approve district plans and authorize their implementation.
- (v) Controlling Implementation: Over the plan year regions and districts are required to produce "Quarterly Physical Progress Reports", "Quarterly Financial Reports", and an "Annual Programmes Performance Review" for the higher levels of administration. These reports, along with any "Problem Report" which might be generated during the course of the implementation of a plan are used to monitor and control the plan implementation.

1.31 The Government recognizes certain serious constraints on an effective planning under the decentralized system and these include a serious lack of trained and skilled personnel, the inadequacy of even basic information necessary for district level planning, and the existence of severe physical communication problems between the districts and regional headquarters as well as between the regions and the Center. Within these constraints, however, Tanzania Government is doing as best as it possibly can; it certainly gives the impression of having generated a great deal of official enthusiasm about and commitment to the new experiment.

Decentralization: Financial Arrangements

1.32 The financial arrangements between the Center and the Regional Administrations can be discussed under various sub-heads. The general questions of taxing powers of the regions as well as the methods by which the levels and pattern of their recurrent and development expenditures are determined are discussed in this Chapter and Chapters II and IV. The questions of expenditure discretion, tender and procurement procedures, etc., are discussed in Chapter III while the working of the financial controls is described in Chapter V.

Taxation and User Charges

1.33 Under the decentralized system, the Regional and District Administrations have no taxing powers of their own. As was mentioned earlier, gradually the taxing powers of the former local authorities were taken away in the late sixties and early seventies and vested in the Central Government. The existing system of local taxation was found to perpetuate rural-urban tax inequities as well as inter-personal inequities. The centralization of taxing powers, it was thought, would permit the Government to pursue a tax policy with a heavier equity orientation and also get rid of some taxes levied on the very low income earners since pre-independence days. In addition, it was argued that it would economize on the tax administration which was in short supply in Tanzania.

1.34 The lower level administrations in Tanzania consequently receive all their funds from the Center and whatever little revenues they do collect they do so on behalf of the Center. As is clear from Table 1.2, they collect less than 2% of all revenues, primarily through urban water charges and rents of public houses and buildings. Even the rates of these charges are determined by the relevant ministries at the Center.

1.35 Although it is the responsibility of Regional and District Administrations to provide primary education, health services and rural water supply, it is the policy of Tanzania Government not to charge for these services; consequently no such revenues show up in the regional budgets.

Table 1.2: TANZANIA: REVENUES TO BE COLLECTED BY REGIONS, 1974/75 (BUDGET ESTIMATES)
(rounded to '000 Shs.)

Region	Water Charges	Forest Royalties	Game and Fishing Licenses	Agriculture Related Charges	Sewerage Disposal	Medical and Dental Charges	Market Dues	Sale of Fish	Hire of Plant, Vehicles and Craft	Rent From Govt. Quarters and Offices	Others*	Total
1. Arusha	3,010	300	75	445	11	250	-	700	600	380	1,118	6,889
2. Coast	270	100	26	70	-	-	50	25	-	30	329	900
3. Dodoma	1,120	125	25	556	90	55	260	10	500	150	854	3,745
4. Iringa	835	45	38	255	-	30	30	-	84	164	523	2,004
5. Kigoma	495	210	100	223	-	13	-	140	-	125	318	1,624
6. Kilimanjaro	3,626	632	186	244	501	19	490	15	16	196	1,211	7,136
7. Lindi	661	168	165	213	6	22	165	-	201	400	934	2,935
8. Mara	375	12	175	210	5	30	500	25	400	350	61	2,143
9. Mbeya	700	125	210	1,007	-	83	488	-	404	100	454	3,571
10. Morogoro	2,055	900	420	262	5	110	5	-	500	700	881	5,838
11. Mtwara	770	180	60	48	1	40	115	12	550	305	471	2,552
12. Mwanza	3,545	80	291	115	105	10	430	150	500	500	1732	7,458
13. Ruvuma	690	5	26	145	-	11	10	-	5	45	351	1,288
14. Shinyanga	882	30	16	219	2	32	166	2	132	60	416	1,957
15. Singida	375	5	10	393	-	15	160	-	-	250	341	1,549
16. Tabora	806	600	5	347	6	100	205	5	405	55	331	2,865
17. Tanga	3,650	300	151	5	20	400	2	20	500	500	559	6,107
18. West Lake	180	150	31	189	5	25	125	25	230	280	472	1,712
19. Dar-Es-Salaam	-	-	558	8	1,000	1	600	500	-	400	4,502	7,569
20. Rukwa	153	133	7	149	3	28	142	3	200	264	308	1,390
TOTAL	24,198	4,100	2,575	5,103	1,760	1,274	3,943	1,632	5,227	5,254	16,166	71,232
Percentages Of the Total	34%	6%	4%	7%	3%	2%	6%	2%	7%	7%	22%	100%

Source: Financial Statement and Revenue Estimates, 1974/75, Vol I.

* Bulk of these are "Miscellaneous Receipts" from the Sale of Goods and Services and other Related User Charges as well as Rents of Public Property other than Government Quarters and Offices.

1.36 Tanzania Government's rationale of not charging for these services even though bulk of government expenditure goes to finance these services is not spelled out in any official document. Yet it seems that government revenues could soon, and in fact already have, become a constraint on the country's rate of capital formation. An attempt must, therefore, be made to understand this policy.

1.37 The principal argument here appears to be that once a country has established national "targets" of universally providing social services like education, health and water supply the way Tanzania has (see Chapter IV below) it does not make sense to ration them through the price mechanism for that way it will be within the reach of certain people and beyond the reach of others. It is this principle which seems to have guided Tanzania's policy regarding "user charges".

1.38 It is the policy of the Government to provide community tap water within easy reach to everyone, hence there is no charge for it. However, if an individual wants "special treatment" and wants to receive "piped" water linked up to his residence he has to pay for it. This explains why urban water charges appear in the regional budgets but no rural water charges.

1.39 Once again, it is the policy of the Government to provide universal primary education by 1989 (now revised to 1977). Consequently, primary school fees, which ranged between Shs 10-40 in different districts, were abolished last year. The secondary and university education are also free in Tanzania but there the Government tries to recover part of the cost of education through its strict incomes and salaries policy (including "low" incomes during the national service period of two years) and its policy of progressive income taxation.

1.40 The regional budgets do seem to contain some, though insignificant, receipts from medical charges. They, once again, reflect charges for "special treatment" which some patients receive in the form of "better than average" or class A food or room accommodation. Otherwise medical services too are generally free in Tanzania.

1.41 It is obvious that once the taxing powers of the Regional Administrations have been taken away, and they are not given, by virtue of political decisions, any powers to collect "user charges" for most costly of the services they provide, they have to depend upon the Center for almost all the funds needed to carry out their activities. An understanding of how the levels and sectoral allocations of regional expenditures are determined thus becomes relevant.

Level and Pattern of Development Expenditures

1.42 The manner in which the pattern of development expenditure for any particular region is decided has been indicated earlier -- it is primarily dictated by the needs of the people and the overriding criteria of

inter-regional equity. The needs of the people are partially, if not fully, incorporated in the final allocations insofar as the regions are asked to specify their priority projects, along with their costs, should they receive only 50% of the previous year's allocations or only 75% or 100% or 125%. This way the Prime Minister's Office determines what the regional priority projects are without actually specifying the exact allocation of investible funds to a region. How a decision is made as to how much of development funds will a region receive in a particular year is, however, less clear.

1.45 The regions receive two separate kinds of development funds -- an "unrestricted" Regional Development Fund (RDF) and a "project/programme earmarked" Development Budget. The process by which RDF and development expenditure allocations are made is described now.

Regional Development Fund

1.44 The Regional Development Fund (RDF), which is like an "unconditional" grant was set up in December 1967. Initially it allotted a sum of half-million shillings to each region to carry out locally initiated projects. This amount was then raised to one million shillings from 1968/69 onwards. The Presidential Circular 1 of 1968 recommended that RDF should be mainly used for development projects which involved communal activities and which were related to economic productivity. In particular, it recommended that it should be utilized to (i) increase productivity of crops, (ii) provide better storage and marketing facilities, (iii) establish cottage industries and (iv) improve transportation facilities. However, in actual operation, it has been found that bulk of this sum has gone to finance social services and not productive investments. The size of the Fund has been growing since its inception. It was 24 million shillings in 1970/71, 30 million shillings in 1971/72 and 45 million shillings in 1974/75. Since 1971/72 Norway and other Scandinavian countries have been supporting RDF on an increasingly larger scale. Their financial contribution has increased from 6 million shillings in 1971/72 to 15 million shillings in 1974/75.

1.45 The criteria of allocation of RDF amongst regions has also undergone change over time. During 1968/69 and 1969/70, each region was given a flat sum of 1 million shillings. This absorbed 18 million shillings and the rest was kept in "contingencies". In 1970/71 for the first time, the criterion of "need" was brought into consideration and size of the population of a region became the sole basis of allocation of RDF. A fixed sum of 2 shillings per capita was allocated to each region with the result that the region with the largest population received the highest allocation. More recently, the "need" criterion has been further developed and the RDF is now allocated on the basis of population of a region, size of its area and the inverse of the per capita output of that region.

Development Budget

1.46 As far as development budget of a region is concerned, some six months before the fiscal year is to begin, the Treasury, Development Plan Ministry and the Prime Minister's Office carry out a forecast of the level of development resources which would be available for the next fiscal year. On the basis of the past experience and taking into account the pipeline of ready projects, the Central Government indicates the "Guideline" allocations for Central Ministries, parastatals and regions. For 1974/75, for example, the respective shares proposed in the "Guidelines" were 44% for the Central Ministries, 33% for the parastatals and 23% for the regions. While the latter proportion does not appear to be very large at present it has grown from 14% in 1972/73 and 20% in 1973/74 and the intention is to raise the regional share even further as the latter's administrative capability and absorptive capacity expand.

1.47 The "Plan Guidelines" further lay down "sectoral allocations" as a guide for regional planning. Table 1.3 gives the 1974/75 sectoral guidelines issued to the regions and compares them with the budget estimates of 1973/74. It highlights how the Central Government very much desires that regions expand their investment in directly productive sectors and reduce development expenditure on economic and social infrastructure.

1.48 How far has the Government succeeded in achieving this or is likely to succeed in this respect is discussed in the next Chapter. For the present, it needs to be noted that the Prime Minister's Office indicates to the regions only the total development allocation for all regions and the sectoral guidelines but does not tell any region what the level of its development allocation would be. This has become a cause of complaint by certain regions, particularly the better-off regions with large absorptive capacity, who often put up a well-prepared plan only to find in due course that they are not going to get the desired amount of money.

1.49 In the last analysis, the goals of inter-regional equity of public services and the "needs" of a region seem to play an important role in determining both the level and pattern of development expenditure for a region. The available pipeline of projects or the absorption capacity of a region is less of a determinant at this stage though it cannot be denied that when it comes to actual spending these factors do play an important role. Experience shows that richer regions quickly spend their allocations and actually come back to seek development supplementaries while the poorer regions are unable to spend even the budgeted amounts. For example, the available data show that whereas Arusha (per capita income Sh 762) had spent almost 90% of its allocation (including its supplementary of 7 million shillings) during the first nine months of the fiscal year 1973/74, Tanga (per capita income Sh 443) had spent only 48%, and Dodoma (per capita income Sh 415) only 52%. For all regions taken together the ratio of actual spending to total allocations was 65% for the same period.

Table 1.3: TANZANIA: SECTORAL GUIDELINES FOR REGIONS, 1974/75

	<u>1973/74 Budget Estimates</u>		<u>1974/75 Guideline Allocations</u>	
	<u>Amount</u> (in million Shs)	<u>%</u>	<u>Amount</u> (in million Shs)	<u>%</u>
I. <u>Directly Productive</u>				
<u>Investment</u>	<u>46.6</u>	<u>26.3</u>	<u>86.0</u>	<u>34.4</u>
Agriculture	28.2	15.9	43.0	17.2
Natural Resources	15.3	8.6	30.0	12.0
Commerce and Industry	3.1	1.8	13.0	5.2
II. <u>Economic Infrastructure</u>				
<u>Investment</u>	<u>37.8</u>	<u>21.3</u>	<u>40.0</u>	<u>16.0</u>
Lands	4.3	2.4	5.0	2.0
Comworks	33.5	18.9	35.0	14.0
III. <u>Social Infrastructure</u>				
<u>Investment</u>	<u>92.7</u>	<u>52.4</u>	<u>124.0</u>	<u>49.6</u>
Education	22.6	12.8	33.0	13.2
Health	23.2	13.1	34.0	13.6
Water	<u>46.9</u>	<u>26.5</u>	<u>57.0</u>	<u>22.8</u>
IV. <u>TOTAL</u>	<u>177.1</u>	<u>100.0</u>	<u>250.0</u>	<u>100.0</u>

Source: Prime Minister's Office.

Level and Pattern of Recurrent Expenditure

1.50 Whereas in the case of development expenditure, a region does not know in advance as to how much it is likely to receive, in the case of recurrent expenditure it knows the "ceiling amount" which has been fixed for it. Only now it does not know how it has been derived. Within the ceilings, they are free to determine their sectoral allocations without any interference from the Center. However, as generally about 80% to 90% of their recurrent expenditure is already committed (e.g., about 66% of Tanga's recurrent expenditure in 1974/75 is "Personal Emoluments") there is not much flexibility left anyway.

1.51 The Treasury Circular No. 1 of 1974, for example, informed the regions of their recurrent expenditure ceilings for 1974/75. Table 1.4 compiles this information and relates it to the 1974/75 budget estimates which were finally approved as well as the budget estimates of 1973/74. The ceilings permitted a growth of about 3 to 7% with the exception of Kigoma and Mbeya and the two regions of Dar es Salaam and Rukwa which had been newly formed on January 1, 1974. Quite obviously, the Treasury had not been very realistic in imposing its ceilings on the regions. As it turned out later the regions had to be given more than 25% increase over their last year's allocations. The recurrent expenditure estimates of regions and ministries taken together were 31% higher in 1974/75 than in 1973/74. In part this large increase reflects the rise in minimum wages and general salary increases, announced in April, 1974, rising prices of goods and services purchased by the Government, and the expense involved in fully staffing the decentralized administrations and expanding their activities.

1.52 In addition the growing recurrent burden of the social infrastructure projects, which predominate the development budget of Tanzania, also explains part of the rapid increase. The system as it exists now is that the recurrent fund requirements of a project are met by the Treasury from out of its block sub-head called "Expenditure Arising from Five Year Development Plan" but only for the first year of the operation of the project. In the succeeding years, however, it must become a normal part of an agency's budget. The Treasury allocated a sum of Sh 11.7 million to this sub-head in 1972/73, Sh 12 million in 1973/74 and Sh 15 million in 1974/75.

1.53 The Government has been conscious of its rapidly growing recurrent expenditure and, as stated in the Budget Speech for 1973/74, considers it absolutely "imperative to take additional measures to control this rapid increase in recurrent expenditure which is so markedly in excess of . . . (the rate of) economic growth." Whether the Government has the capacity or willingness to achieve this goal and what possible impact would the decentralization of administration have on this is discussed in Chapter V.

Table 1.4: TANZANIA: REGIONAL RECURRENT EXPENDITURE ALLOCATIONS, 1973/74-1974/75
(in million Shs)

Region (i)	1973/74		1974/75		Rate of Growth in 1974/75 Ceilings over 1973/74 (%)	Rate of Growth in 1974/75 Budget Estimates over 1973/74 (%)
	Approved	Estimate	Ceilings	Budget Estimate		
	(ii)	(iii)	(iv)	(v)	(vi)	
1. Arusha	49.3	52.7	59.8	6.9	21.3	
2. Coast*	47.0	48.9	38.3	4.0	-	
3. Dodoma	43.7	46.2	54.9	5.7	25.6	
4. Iringa	37.2	38.7	42.4	4.0	14.0	
5. Kigoma	28.2	36.9	38.2	30.8	35.5	
6. Kilimanjaro	45.6	48.9	63.1	7.2	38.4	
7. Lindi*	32.1	34.9	37.4	8.7	16.5	
8. Mara	31.3	33.2	36.9	6.1	17.9	
9. Mbeya*	49.0	55.6	53.5	13.5	9.2	
10. Morogoro	45.8	47.8	58.9	4.4	28.6	
11. Mtwara*	36.2	38.2	42.5	5.5	17.4	
12. Mwanza	56.6	59.0	62.4	4.2	10.2	
13. Ruvuma	33.4	34.5	41.7	3.3	24.8	
14. Shinyanga	35.4	37.4	47.4	5.6	33.9	
15. Singida	31.6	32.6	43.0	3.2	36.1	
16. Tabora*	40.2	42.9	44.0	6.7	9.4	
17. Tanga	56.0	59.8	73.3	6.8	30.9	
18. West Lake	44.5	45.9	49.2	3.1	10.6	
19. Dar-Es-Salaam*	20.8	44.5	59.8	113.9	-	
20. Rukwa*	9.5	29.7	30.2	112.6	-	
TOTAL	<u>773.5</u>	<u>868.3</u>	<u>976.7</u>	<u>12.5</u>	<u>26.3</u>	

* The 1974/75 and 1973/74 data cannot be related for these regions as they were reorganized effective January 1, 1974 only to form two new regions, of Dar-Es-Salaam and Rukwa.

Source: Treasury

CHAPTER II. DEMOCRATIZATION OF EXPENDITURE DECISIONS:
IMPACT ON SECTORAL ALLOCATIONS

2.01 One of the major objectives of decentralization was to decentralize and democratize the expenditure decisions. It was thought that the previous system under which the Central Ministries in Dar es Salaam decided on the projects to be carried out in each district or region was not conducive to public participation. It was hoped that by letting people decide through their local political representatives and administrators as to what they wanted to spend their share of the country's tax revenues on, bureaucratic elements in expenditure decisions would be replaced by democratic elements.

2.02 The object of this Chapter is to suggest on the basis of some very preliminary data that this does not seem to have happened to any significant extent. Of course, the available data are highly inadequate to propose it as anything more than a mere suggestion at this stage. This hypothesis is based on two grounds:

Development Expenditures

2.03 First, the Prime Minister's Office, guided by its estimate of the budgetary resources of the Government, restricts very severely the amount of development funds which each region receives as a share. However, what is significant is that, through its "Plan Guidelines", it also regulates and steers the sectoral allocations of development funds for a region as well.

2.04 As an evidence of the latter examine Table 2.1 which shows how the regional development allocations for 1974/75 did not change materially between Stage I (Initial Guidelines) and Stage III (Final Allocations). This seems to suggest that the Center's strategy of allocating larger sums to directly productive sectors and reducing the share of social infrastructure investments, whatever the region's own desires, could well be working. Unfortunately no data are available regarding the actual regional development expenditures sector by sector and this makes an evaluation of what is happening in reality rather difficult.

2.05 Theoretically, of course, it is arguable that through a continuous process of interaction between the public, local administrators and Central officials, the "Plan Guidelines" come to reflect the "true" wishes of the people so that a similarity between final development allocations to regions and the initial "Plan Guidelines" issued to the regions cannot be taken to be indicative of the large influence which the Center wields in sectoral allocations for development. However, the probability that this would have happened in just two years after decentralization of the administration is rather small. In case such an assumption is granted, Table 2.1 would seem, prima facie, to suggest the hypothesis that perhaps "true" democratization with respect to expenditure decisions has yet not taken place.

Table 2.1: TANZANIA: REGIONAL DEVELOPMENT EXPENDITURE BY PLANNING STAGES, 1974/75
(in million Shs.)

	<u>Stage I^{/1}</u>		<u>Stage II^{/2}</u>		<u>Stage III^{/3}</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
I. <u>Directly Productive</u>	<u>66.1</u>	<u>29.2</u>	<u>78.0</u>	<u>35.1</u>	<u>84.0</u>	<u>31.8</u>
Agriculture	30.1	13.3	54.9	24.8	64.3	24.3
Natural Resources	16.4	7.2	12.4	5.5	12.9	4.9
Commerce and Industry	19.6	8.7	10.7	4.8	6.8	2.6
II. <u>Economic Infrastructure</u>	<u>38.7</u>	<u>17.1</u>	<u>33.0</u>	<u>14.9</u>	<u>52.6</u>	<u>19.9</u>
Comworks	32.5	14.4	27.5	12.4	47.8	18.1
Lands and Urban Dev.	6.2	2.7	5.5	2.5	4.8	1.8
III. <u>Social Infrastructure</u>	<u>121.4</u>	<u>53.7</u>	<u>110.8</u>	<u>50.0</u>	<u>127.5</u>	<u>48.3</u>
Education	41.4	18.3	38.9	17.5	43.8	16.6
Health	25.5	11.3	25.1	11.3	32.8	12.4
Water Supply	54.5	24.1	46.8	21.2	50.9	19.3
<u>TOTAL</u>	<u>226.2</u>	<u>100.0</u>	<u>221.8</u>	<u>100.0</u>	<u>264.1*</u>	<u>100.0</u>

/1 Stage I: As per 'initial' Guidelines

/2 Stage II: 'Revised' Guidelines following Regional Inputs and Cabinet Committee's Recommendations. Higher allocation to agriculture is largely due to the latter.

/3 Stage III: 'Final' Allocations

* Exclusive of Sh. 33.5 million of block funds earmarked for urban district and sub-district programs.

Source: Prime Minister's Office.

2.06 There is also a second way of examining the validity of this hypothesis and that is to compare the requests of development funds made by different regions with the allocations they finally received. Should the two differ substantially not only in terms of levels (which would easily be understandable in view of the overall resource constraint) but also in the sectoral allocations this could be suggestive of the fact that the regions, after all, would not be able to spend the money the way they really wanted to. Here it must be pointed out that even the regional "requests" themselves are normally the outcome of Regional Planning Officer's review of the District Plans and local people's "desires" in order to accommodate the "Plan Guidelines" as much as possible.

2.07 To consider this question, the relevant data were collected for three regions: Arusha, Dodoma and Coast. These data are presented in Tables 2.2-2.4.

2.08 Table 2.2 gives the relevant data for Dodoma region. In 1974/75, this region asked for 38 million shillings but got only 14 million shillings. This might be quite understandable. However, in this context it is interesting to note that Dodoma wished to spend only 16% of its development funds on "directly productive" sectors but was allocated 32% of its funds for these sectors. Similarly, it wanted to spend 73% of its funds on "social infrastructure" while the share of these sectors in the final budget has been reduced to 56%.

2.09 A similar story unfolds in the case of data provided by the Coast region which are given in Table 2.3. For 1974/75, it received only 12 million shillings against 37 million shillings it requested. In its request was included a sum of 15 million shillings for the construction of the regional headquarters necessitated by the formation of Dar district as a separate region but only 2 million shillings were finally allocated in the budget.^{1/}

2.10 Then it wanted to spend about 49% of its development funds on "economic infrastructure" but these sectors were scaled down to 28% of its development budget. Besides, it would now be spending 22% of its development funds on "directly productive" sectors against 15% which it really wanted to spend. In addition, it would now be spending a higher proportion of its development budget on "social infrastructure" than it really intended to.

^{1/} It is not clear whether this reduction in the budget allocation reflects a scaling down of the project or merely a rephrasing of the expenditures.

Table 2.2: TANZANIA: DODOMA REGION DEVELOPMENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS, 1973/74 AND 1974/75
(excluding District Development Corporations)
(in million Shs.)

	1973/74				1974/75			
	Request	%	Alloca- tion	%	Request	%	Alloca- tion	%
I. <u>Directly Productive</u>	<u>11.2</u>	<u>20.0</u>	<u>1.0</u>	<u>5.2</u>	<u>6.2</u>	<u>16.4</u>	<u>4.5</u>	<u>32.1</u>
Agriculture	1.7	3.0	0.6	3.1	3.2	8.4	4.4	31.4
Ujamaa and Cooperatives	7.7	13.8	-	-	0.4	1.1	-	-
Natural Resources	1.6	2.8	0.4	2.1	2.6	6.9	0.1	0.7
Commerce and Industry	0.2	0.4	-	-	-	-	-	-
II. <u>Economic Infrastructure</u>	<u>4.8</u>	<u>8.6</u>	<u>1.0</u>	<u>6.3</u>	<u>4.2</u>	<u>11.0</u>	<u>1.6</u>	<u>11.4</u>
Comworks	4.5	8.0	1.0	5.2	4.2	11.0	1.0	7.1
Lands and Urban Development	0.3	0.6	0.2	1.1	-	-	0.6	4.3
III. <u>Social Infrastructure</u>	<u>40.0</u>	<u>71.4</u>	<u>16.9</u>	<u>88.5</u>	<u>27.5</u>	<u>72.6</u>	<u>7.9</u>	<u>56.5</u>
Education	6.1	10.9	2.1	11.0	4.9	12.9	3.2	22.9
Health	6.3	11.3	0.8	4.2	4.7	12.9	1.0	7.1
Water Supply	27.6	49.2	14.0	73.3	17.9	47.3	3.7	26.5
<u>TOTAL</u>	<u>56.0</u>	<u>100.0</u>	<u>19.1*</u>	<u>100.0</u>	<u>37.9</u>	<u>100.0</u>	<u>14.0</u>	<u>100.0</u>

* Includes a major supplementary for a rural water supply scheme

Source: Office of Dodoma Regional Development Director.

Table 2.3: TANZANIA: COAST REGION DEVELOPMENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS, 1973/74 AND 1974/75
(excluding District Development Corporations)
(in million Shs.)

	1973/74*				1974/75**			
	Request	%	Alloca- tion	%	Request	%	Alloca- tion	%
I. <u>Directly Productive</u>	<u>4.4</u>	<u>26.8</u>	<u>1.8</u>	<u>18.9</u>	<u>5.5</u>	<u>14.8</u>	<u>2.5</u>	<u>21.4</u>
Agriculture	0.6	3.7	0.4	4.2	1.5	4.0	0.7	6.0
Ujamaa and Cooperatives	1.2	7.3	-	-	1.2	3.3	-	-
Natural Resources	2.1	12.8	1.0	10.5	2.5	6.7	1.2	10.3
Commerce and Industry	0.5	3.0	0.4	4.2	0.3	0.8	0.6	5.1
II. <u>Economic Infrastructure</u>	<u>2.4</u>	<u>14.6</u>	<u>0.9</u>	<u>9.4</u>	<u>18.2</u>	<u>49.1</u>	<u>3.3</u>	<u>28.2</u>
Comworks	2.0	12.2	0.9	9.4	18.0	48.5	3.2	27.4
Lands and Urban Development	0.4	2.4	-	-	0.2	0.6	0.1	0.8
III. <u>Social Infrastructure</u>	<u>9.6</u>	<u>58.6</u>	<u>6.8</u>	<u>71.7</u>	<u>13.4</u>	<u>36.1</u>	<u>5.9</u>	<u>50.4</u>
Education	2.8	17.2	1.9	20.0	3.0	8.1	2.3	19.6
Health	2.3	14.0	2.6	27.4	3.1	8.4	1.4	12.0
Water Supply	4.5	27.4	2.3	24.3	7.3	19.6	2.2	18.8
<u>TOTAL</u>	<u>16.4</u>	<u>100.0</u>	<u>9.5</u>	<u>100.0</u>	<u>37.1</u>	<u>100.0</u>	<u>11.7</u>	<u>100.0</u>

* For five districts including Dar-Es-Salaam.

** For four districts excluding Dar-Es-Salaam.

Source: Office of Coast Regional Development Director.

Table 2.4: TANZANIA: ARUSHA REGION DEVELOPMENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS, 1973/74 AND 1974/75
(in million Shs)

	1973/74		1974/75			
	Provisional Actual	%	Request	%	Alloca- tion	%
I. <u>Directly Productive</u>	<u>5.7</u>	<u>31.7</u>	<u>14.5</u>	<u>50.7</u>	<u>9.5</u>	<u>45.7</u>
Agriculture	5.6	31.1	12.9	45.1	8.7	41.8
Ujamaa and Cooperatives	neg.	neg.	0.2	0.7	0.1	0.5
Natural Resources	0.1	0.6	0.4	1.4	0.2	1.0
Commerce and Industry	-	-	1.0	3.5	0.5	2.4
II. <u>Economic Infrastructure</u>	<u>1.2</u>	<u>6.7</u>	<u>3.0</u>	<u>10.5</u>	<u>5.3</u>	<u>25.5</u>
Comworks	1.0	5.6	2.0	7.0	4.8	23.1
Lands and Urban Development	0.2	1.1	1.0	3.5	0.5	2.4
III. <u>Social Infrastructure</u>	<u>11.1</u>	<u>61.6</u>	<u>11.1</u>	<u>38.8</u>	<u>6.0</u>	<u>28.8</u>
Education	4.9	27.2	5.9	20.6	2.4	11.5
Health	2.3	12.8	2.1	7.4	1.2	5.8
Water Supply	3.9	21.6	3.1	10.8	2.4	11.5
<u>TOTAL</u>	<u>18.0</u>	<u>100.0</u>	<u>28.6</u>	<u>100.0</u>	<u>20.8</u>	<u>100.0</u>

Source: Office of Arusha Regional Development Director.

Table 2.5: TANZANIA: SECTORAL ALLOCATIONS OF (BUDGETED) REGIONAL DEVELOPMENT EXPENDITURES, 1973/74-1974/75

	1973/74		1974/75	
	Amount (mill. Sh)	%	Amount (mill. Sh)	%
<u>I. Social Infrastructure</u>				
(a) Education (Primary and Adult)	22.6	13.0	43.8	16.6
(b) Health	23.4	13.5	32.8	12.4
(c) Water Supply	<u>46.9</u>	<u>27.0</u>	<u>50.9</u>	<u>19.3</u>
Sub-Total:	<u>92.9</u>	<u>53.5</u>	<u>127.5</u>	<u>48.3</u>
<u>II. Economic Infrastructure</u>				
(a) Comworks (Roads & Buildings)	35.8	20.6	47.8	18.1
(b) Lands and Urban Development	<u>3.5</u>	<u>2.0</u>	<u>4.8</u>	<u>1.8</u>
Sub-Total:	<u>39.3</u>	<u>22.6</u>	<u>52.6</u>	<u>19.9</u>
<u>III. Directly Productive</u>				
(a) Agriculture and Crop Development	10.0	5.8	51.6	19.5
(b) Livestock Development	15.2	8.7	12.7	4.8
(c) Natural Resources (Fisheries, Forestry, Beekeeping, Game Parks)	14.1	8.1	12.9	4.9
(d) Small Scale Industries	<u>2.2</u>	<u>1.3</u>	<u>6.8</u>	<u>2.6</u>
Sub-Total:	<u>41.5</u>	<u>23.9</u>	<u>84.0</u>	<u>31.8</u>
<u>TOTAL:</u>	<u>173.7*</u>	<u>100.0</u>	<u>264.1**</u>	<u>100.0</u>

* Exclusive of Sh 3.4 million expenditure budgeted for district development corporations and regional cooperatives.

** Exclusive of Sh 33.5 million of block funds earmarked for urban district and sub-district programs.

Source: Prime Minister's Office

2.11 Arusha's final allocation for 1974/75 does seem to be fairly close to the amount it requested. Perhaps it is because Arusha, being a better equipped region in terms of staff, has well-prepared projects. But it too, like others, would have a development outlay pattern very different from what it requested. As an extreme example, for Comworks it has been allocated about 5 million shillings in its 1974/75 budget while it actually requested only 2 million shillings.

2.12 The evidence presented above is admittedly inadequate at this stage, yet the little bit which is available seems to suggest that regions have neither been able to get the total amount of development funds they wanted nor did they receive the sectoral allocations they initially requested for. The Prime Minister's Office seems to have been able to control and regulate the level and pattern of regional development spending. Table 2.5 at once highlights the success the Center is having in its strategy of emphasizing "directly productive" sector investments and de-emphasizing "social infrastructure" investments. What the final outcome of this effort will be will not be known until appropriation accounts for 1972/73 and more recent years become available.

2.13 While the direction given by the Center must be considered quite desirable from the point of view of objective of achieving a certain target growth rate of the economy, inter-regional equity, and of containing the possible heavy public pressure for social infrastructure, at the same time it does indicate that the expenditure decisions have perhaps not yet been as much democratized as one tends to imagine by reading President Nyerere's speech announcing decentralization.

Recurrent Expenditures

2.14 As was mentioned in Chapter I, the "ceilings" on regional recurrent expenditures initially issued to the regions by the Treasury turned out to be quite "unrealistic" in the course of time. The final allocations of recurrent funds to different regions were frequently more than what were originally proposed by the Center. Against a "ceiling" amount of 46 million shillings, for example, Dodoma region received 55 million shillings. Similarly, Arusha received 60 million shillings against its "ceiling" of 53 million shillings. Coast region, however, received less than its "ceiling" but then the explanation for this is that in early 1974 Dar es Salaam was carved out as a separate region by itself, so that the Coast region was left with only four districts instead of the original five for which the "ceiling" amount had been prescribed.

2.15 As far as the level of recurrent expenditure is concerned, Tables 2.6 to 2.8 reveal that both Dodoma and Arusha (Coast regions figures are not strictly comparable) received substantial increases in their allocations for 1974/75 over the previous year. Dodoma's recurrent allocations are something like 30% higher than last year's while Arusha's are more than 20% higher.

Table 2.6: TANZANIA: DODOMA REGION RECURRENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS
(in million Shs.)

	1972/73	1973/74	1974/75			
	Actual	Approved	Requested	%	Budget Allocation	%
I. Administration	<u>3.1</u>	<u>5.8</u>	<u>9.1</u>	<u>12.1</u>	<u>7.4</u>	<u>13.5</u>
II. Directly Productive						
<u>Agriculture:</u>	<u>3.3</u>	<u>4.5</u>	<u>6.1</u>	<u>8.1</u>	<u>6.7</u>	<u>12.2</u>
Agriculture - Administration	0.4	0.7	1.4		1.1	
Agriculture - Productive Services	0.1	0.1	0.3		0.2	
Agriculture - Crop Production	1.9	2.3	4.2		3.4	
Ujamaa and Cooperatives	0.9	1.4	0.2		2.0	
<u>Natural Resources:</u>	<u>1.1</u>	<u>1.0</u>	<u>2.9</u>	<u>3.8</u>	<u>1.2</u>	<u>2.2</u>
Natural Resources - Games Operations	0.3	0.3	0.8		0.3	
Natural Resources - Fisheries Operations	0.3	0.2	0.2		0.2	
Natural Resources - Forestry Operations	0.5	0.5	1.9		0.7	
<u>Commerce and Industry</u>	<u>Neg.</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>
Sub-Total	<u>4.4</u>	<u>5.6</u>	<u>9.2</u>	<u>12.2</u>	<u>8.0</u>	<u>14.6</u>
III. Social Infrastructure						
<u>Education:</u>	<u>11.5</u>	<u>14.3</u>	<u>19.0</u>	<u>25.3</u>	<u>14.1</u>	<u>25.7</u>
Education - Administration	0.3	0.8	0.8		0.7	
Education - Primary	9.9	11.9	15.8		12.1	
Education - Adult	1.2	1.5	1.9		1.0	
Culture	0.1	0.1	0.5		0.3	
<u>Health</u>	<u>5.6</u>	<u>6.4</u>	<u>16.3</u>	<u>21.7</u>	<u>11.7</u>	<u>21.3</u>
Health - Curative Services	4.7	4.0	8.5		5.8	
Health - Preventive Services	0.3	0.3	1.5		1.4	
Health - Rural Health Centers	0.6	1.2	2.7		1.8	
Health - Dispensaries and Clinics	N.A.	0.9	3.6		2.7	
<u>Water Supply:</u>	<u>6.0</u>	<u>4.0</u>	<u>9.2</u>	<u>12.2</u>	<u>6.5</u>	<u>11.8</u>
Water - Rural Water Supply	5.2	3.7	7.8		5.4	
Water - Urban Water Supply	0.8	0.3	1.4		1.1	
Sub-Total	<u>23.1</u>	<u>24.5</u>	<u>44.5</u>	<u>59.2</u>	<u>32.3</u>	<u>58.8</u>
IV. Economic Infrastructure						
<u>Comworks:</u>	<u>5.9</u>	<u>5.1</u>	<u>10.1</u>	<u>13.4</u>	<u>6.4</u>	<u>11.6</u>
Comworks - Roads Maintenance	2.9	2.0	3.7		2.6	
Comworks - Buildings and other Establishments	3.0	3.1	6.4		3.8	
<u>Lands:</u>	<u>0.5</u>	<u>1.2</u>	<u>2.3</u>	<u>3.1</u>	<u>0.8</u>	<u>1.5</u>
Lands and Urban Development	0.3	1.0	1.8		0.5	
Surveys and Mappings	0.2	0.2	0.5		0.3	
Sub-Total	<u>6.4</u>	<u>6.3</u>	<u>12.4</u>	<u>16.5</u>	<u>7.2</u>	<u>13.1</u>
<u>TOTAL</u>	<u>37.0</u>	<u>42.2</u>	<u>75.2</u>	<u>100.0</u>	<u>54.9</u>	<u>100.0</u>

Source: Office of Dodoma Regional Development Director.

Table 2.7: TANZANIA: ARUSHA REGION RECURRENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS
(in million Shs.)

	1973/74	1974/75			
	Approved	Requested	%	Budget Allocation	%
I. <u>Administration</u>	<u>7.7</u>	<u>10.2</u>	<u>16.3</u>	<u>9.2</u>	<u>15.4</u>
II. <u>Directly Productive</u>					
<u>Agriculture:</u>	<u>8.3</u>	<u>7.5</u>	<u>12.0</u>	<u>7.5</u>	<u>12.5</u>
Agriculture - Administration	1.3	1.3		1.3	
Agriculture - Productive Services	4.2	4.3		4.3	
Agriculture - Crop Production	0.3	0.3		0.3	
Ujamaa and Cooperatives	2.5	1.6		1.6	
<u>Natural Resources:</u>	<u>2.3</u>	<u>3.1</u>	<u>5.0</u>	<u>3.0</u>	<u>5.0</u>
Natural Resources - Games Operations	1.1	1.7		1.7	
Natural Resources - Fisheries Operations	0.3	0.3		0.3	
Natural Resources - Forestry Operations	0.9	1.0		1.0	
<u>Commerce and Industry</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
<u>Sub-Total</u>	<u>10.7</u>	<u>10.7</u>	<u>17.1</u>	<u>10.6</u>	<u>17.7</u>
III. <u>Social Infrastructure</u>					
<u>Education:</u>	<u>11.8</u>	<u>15.4</u>	<u>24.7</u>	<u>14.1</u>	<u>23.6</u>
Education - Administration	1.0	0.9		0.9	
Education - Primary	9.3	12.4		12.0	
Education - Adult	1.4	1.7		0.8	
Culture	0.1	0.4		0.4	
<u>Health:</u>	<u>7.8</u>	<u>14.6</u>	<u>23.4</u>	<u>14.2</u>	<u>23.6</u>
Health - Curative Services	5.5	9.2		8.9	
Health - Preventive Services	0.4	1.9		1.9	
Health - Rural Health Centers	1.0	1.9		1.8	
Health - Dispensaries, Clinics	0.9	1.6		1.6	
<u>Water Supply:</u>	<u>3.9</u>	<u>3.8</u>	<u>6.1</u>	<u>3.8</u>	<u>6.4</u>
Water - Rural Water Supply	2.7	2.9		2.9	
Water - Urban Water Supply	1.2	0.9		0.9	
<u>Sub-Total</u>	<u>23.5</u>	<u>33.8</u>	<u>54.2</u>	<u>32.1</u>	<u>53.6</u>
IV. <u>Economic Infrastructure</u>					
<u>Comworks:</u>	<u>6.4</u>	<u>6.7</u>	<u>10.7</u>	<u>6.8</u>	<u>11.5</u>
Comworks - Roads Maintenance	3.2	3.9		3.9	
Comworks - Buildings and Other Establishments	3.2	2.8		2.9	
<u>Lands:</u>	<u>1.0</u>	<u>1.0</u>	<u>1.7</u>	<u>1.1</u>	<u>1.8</u>
Lands and Urban Development	0.6	0.5		0.6	
Surveys and Mappings	0.4	0.5		0.5	
<u>Sub-Total</u>	<u>7.4</u>	<u>7.7</u>	<u>12.4</u>	<u>7.9</u>	<u>13.3</u>
<u>TOTAL</u>	<u>49.3</u>	<u>62.4</u>	<u>100.0</u>	<u>59.8</u>	<u>100.0</u>

Source: Office of Arusha Regional Development Director.

Table 2.8: TANZANIA: COAST REGION RECURRENT EXPENDITURE REQUESTS AND BUDGET ALLOCATIONS, 1974/75
(in million Shs.)

	1972/73	1973/74	1974/75			
	Actual	Approved	Requested	%	Budget Allocation	%
I. Administration	<u>4.0</u>	<u>7.8</u>	<u>7.9</u>	<u>11.6</u>	<u>5.8</u>	<u>15.1</u>
II. Directly Productive						
<u>Agriculture:</u>	<u>2.6</u>	<u>4.4</u>	<u>5.9</u>	<u>8.7</u>	<u>4.2</u>	<u>11.0</u>
Agriculture - Administration	0.3	0.6	1.2		0.5	
Agriculture - Productive Services	2.2	1.7	1.7		1.0	
Agriculture - Crop Production	0.1	0.5	9.0		0.7	
Ujamaa and Cooperatives	N.A.	1.6	2.1		2.0	
<u>Natural Resources:</u>	<u>2.2</u>	<u>2.9</u>	<u>4.6</u>	<u>6.8</u>	<u>3.1</u>	<u>8.0</u>
Natural Resources - Games Operations	1.2	1.4	1.9		1.4	
Natural Resources - Fisheries Operations	0.6	0.6	1.4		0.9	
Natural Resources - Forestry Operations	0.4	0.9	1.3		0.8	
<u>Commerce and Industry</u>	<u>0.1</u>	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>	<u>0.1</u>	<u>0.3</u>
<u>Sub-Total</u>	<u>4.9</u>	<u>7.5</u>	<u>10.9</u>	<u>16.1</u>	<u>7.4</u>	<u>19.3</u>
III. Social Infrastructure						
<u>Education:</u>	<u>1.6</u>	<u>7.8</u>	<u>19.2</u>	<u>28.3</u>	<u>8.2</u>	<u>21.4</u>
Education - Administration	0.7	0.7	0.8		0.7	
Education - Primary	N.A.	6.6	7.5		6.7	
Education - Adult	0.9	0.5	7.8		0.5	
Culture	Neg.	Neg.	3.1		0.3	
<u>Health:</u>	<u>2.6</u>	<u>5.7</u>	<u>5.7</u>	<u>8.4</u>	<u>6.9</u>	<u>18.0</u>
Health - Curative Services	2.1	4.0	4.2		4.5	
Health - Preventive Services	0.2	0.5	0.8		0.5	
Health - Rural Health Centers	0.3	0.3	0.4		0.5	
Health - Dispensaries, Clinics	N.A.	0.9	0.3		1.4	
<u>Water Supply:</u>	<u>2.3</u>	<u>2.5</u>	<u>3.0</u>	<u>4.4</u>	<u>2.3</u>	<u>6.0</u>
Water - Rural Water Supply	2.3	1.9	2.6		1.9	
Water - Urban Water Supply	N.A.	0.6	0.4		0.4	
<u>Sub-Total</u>	<u>6.5</u>	<u>16.0</u>	<u>27.9</u>	<u>41.1</u>	<u>17.4</u>	<u>45.4</u>
IV. Economic Infrastructure						
<u>Comworks:</u>	<u>14.0</u>	<u>13.6</u>	<u>19.7</u>	<u>29.1</u>	<u>6.5</u>	<u>17.0</u>
Comworks - Roads Maintenance	4.4	5.2	11.1		5.1	
Comworks - Buildings and Other Establishments	9.6	8.4	8.6		1.4	
<u>Lands:</u>	<u>1.0</u>	<u>1.4</u>	<u>1.4</u>	<u>2.1</u>	<u>1.1</u>	<u>3.2</u>
Lands and Urban Development	0.4	0.5	1.0		0.3	
Surveys and Mappings	0.6	0.9	0.4		0.9	
<u>Sub-Total</u>	<u>15.0</u>	<u>15.0</u>	<u>21.1</u>	<u>31.2</u>	<u>7.7</u>	<u>20.2</u>
TOTAL	<u>30.4</u>	<u>46.3*</u>	<u>67.8*</u>	<u>100.0</u>	<u>38.3**</u>	<u>100.0</u>

* For five districts including Dar-Es-Salaam.

** For four districts excluding Dar-Es-Salaam.

Source: Office of the Coast Regional Development Director

2.16 What is important is that none of the regions really got what it asked for. Dodoma, for example, asked for 75 million shillings but got only 55 million while Arusha insisted that 62 million shillings was its "rock bottom" request after being reduced from 72 million shillings (its annual wage bill alone is 42 million shillings) but got only 60 million shillings. For its original five districts Coast region asked for 68 million shillings but would perhaps have gotten no more than 55 million shillings.

2.17 While the Center effected cuts in recurrent expenditures all around, it was felt by the regions that smaller cuts were made in personnel emoluments and social service expenditures and relatively larger cuts were made in maintenance and replacement of vehicles,^{1/} maintenance and other expenditures for buildings as well as transport allowances for the employees.

2.18 The three regions visited by the mission all complained of the inadequacy of budgetary funds and insisted that, as most of their recurrent expenditure commitments were rigid, they would have to seek "supplementary" funds during the course of the fiscal year. After all, they had been doing this since decentralization. During 1972/73, for example, Arusha sought 28 million shillings supplementary and for 1973/74 it estimated this figure to be 40 million shillings. Similarly, Dodoma got a supplementary of 6 million shillings for 1973/74.

2.19 The sectoral allocations in their recurrent budgets were, however, not significantly affected by the severe cuts in their desired levels. As Tables 2.6 to 2.8 suggest, the patterns of recurrent expenditure finally received by all of them have been very similar to what they originally requested. As it stands now, almost 55% of their recurrent budget is spent on "social infrastructure", about 15% on "administration", another 15% on "economic infrastructure" and another 15% on "directly productive" sectors.

2.20 The explanation for this, of course, is very simple. It has been estimated that about 60% to two-thirds of their recurrent budgets are spent on "personal emoluments" and another 25% for the maintenance and running of plants, vehicles and establishments. Both these facts obviously impart a certain degree of inflexibility to the level and pattern of regional recurrent expenditures which neither the regions nor the Center can manipulate in the short run.

^{1/} And this despite the fact that more than 50% of all Government owned vehicles have been found to be unserviceable for use at any time compared with 10%, which proportion is regarded as "acceptable".

Conclusions

2.21 To sum up: the little evidence which was available to the mission seems to suggest that since decentralization the regions have not gotten what they requested either with respect to the level and pattern of development expenditure or the level of recurrent expenditure. If anything the Center still seems to influence all these decisions very substantially. The patterns of their recurrent expenditures do match with their original requests but then this might well be because of the rigidities inherent in these expenditures.

2.22 On the whole, then, it appears that the democratization of expenditure decisions has yet to take place in Tanzania and perhaps it is too early to expect this to happen anyway. This is not to deny the larger discretion that regions and districts have been granted since decentralization in implementing and executing their budgets. An assessment of this forms the subject matter of the next Chapter.

CHAPTER III. FINANCIAL AUTONOMY UNDER DECENTRALIZATION AND SELF-HELP IN DEVELOPMENT

3.01 In theory, the financial autonomy of the lower level of government is determined by, firstly, the degree of independence it enjoys in raising and spending money; and, secondly, the discretion it has in implementing and altering, if so needed, its financial plans.

3.02 Chapter I which described the financial arrangements under decentralization indicated that the lower level (regional and district) administrations in Tanzania have no independent taxing powers whatsoever. Nor do they have any borrowing powers of their own. This means that at least in one sense the financial autonomy of the present lower level administrations^{1/} has been curtailed vis-a-vis their predecessors, or, the former local governments.

3.03 Chapter II then showed that the Regional and District Administrations were not entirely free to determine their level of spending either. They seem to be constrained and regulated by the Center (Prime Minister's Office and the Treasury) in determining their level and the pattern of recurrent and development spending.

^{1/} The question of "financial autonomy" of the District Development Corporations is not covered in this Chapter.

3.04 A closer examination of the financial arrangements under decentralization reveals that the little autonomy that has been given to them relates:

- (a) To initially proposing what the composition of their budgets would look like; but,
- (b) More importantly, in implementing the budget once it has been approved in the National Assembly.

It is these aspects that the present Chapter highlights.

Expenditure Discretion

3.05 An important aspect of decentralization relates to the amount of financial discretion which the lower level administrations now enjoy.

3.06 Whereas before decentralization the local governments (for many of their functions) and regionally located Central officers (for all their functions) had to get the sanction from Dar es Salaam for each and every procurement they wanted to make or any funds they wanted to disburse, this situation stands changed now. The Regional and District governments possess their own spending authority and have been given some, though a still limited, amount of discretion in carrying it out.

3.07 Once a region's budget is approved by the National Assembly, its officials are not required any more to seek day-to-day authorization from the Center to undertake particular expenditures. In fact, regions receive quarterly releases for their recurrent as well as development budgets from the Center more or less automatically and the only requirement here is that they must regularly send the quarterly financial and other progress reports to the Center. Not only that, should a region require more than its quarterly allocation in a particular quarter it can easily make a special request which is normally granted. All these make for some degree of flexibility in budget implementation at the regional level. The same kind of financial relationships seems to exist between District Administrations vis-a-vis their Regional Administrations.

3.08 Although the general budgetary rule that regional funds must be used for the purposes for which they were originally approved by the National Assembly still applies, the Regional Administrations have also been given some discretion to deviate from their approved budgets.

3.09 With regard to their recurrent budgets, the Regional and District governments have the authority to reallocate recurrent funds from one sub-head to another under the same sub-vote in cases of "surpluses" and "short-falls". In the past, however, they could not affect this reallocation between "Personal Emoluments", "Replacements" of office furniture, equipment, vehicles, etc., "Special Expenditures", and "Sub-

ventions, Grants, Contributions and Subsidies" unless they had a written authorization from the Minister of Finance. This placed severe limits on the expenditure discretion of Regional Administrations and, as a matter of fact, slowed down the regional activities many times.

3.10 Since 1973/74, this reallocation rule has been modified slightly. Now regional accounting officers have been given authority to reallocate funds between "Replacements" and "Special Expenditures" provided these reallocations do not exceed Sh 20,000 in any one financial year. No reallocation is still permitted between "Personal Emoluments" and "Subventions, etc.", and this largely to avoid the possible abuse of financial powers and the creation of unwanted jobs or the granting of unwarranted subsidies by Regional Administrators.

3.11 As far as the development budget is concerned, here also the Regional and District Administrations have been given limited discretion. They can now utilize the "savings" from one project or program for spending on another project or program contained in the budget or the plan of the region provided prior consent is sought from the Center. Even a new project or program, not included in the regional plan, may be undertaken through such "savings" provided the approval is received from the Prime Minister's Office, Dev Plan and the Economic Committee of the Cabinet. The latter requirement is considered by many as "nominal" because, in reality, such approval is quite easily given.

3.12 On the whole, then, it seems fair to say that the decentralization of administration has been accompanied by limited expenditure discretion, and the word "limited" must be emphasized. Some important changes have, however, taken place since decentralization in matters relating to tendering and procurement procedures to which the next sections are devoted.

Tender Procedures

3.13 The Regional (and District) Administrations' authority in seeking their own tenders has been extended considerably since 1972/73 and this has significantly reduced the delays in carrying out projects and programs and improved the speed of government spending.

3.14 It might be pointed out here that Regional (and Area) Tender Boards existed at most regional headquarters even before the 1972 decentralization of administration but they carried so little authority that they existed more in name than in reality. They were not permitted to seek and award tenders on their own for new construction or jobs exceeding Sh 100,000 in value. This meant that for most of their requirements, local authorities had to go through the Central Tender Board (CTB) to seek tenders. Ministries of Defence and Education had, and still have, their own independent tender boards. Since the decentralization of administration, the authority of Regional Tender Boards (RTB) has

been consistently expanded so that at present they can award new contracts up to Sh 750,000 and running contracts up to Sh 500,000 per project or program.

3.15 To appreciate the significance of this change, the problems of seeking tenders through the CTB must be highlighted.

3.16 To begin with, the procedures of the Central Tender Board were and still are long drawn out. A Regional Administration applying to the CTB for tenders is required to give exact technical specifications and should it not have its own expertise to do this it has to seek help from a Central Ministry. The CTB has no technical unit of its own to expedite this help. Then, tenders have to be invited by means of public notices and it takes something like two to three weeks to get the advertisements through. Only registered tenderers are permitted to submit tenders and they are given a minimum of five weeks to do so. The tenders so received are then opened in public and sent to a competent Central Ministry for a written technical evaluation and recommendation. Once again, as the CTB has no professional staff of its own, this takes between four to eight weeks depending upon the size of the tender and the nature of items involved. Based on their recommendation, the CTB is ready to make the award but then must ask the Regional Administration if it has any objection or disagreement of any sort. A minimum of two to three weeks have to be allowed for this purpose. In total, thus, it can take about four months before a Regional Administration can expect a tender to be awarded in case it goes through the CTB.

3.17 This, however, is a conservative estimate for the fact is that Central Tender Board which is managed by the officials of the other Central Ministries on an ad hoc and part-time basis cannot be expected to meet that frequently. The Principal Secretary of the Ministry of Communications and Works acts as the chairman of the CTB while its membership consists of a representative of the Ministry of Communications and Works, the Superintendent of Stores, Ministry of Communications and Works, a representative of the Ministry of Industries, Mineral Resources and Power and a representative of the Ministry of Finance. An officer of the Ministry of Communications and Works acts as its secretary. The fact that CTB has no secretariat of its own and is managed by ex officio members with other important responsibilities elsewhere can and does delay the awards still further. The Coast region for example complained that it could not implement its plan of building a 15 million shillings hospital in Bagamayo in 1973/74 because the CTB did not approve the construction contract till only 12 days before the close of the fiscal year.

3.13 The fact that the financial limits on RTB's tendering authority have been expanded considerably has at once improved the budget implementational capability of Regional Administrations. At the same time, it has also reduced the workload of the CTB which now handles only very large contracts for the regions as well as all tenders for nation-wide projects and imported materials.

3.19 In addition to the expanded powers of the Regional Tender Boards, the individual powers of the Regional Development Directors have also been extended slightly. Effective April 1974, they have been authorized to make purchases locally, without seeking tenders, up to Sh 40,000 up from the former limit of Sh 20,000.

3.20 The expanded authority of both RTB and RDD is seen by the lower level administrations as a significant improvement since the decentralization of 1972. At the same time, the regionalization of tender-seeking functions is feared to be a likely source of more corruption and abuse. Also, it is believed that the quality and consequently the effectiveness of government expenditures related tender work would suffer primarily because it would be extremely difficult, if not impossible, to staff so many RTBs properly. Yet another reason for the slackening "cost consciousness" in procurement lies in the general preference that has to be accorded to cooperative societies, ujamaa villages, district development corporations, and national parastatal organizations located in a region over all the bidders from the private sector. In addition, it has been laid down that a Regional Tender Board, in special (not defined) circumstances, may even negotiate a contract for specific supplies with the above mentioned public institutions provided the price thus contracted is the lowest available "locally" (though not "nationally").

Procurement System

3.21 Decentralization has made little difference to the procurement system or its working in reality. If anything it has made procurement problems more severe.

3.22 The Central Stores or the Central Supplies Organization which procures all items constantly in use (excepting construction materials) by all government administrations continues to have the same authority as in the past. With decentralization it has further strengthened its zonal branches and its ultimate goal is to have one branch in each region. However, these stores are only feeder branches of the Central Stores and do not have an independent procurement authority of their own.

3.23 Prior to decentralization, the major procurement problem related to inadequate funding. The 21 million shillings Revolving Fund which finances Central supplies has remained unchanged since 1964. Consequently there has been a constant overdraft of some 30 million shillings per annum. Other procurement problems before decentralization included inadequacy of professional staff capable of doing inventory planning and technical specification of material purchases, the lengthy process, taking sometimes six to eight months, to go through foreign exchange acquisition and get customs clearance, shipping and harbor congestion and the lack of storage capacity.^{1/}

^{1/} Because of all these problems one estimate puts the government stores out-of-stock items at an "average " of 21%, far too high by any standard.

3.24 The decentralization of administration seems to have accentuated many of these problems even further. Inadequacy of staff at the regional level has created difficulties with respect to budgeting and planning for their material requirements. They have failed to appropriately time their material procurements for each project and have sometimes forwarded wrong material plans thereby locking up capital. The storage capacity in the regions was highly inadequate even earlier; this has been made worse with decentralization and the expanded activities of the Regional Administrations. The limited available procurement staff had also to be spread too thinly with decentralization with the result that procurement function is now being performed by many untrained officers. The Government is, of course, very conscious of these problems and has started thinking about various solutions. One of these which is being given serious consideration is that of strengthening the Regional Trading Companies in order to handle the general requirements of the regional and local administrations. Hopefully this will speed up deliveries and will avoid the need for the duplication of the staff and the storage facilities.

3.25 To sum up: since the decentralization of administration, the lower level governments have been given increasingly larger authority over their own expenditures. However, they still are subjected to a high degree of financial control by the Center. They have to get many of the "deviations" from their authorized budgets "approved" by the Treasury or the Prime Minister's Office and sometimes even the Economic Committee of the Cabinet. Their authority over tendering has certainly expanded and this is considered a great improvement. The situation with respect to the coordination for procurement has certainly become more difficult with the decentralization of administration.

3.26 What impact this limited financial autonomy has on the implementation of development budget is hard to say. The Government still does not have the audited figures on actual development expenditures incurred by different regions since 1972/73. As such, therefore, a major objective of decentralization, i.e., the improvement in the speed of spending is hard to quantify. However, by talking to the regional officials one gets the impression that it has improved. As an illustration, a poor region like Dodoma sought a development "supplementary" of 11 million shillings in 1973/74 in addition to its "original" estimate of 8 million shillings. Also, the Prime Minister's Office has provisionally estimated that for 1973/74, regional development expenditure would be about 225 million shillings against the original budget estimate of 177 million shillings. They would indeed be a great improvement over the past.

Self-Help Contributions

3.27 At the time of introducing decentralized administration it was anticipated that it would improve local participation in development projects and would encourage self-help contributions towards development effort.

3.28 Prima facie, the self-help contribution should have improved if for no other reason because the rate of development spending by the regions seems to have improved following the decentralization and in the regional development budgets in Tanzania only funds for material costs and hired (skilled) labor inputs for each project are included. For example, it is estimated that the full cost of building a classroom is 20,000 shillings but then as 50% of it is in the form of unskilled labor it should be mobilized voluntary. Consequently, the budget estimate of a classroom would be only 10,000 shillings. In Tanzania this costing procedure is adopted for practically all development projects which means that "voluntary" labor is built into the development estimates as a complementary input. It is the policy in Tanzania not to finance unskilled labor unless there is a reason to assume, as in the case of education projects in the Masai areas, that public participation will definitely not be forthcoming. It would seem, then, that higher rate of regional development spending alone should be an evidence of higher participation rate by local people in the development effort.

3.29 However, discussions with the Regional Administrators suggest that the conclusion that the local people are now more eager to contribute labor cannot be taken for granted. Whereas in a poor region like Dodoma, it was felt that people's contribution to development effort has improved after decentralization, and a huge water supply project carried out through voluntary labor was given as an example, the administrators of a rich region like Arusha thought that there was actually a deterioration in self-help contribution after decentralization. Nevertheless, all Regional Administrators felt that it is easier to get voluntary labor for water supply, health and classroom projects^{1/} or the projects which benefitted people directly. On the other hand, people have been found to be very hesitant to contribute voluntary labor for building teachers' houses or maintenance of roads or construction of godowns and such infrastructure. As generally voluntary labor is a necessary ingredient of the plan for all the latter projects, administrators have had to force labor out of local people for these projects through the use of social pressures and sometimes even by threatening people with a "fine" under some traditional rules which require all adult males to work a given day of the week on communal projects. The compulsion and the threat used to seek "self-help" in the implementation of the latter kinds of projects have sometimes created problems when "self-help" is needed for other "desirable" projects.

^{1/} Even though sometimes it has proved to be inefficient and undependable and could not be integrated well into a tight construction schedule for a project.

3.30 Some field researches undertaken in Tanzania have found that "spontaneous" self-help has not improved significantly with decentralization excepting in regions which had a strong tradition of voluntary labor contributions to begin with or whose development budgets comprised very largely of social infrastructure projects in the rural areas. Many regional planning officers have been found to emphasize that seeking self-help for development projects is their major headache particularly for the projects which have not been "generated" by the people and this includes majority of "economic infrastructure" and "directly productive" projects.

CHAPTER IV. INTER-REGIONAL EQUITY IN SOCIAL SERVICES

4.01 Since the Arusha Declaration of 1967, Tanzania has set before itself the long-term goals of socialism and self-reliance. One major element in the achievement of this goal, and this was adequately stressed in the Second Plan, is that of "social equality" implying an even spreading of benefits of development amongst the masses and redressing of the regional imbalances. In 1971, TANU further directed the Government to give top priority in the allocation of resources to three essential social services -- health, education and water supplies. The Government has, therefore, set up long-term national targets for these services in quantitative terms. The purpose of this Chapter is to highlight:

- (a) the regional imbalances which exist in the provision of social services in Tanzania;
- (b) the fiscal feasibility of achieving the quantitative national targets which have been laid down by planners; and
- (c) the extent to which the Center is attempting to modify the short-run allocation of resources in attaining an inter-regional equity in social services.

Inter-Regional Imbalances

4.02 Table 4.1 presents the data on the crucial socio-economic indicators for 18 regions (excluding the two regions of Dar es Salaam and Rukuwa which were formed on January 1, 1974). The differences in the availability of education, health and water supplies from one region to another are evident. In matters of primary education, Ruvuma, West Lake, Tanga, Tabora and Kilimanjaro seem fairly well ahead of others with 60% or more enrollment ratio while Iringa, Mbeya, Mtwara and Shinyanga severely lag behind with 40% or less enrollment ratio.

4.03 The health services are also very unevenly distributed. Much of the nation's health services seem to be concentrated in Dar es Salaam. The city has only 3% of the country's population but still has 7% of

Table 4.1: TANZANIA: REGIONAL SOCIO-ECONOMIC INDICATORS, (FORMER) EIGHTEEN REGIONS AROUND 1973/74

Region	Area (^{'000} Km ²)	Population (^{'000})	Primary Education Enrollment Ratio (Standard I)	Population per Hospital Bed	Population per Dispensary*	Population per Rural Health Center*	Proportion of Population Served by Water Supply	Feeder Roads (in Km)	All Roads (in Km)	Roads per Km Area
1. Arusha	82.0	743.8	52	650	10,780	148,760	28	1,910	2,830	.0357
2. Coast (including Dar-Es-Salaam)	33.7	996.7	42	1,700	6,000	183,950	12	1,558	2,478	.0734
3. Dodoma	41.3	809.7	47	1,200	8,890	96,660	38	2,087	2,952	.0714
4. Iringa	56.9	827.3	38	850	9,200	420,000	8	1,398	2,649	.0465
5. Kigoma	37.0	516.1	53	1,030	6,840	125,000	20	399	9,590	.0427
6. Kilimanjaro	13.2	791.0	60	640	11,730	113,000	30	974	1,894	.1429
7. Lindi	65.6	464.2	50	770	6,630	114,000	18	1,435	2,214	.0337
8. Mara	21.8	666.4	48	1,460	9,340	128,860	10	765	1,219	.0560
9. Mbeya	90.1	1,143.3	40	1,060	10,210	228,660	10	1,780	3,319	.0368
10. Morogoro	73.0	768.6	52	670	6,600	97,880	15	1,007	2,368	.0324
11. Mtwara	16.7	731.0	40	830	6,630	125,800	15	1,326	1,917	.1147
12. Mwanza	19.7	1,232.3	44	1,330	11,010	100,040	10	1,821	2,493	.1221
13. Ruvuma	61.3	461.3	73	440	15,000	92,250	19	1,478	2,178	.0355
14. Shinyanga	50.8	1,043.8	40	1,800	9,800	110,000	6	1,964	2,522	.0498
15. Singida	49.3	496.3	62	900	7,690	100,000	17	1,466	2,082	.0421
16. Tabora	12.2	635.2	66	720	8,360	127,000	35	2,359	3,668	.0300
17. Tanga	16.8	899.8	60	670	7,820	99,970	17	1,470	2,826	.1054
18. West Lake	28.7	739.1	68	560	7,800	120,000	25	848	2,099	.0730

* Rounded to nearest zero.

Source: Prime Minister's Office

hospital beds, 38% of government doctors and 35% of Grade A nurses. In 1970/71, Muhimbili Hospital received more operating funds than 10 regions combined. Of course, the Dar hospital does act as a teaching hospital and has a national spill-over effect. Whereas Ruvuma, West Lake, Tanga, Kilimanjaro, once again, have largest number of hospital beds per capita, Mbeya, Shinyanga, Dodoma, Mara and Kigoma appear to have a long way to go in this respect. The same is also true of the availability of dispensaries or rural health centers amongst regions.

4.04 In terms of water supply, Shinyanga is the poorest region with only 6% of its population served by tap water and Iringa 8% while Tabora has 35% of its population enjoying this service and Kilimanjaro 30%. Dodoma leads the nation in tap water supply but then it lags behind in every other service.

National Targets

4.05 The Government has set up the following national goals with respect to essential services which it wants to achieve by around 1990.^{1/}

- Health:
- (1) One rural health center per 50,000 people;
 - (2) One dispensary per 10,000 people;
 - (3) One hospital per administrative district and one bed per 1,000 people; and
 - (4) One medical doctor per 22,500 people.

Primary Education: Universal primary education by 1989.^{2/}

Water Supply: Easy access to adequate and safe (tap) water for all population by 1990.

4.06 The present (mid-1974) population of Tanzania is estimated at about 14.3 million and assuming it keeps on growing at 2.7% per annum, the population to be served by the above mentioned services in 1990 would be around 21 million.

^{1/} Taken from various publications of the Government of Tanzania and the "Plan Guidelines, 1974/75". In addition to the targets mentioned in the text, there is a national target of providing all-weather feeder road access to all ujamaa villages of over 1,000 people by 1980.

^{2/} This was the initial target date which the Government has now changed to 1977. The calculations given below are based on the "initial" and not the "revised" target date.

4.07 The achievement of the national targets would then require that by 1990 there should be 420 rural health centers, 2,100 dispensaries, 73 (which is the present number of districts in Tanzania) district hospitals (with 21,000 beds), and about 1,000 medical doctors.

4.08 As far as (primary) education is concerned, in 1971/72 primary school (Standard V-VIII) enrollment was 982,000^{1/} which is about 37% of the relevant age group of 2.65 million (19.5% of the total population). Assuming no major changes in the proportions of (primary) school age children, in the total population, the total number of school places required by 1990 to achieve universal primary education would be approximately 4.1 million. This means that new classrooms would have to be built for some 3.1 million children between now and 1990. On the assumption that each classroom will hold 45 students and that one teacher will be able to handle two classes,^{2/} there will be a need for approximately 69,000 additional classrooms, 35,000 additional teachers and the same number of teacher houses.

4.09 Presently about 11.5%^{3/} of the rural population, or about 1 million rural people, are served with adequate and wholesome water. Assuming that by 1990, the ratio of urban population to total population grows from the present 8%^{4/} to 20%, about 17 million people would still be living in the rural areas. This means that about 16 million people in the rural sector would need to be provided with rural water supply by 1990.

Fiscal Implications of National Targets

4.10 To get an idea of whether or not these national targets can be financed with the available fiscal resources, ignoring for the present the serious problems of finding adequate numbers of engineers

^{1/} Economic Survey, 1971/72, p. 130.

^{2/} This might be a generous assumption.

^{3/} Economic Survey, 1971/72, p. 2.

^{4/} The estimated population of 10 large towns in Tanzania is less than 1 million for 1974. Second Five Year Plan, Vol. I, p. 182.

and technicians to implement them,^{1/} projections of likely revenues of the Government by 1990 must first be made. Assuming that the government revenues grow at the same rate as GDP during 1960-1971, i.e., about 5% per annum,^{2/} the present tax revenues of 3,000 million shillings would reach a level of 6,600 million shillings (at constant 1974 prices). This means that the Government would have about 27,000 million shillings additionally (at constant prices) over the next 15 years to spend.

4.11 Tanzania Government has developed over time what it calls the standard (capital only) cost estimates for different projects. These are based on certain assumptions regarding the self-help labor in the construction of these projects. Due to rapid inflation many of these estimates have become a little out of date. Table 4.2 presents the standard cost estimates as well as "more realistic" cost estimates provided by the regional authorities.

4.12 The construction costs (at constant prices) of achieving the national targets are then estimated in Table 4.3.

4.13 It appears, then, that the construction of rural water works alone according to the national target would absorb about 8% of the accumulated increase in revenues. The construction costs of health facilities, primary education and rural water facilities all taken together would just about absorb some 15% of accumulated incremental revenues, leaving a surplus for meeting the costs of furnishing and running these facilities. This is projected without making any allowance for the expansion of any other activity or attempting to redress the unevenness in the distribution of other services between districts and regions.

4.14 What the recurrent expenditure implications of the heavy investment outlays implicit in the national targets may be indicated now. The rate of growth of recurrent expenditure resulting from the achievement of national targets would depend upon: (a) the "co-efficient" of recurrent (normal running and maintenance) expenditure consequent

^{1/} An official report (of September 1973) points out that only seven of the 18 regions had at that time qualified Regional Engineers and that most regions lacked the required number of inspectors and foremen.

^{2/} The GDP growth rate was 4.3% during 1960-1967 while it is estimated to have grown at 5.4% per annum during 1964-1971 (at constant 1966 prices).

Table 4.2: TANZANIA: COST ESTIMATES OF CAPITAL PROJECTS

	<u>Standard Cost</u> <u>Estimate</u>	<u>Actual Costs</u>
	(in Shs. per project)	
1. Rural Health Center	400,000	700,000
2. Dispensary	35,000	45,000
3. District Hospital (without self-help)	2,000,000	N.A.
4. Regional Hospital (without self-help)	4,000,000	N.A.
5. Investment per doctor	100,000	N.A.
6. Classroom	10,000	12,000
7. Teacher's House	12,000	20,000
8. Rural Water Supply Station	1,000,000	N.A.*
9. Water investment per capita	140**	200**

* The actual cost of providing piped water supply has been estimated at 175,000 Shs. per village (without self-help) at the very minimum.

** According to the 1974/75 'Plan Guidelines' investment in rural water supply should not exceed 140 Shs. per capita and in no case 200 Shs. per capita. (These estimates closely resemble the estimates derived in a research paper by Dennis Warner, "The Economics of Rural Water Supply in Tanzania," Economic Research Bureau. University of Dar-es-Salaam. Paper No. 70.19, pp. 16-17.) But then according to Economic Survey 1971-1972 (p. 96), a rural project serves on an average approximately 2,700 people, which will yield "standard cost" of a rural water supply station per capita of 40 Shs. only.

Source: Mission Estimates.

Table 4.3: TANZANIA: CAPITAL COST ESTIMATES OF NATIONAL TARGETS

	<u>Target</u>	<u>Present Availability</u>	<u>Actual Cost per Unit</u> (in Shs. per project)	<u>Total Estimate</u> (in mill. Shs.)
<u>A. Health:</u>				
1. Rural Health Center	420	94	700,000*	230
2. Dispensaries	2,100	1,440	45,000	30
3. Hospitals	73	126	2,000,000**	40
4. Medical Doctors	1,000	400	100,000	<u>60</u>
				<u>360</u>
<u>B. Primary Education:</u>				
5. Classrooms	69,000***	-	12,000	828
6. Teacher's Houses	35,000***	-	20,000	<u>700</u>
				1,528
<u>C. Rural Water Supply:</u>				
7. Population to be served	17,000,000	1,000,000	140	<u>2,240</u>
				<u>2,240</u>
				<u>4,128</u>

* cf. William P. Mayer, "Implementation and Control Under Decentralization: Tanzania's Rural Health Programme," A Research Paper of the Department of Political Science, University of Dar-es-Salaam, June 1974, p. 45.

** On the assumption that 20 districts still need hospitals.

*** This is the 'net addition' estimate.

Source: Mission Estimates and Table 4.2

upon a shilling of investment in each of the rural water, health and educational facility and (b) the size of annual capital expenditure required to achieve the national targets in relation to the existing level of recurrent expenditure.

4.15 It is estimated that the (annual) recurrent cost co-efficient of rural water schemes in Tanzania is about 0.20 of the original capital expenditure (in constant prices) while the corresponding co-efficients for rural health and education are 0.40 and 0.50, respectively. When compared with the experience of some other countries, these co-efficients do appear a little high but then this might be due to the fact that the project capital costs in Tanzania are somewhat lower than elsewhere due to the self-help component which is not paid for by the Government.

4.16 If the mission's estimates (given on page 50) are accepted, Tanzania Government would have to invest an "average" of about 275 million shillings per annum (in constant prices) for the next 15 years in order to achieve its stated national targets. Of this 25 million shillings would go towards the creation of rural health facilities, 100 million shillings towards the provision of education and 150 million shillings towards rural water schemes. Making use of the co-efficients given above, the mission estimates that these investments would generate new recurrent expenditure commitment of about 90 million shillings every year, in the aggregate totaling 10,800 million shillings over the next 15 years.^{1/} (This represents the sum of 90 + 180 + 270 + . . . + 1,350 million shillings.) This would mean that the present level of recurrent expenditure of 3,660 million shillings would expand to about 14,460 million shillings (in constant prices) in 1990 due to additional recurrent expenditure commitments of the national targets for health, education and water alone.

4.17 There is perhaps another way of looking at this. Even if Tanzania Government were to get all the money it needed to finance the capital costs of its national targets by way of outright grants from foreign donors and international agencies, the recurrent expenditure bill of 10,800 million shillings (in constant prices) generated by 1990 would very substantially curtail the capacity of the Government to finance the existing and other (target unrelated) activities with its built-in increment of tax revenues growing to a level of 3,600 million shillings (in constant prices) during the same period.

^{1/} This amount may be compared with projected additional revenues of Sh 27 billion (refer para. 4.10).

4.18 In fiscal terms, then, the national targets of essential services seem unrealistic unless foreign aid and non-tax revenues (including parastatal savings) expand at a much higher rate than can presently be envisaged.

Equity-Oriented Allocations

4.19 This, however, does not mean that the Government should not attempt to correct the inter-regional inequities or to shift the allocation of resources to the poorer regions; all that this implies is that perhaps the Government does not recognize what it has committed itself to.

4.20 As pointed out earlier, the Government has decided to adopt the goal of inter-regional equity in essential services and providing these services free and hopes that the abolition of the local tax systems and local budgets and replacement of these by the nationally approved budgets of the decentralized administrations would help it to achieve this goal.

4.21 One major limitation of regional budgets in the pursuit of this objective should be highlighted right away. As Table 4.4 shows, regional budgets still do not amount to more than one-fifth of the national total (Central and Regional combined) budget. At present, about 27% of Government's recurrent budget and 13% of its development budget pass through regional channels. These proportions would certainly be much smaller if the resource flow through the parastatal and rest of the (non-government) public sector could be taken into account.

4.22 Consider now the extent to which these limited budgets are being used to correct regional imbalances since decentralization. The manner in which the Regional Development Fund (RDF) is allocated was described in Chapter I. Table 4.5 now gives the data on development expenditures per capita and total (recurrent and development) expenditures per capita and compares them with per capita incomes of the regions. The evidence is fairly mixed. Whereas, on the one hand, richer regions like Arusha, Dar es Salaam and Kilimanjaro continue to receive higher than "average" development (as well as recurrent) funds per capita, some poorer regions like Ruvuma, Tabora, Singida and Lindi have also been allocated substantially higher than "average" resources. One gets the feeling, then, that a serious attempt is being made to break away from the past in this respect and larger national resources are being diverted towards poorer regions. This is clearly a result of the deliberate policy of the Government.

4.23 Not only are larger sums being allocated to poorer regions, attempt is also being made, though with somewhat lesser success at this stage, to reduce the inequality of social services between regions. Consider Table 4.6 which shows the shares of (regional) sectoral allocations received by each region and the level of existing public services

Table 4.4: TANZANIA: SHARE OF REGIONAL BUDGETS IN THE NATIONAL BUDGET, 1972/73-1974/75
(in million Shs.)

Region	Recurrent Revenues			Recurrent Expenditures			Development Expenditures			Total Expenditures		
	1972/73 (A)	1973/74 (A)	1974/75 (B)	1972/73 (PA)	1973/74 (A)	1974/75 (B)	1972/73 (PA)	1973/74 (A)	1974/75 (B)	1972/73 (PA)	1973/74 (A)	1974/75 (B)
1. Aruska	6.2	5.7	6.9	37.5	49.3	59.8	5.2	14.9	20.9	32.7	64.2	80.7
2. Coast	36.0	14.3	0.9	40.1	47.0	38.3	4.9	9.6	11.7	45.0	56.6	50.0
3. Dodoma	6.4	4.0	3.7	46.8	43.7	54.9	12.4	9.1	18.1	59.2	52.8	73.0
4. Iringa	5.1	2.9	2.0	38.4	37.2	42.4	3.7	11.0	16.8	42.1	48.2	59.2
5. Kigoma	3.2	2.5	1.6	22.6	28.2	38.2	4.1	5.8	10.1	26.7	34.0	48.3
6. Kilimanjaro	7.9	5.4	7.1	41.7	45.6	63.1	4.8	12.0	17.4	46.5	57.6	80.5
7. Lindi	3.0	3.2	2.9	26.6	32.1	37.4	2.6	10.8	15.2	29.2	42.9	52.6
8. Mara	4.5	3.6	2.1	32.3	31.3	36.9	5.2	14.0	12.5	37.5	45.3	49.4
9. Mbeya	8.0	5.6	3.6	51.3	49.0	53.5	7.4	13.6	17.1	58.7	62.6	70.6
10. Morogoro	6.2	5.5	5.8	40.7	45.8	58.9	4.7	8.5	15.7	45.4	54.3	74.6
11. Mtwar	4.4	2.7	2.6	34.8	36.3	42.5	3.7	12.5	17.3	38.5	48.8	59.8
12. Mwanza	9.0	7.4	7.5	47.0	56.6	62.4	6.9	11.8	16.4	53.9	68.4	78.8
13. Ruvuma	4.0	2.6	1.3	34.9	33.4	41.7	3.9	9.9	11.4	38.8	43.3	53.1
14. Shinyanga	6.5	2.6	2.0	34.9	35.4	47.4	4.5	11.8	12.7	39.4	47.2	60.1
15. Singida	5.3	3.9	1.5	34.9	31.6	43.0	5.8	8.7	10.0	40.7	40.3	53.0
16. Tabora	6.8	5.1	2.9	39.7	40.2	44.0	3.6	7.6	13.3	43.3	47.8	57.3
17. Tanga	8.7	6.2	6.1	52.5	56.0	73.3	4.2	13.7	18.2	56.7	69.7	91.5
18. West Lake	4.2	2.1	1.7	43.6	44.5	49.2	4.9	9.4	10.2	48.5	53.9	59.4
19. Dar-es-Salaam	-	-	7.6	-	20.8	59.8	-	-	23.1	-	20.8	82.9
20. Rukwa	-	-	1.4	-	9.5	30.2	-	-	9.5	-	9.5	39.7
TOTAL REGIONS (Original/ Approved Budget)	<u>135.8</u>	<u>85.3</u>	<u>71.2</u>	<u>700.4</u>	<u>773.5</u>	<u>976.7</u>	<u>92.4</u>	<u>194.5</u>	<u>297.5*</u>	<u>792.8</u>	<u>968.0</u>	<u>1,274.2</u>
	-	-	-	(604.6)	(700.0)	-	(97.2)	(177.1*)	-	-	-	-
TOTAL NATIONAL	<u>2,188.2</u>	<u>2,613.3</u>	<u>3,664.2</u>	<u>2,331.6</u>	<u>2,613.1</u>	<u>3,661.5</u>	<u>1,101.0</u>	<u>1,715.7</u>	<u>2,199.2</u>	<u>3,432.6</u>	<u>3,728.8</u>	<u>5,860.7</u>
TOTAL REGIONS/ TOTAL NATIONAL (%)	<u>6.2</u>	<u>3.3</u>	<u>1.9</u>	<u>30.0</u>	<u>29.6</u>	<u>26.7</u>	<u>8.4</u>	<u>11.3</u>	<u>13.5</u>	<u>23.1</u>	<u>26.0</u>	<u>21.7</u>

Totals may not tally due to rounding

A = Approved Estimates

PA = Provisional Actual

B = Budget Estimates

* Includes approximately Sh 33.5 million of block (yet functionally unallocated) funds for urban district and sub-district programs

+ Includes Sh 3.4 million for the district development corporations and regional corporations.

SOURCE: Budget Estimates

Table 4.5: TANZANIA: REGIONAL EXPENDITURES PER CAPITA, 1972/73-1974/75

Region	Population*			Development Expenditures Per Capita			Total Expenditures Per Capita			Per Capita Income
	Mid 1972	Mid 1973	Mid 1974	1972/73	1973/74	1974/75	1972/73	1973/74	1974/75	
	(in thousands)			(in Shs.)			(in Shs.)			
1. Arusha	719.7	743.8	768.4	7.2	20.0	27.2	45.4	86.3	105.0	762
2. Coast	551.9	560.7	569.8	8.9	17.1	20.5	81.5	100.9	87.8	617
3. Dodoma	791.6	809.7	828.2	15.7	11.2	21.9	74.8	65.2	88.1	415
4. Iringa	802.5	827.3	852.6	4.6	13.3	19.7	52.5	58.3	69.4	519
5. Kigoma	508.6	516.1	523.9	8.1	11.2	19.3	52.5	65.9	92.2	500
6. Kilimanjaro	766.1	791.0	817.5	6.3	15.2	21.3	60.7	72.8	98.5	679
7. Lindi	456.2	464.2	472.4	5.7	23.3	32.2	64.0	92.4	111.3	460
8. Mara	644.3	666.4	688.9	8.1	21.0	18.1	58.2	68.0	71.7	400
9. Mbeya	797.2	818.7	840.6	9.3	16.6	20.3	73.6	76.5	84.0	544
10. Morogoro	753.6	768.6	784.0	6.2	11.0	20.0	60.2	70.6	95.2	566
11. Mtwara	711.1	731.0	751.2	5.2	17.1	23.0	54.1	66.8	79.6	460
12. Mwanza	1,200.5	1,232.3	1,264.9	5.7	9.6	13.0	44.9	55.5	62.3	627
13. Ruvuma	449.0	461.3	473.8	8.7	21.5	24.1	86.4	93.9	112.1	410
14. Shinyanga	1,017.8	1,043.8	1,070.5	4.4	11.3	11.9	38.7	45.2	56.1	604
15. Singida	489.4	496.3	503.4	11.9	17.5	19.9	83.2	81.2	105.3	439
16. Tabora	553.5	565.0	576.5	6.5	13.5	23.1	78.3	84.6	99.4	443
17. Tanga	876.5	899.8	923.5	4.8	15.2	19.7	64.7	77.5	99.1	730
18. West Lake	724.6	739.1	753.9	6.8	12.7	13.5	66.9	72.9	78.8	504
19. Dar-Es-Salaam	404.9	439.3	476.6	-	-	48.5	-	-	173.9	3,838
20. Rukwa	383.0	394.9	406.8	-	-	23.4	-	-	97.6	-
TOTAL	13,602.0	13,969.3	14,347.4	6.8	13.9	20.7	58.3	69.3	88.8	650

* Based on 1967 Census and growth rate 1948-67.

SOURCE: Prime Minister's Office

Table 4.6 : TANZANIA: REGIONAL DEVELOPMENT ALLOCATIONS FOR SOCIAL SERVICES, 1974/75

Region	Education		Health		Water Supply		Population		Primary Education Enrollment Ratio (Standard I)	Population per Hospital Bed	Proportion of Population Served by Water Supply
	(mill. Shs)	%	(mill. Shs)	%	(mill. Shs)	%	(mid 1974)	%			
1. Arusha	2.4	5.5	1.2	3.7	2.4	4.7	768.4	5.4	52	650	28
2. Coast	2.2	5.0	1.4	4.3	2.2	4.3	569.8	4.0	42	1,700	12
3. Dar-Es-Salaam	2.8	6.4	8.3	25.2	1.0	2.0	476.6	3.3	-	-	-
4. Dodoma	3.1	7.2	1.0	3.1	3.7	7.3	828.2	5.8	47	1,200	38
5. Iringa	2.0	4.6	1.4	4.4	2.0	4.0	852.6	5.9	38	850	8
6. Kigoma	1.5	3.3	1.2	3.6	2.1	4.2	523.9	3.7	53	1,030	20
7. Kilimanjaro	2.4	5.4	1.4	4.2	2.3	4.5	817.5	5.7	60	640	30
8. Lindi	1.5	3.4	1.0	2.9	2.1	6.0	472.4	3.3	50	770	18
9. Mara	2.4	5.5	1.4	4.3	2.3	4.6	688.9	4.8	48	1,460	10
10. Mbeya	2.6	5.9	1.3	3.9	2.5	5.0	840.6	5.9	40	1,060	10
11. Morogoro	2.9	6.6	1.2	3.8	2.6	5.1	784.0	5.5	52	670	15
12. Mtwara	2.2	5.0	1.4	4.2	6.3	12.4	751.2	5.2	40	830	15
13. Mwanza	3.3	7.5	2.0	6.1	3.5	6.9	1,264.9	8.8	44	1,330	10
14. Rukwa	0.8	1.9	0.9	2.8	1.6	3.1	406.8	2.8	-	-	-
15. Ruvuma	1.9	4.3	0.7	2.2	1.4	2.8	473.8	3.3	73	440	19
16. Shinyanga	1.7	3.9	2.8	8.3	2.8	5.4	1,070.5	7.5	40	1,800	6
17. Singida	1.8	4.2	1.0	3.0	3.4	6.7	503.4	3.5	62	900	17
18. Tabora	1.3	3.0	0.8	2.6	2.2	4.2	576.5	4.0	66	720	35
19. Tanga	2.7	6.1	1.2	3.6	2.0	4.0	923.5	6.4	60	670	17
20. West Lake	2.3	5.3	1.2	3.8	1.4	2.8	753.9	5.2	68	560	25
TOTAL	43.8	100.0	32.8	100.0	50.9	100.0	14,347.4	100.0	-	-	-

SOURCE: Budget Estimates.

presently available in each region. In case a region's share in regional education expenditure is higher than its share in total population, it would suggest that it is receiving a higher than "average" allocation per capita.

4.24 For education, then, the fact that regions like Coast, Dodoma and Morogoro with low enrollment ratios have been allocated relatively larger education expenditure per capita "than the average" is welcome. Conversely an attempt seems to have been made to reduce Tabora's share as it already has a high enrollment ratio. Similar conclusions can be reached with respect to health and water supply allocations in the regional budgets. Yet a closer perusal of Table 4.6 suggests that results once again are mixed, i.e., the negative correlation between sectoral allocations for a region and the existing availability of public services is far from perfect.

Parastatal Expenditures

4.25 The foregoing conclusions are based on regional government expenditures which are only 20% or so of the total Government expenditures. Very little is known about the impact of Central Government expenditure or the rest of the public sector expenditure on the inter-regional equities. One can only make a guess here. If one assumes that bulk of the productive activities of the Central Government have not yet been decentralized or that the activities of the major crop authorities or the credit policies of the rural and industrial development banks have by and large remained unaffected by the adoption of inter-regional equity as a national objective, one can surmise that these sectors perhaps would not be contributing to inter-regional equity in any significant manner.

4.26 In fact, a study carried out in the Dev Plan has concluded that "there is still strongly uneven distribution in parastatal investment in the country." The gross per capita parastatal investment for Tanzania (mainland) was estimated by this study at 341 shillings -- with Arusha, Coast, Mbeya and Morogoro receiving at least 25% above this average while Lindi, Mara, Mtwara, Ruvuma, Shinyanga and Tabora received 25% below this average.

4.27 Many recent big Central Government projects have been found to have benefitted the relatively richer regions. TAZARA, for example, which became a national priority project following the UDI by Rhodesia in 1965, costing over 3,000 million shillings, is likely to benefit regions like Coast, Morogoro, Mbeya and Iringa more than others. Kidatu, a hydroelectric national project, costing about 800 million shillings, is also situated in Morogoro region. Investment in tourist industry has led to the construction of hotels in the national parks of Arusha and Coast regions and the location of the Kilimanjaro International Airport in Arusha. The same observation could be made with respect to the location of the General Tyre Factory in Arusha, fertilizer and steel

rolling mills in Tanga, textiles factory in Mwanza, a coffee processing factory and sugar estates in West Lake region and several other large national projects.

Conclusion

4.28 To sum up: Although Government appears to have started using its expenditure allocations to improve the regional balance in the availability of social services, the results are still very mixed. The "pockets of development" and inter-related social and economic infrastructure generated by the export-orientation of the development in the past still continue to have their pull on budgetary allocations. Besides, the facts that regional budgets are still very small and that parastatal investment decisions are still made on financial considerations rather than on the basis of the objective of inter-regional equity leave one with the feeling that, though the start has been made, the end is still very far.

4.29 Another conclusion of this Chapter is that the prospects of financing national targets of social services with likely fiscal revenues are highly uncertain. The projected revenue difficulties will be so large that national targets for 1990 will probably have to be modified even if major new revenue efforts (including taxation and levy of user charges) are undertaken.

CHAPTER V. WORKING OF THE FINANCIAL CONTROL MECHANISMS

5.01 In a situation where decentralized administrations do not have to generate their own resources and the Center undertakes to finance all their activities, it is relevant to ask: How does the Center ensure that the regions (and districts) control their budgets or "effectively" utilize the funds which they receive from the Center? The purpose of this Chapter is to describe the mechanisms which have been instituted since decentralization to affect controls at the time of the formulation of the budget and during the fiscal year when the budget is being implemented. Later the Chapter indicates how these control mechanisms seem to be working in reality.

Control Mechanisms at the Formulation Stage

5.02 The major instruments of controlling a region from making an "undue" demand on the development budget in general or to "overspend" on any particular development project are the "Plan Guidelines" and the "Standard Cost" estimates of a project.

5.03 The "Plan Guidelines", as was mentioned earlier, limits the aspirations of a region and forces it to decide upon its sectoral priorities. In the final analysis, as was shown in Chapter II, it is

the Center which decides how much development funds a region will receive or what they will be spent on.

5.04. To ensure that all development projects will be "reasonably" costed by the region at the time of the formulation of its development budget, "standard cost" estimates of different projects are issued to regions. These estimates take into account only the Center's expectation as to the amount of voluntary labor participation which would be forthcoming from the local people but do not take into account the differences in transport costs and other such economic factors. The application of "standard cost" estimates seems to be a major instrument of controlling project finance in Tanzania.

5.05 On the recurrent budget side, the major control mechanism used at the time of the formulation of the budget is the announcement by the Center of "ceilings" on each region's budget. These "ceilings" are normally arrived at by taking into account the likely revenue position of the Government, previous year level of recurrent expenditure of a region, "normal creep" as well as the recurrent expenditures resulting from recently completed development projects and the size of the development budget. Generally, the "ceilings" are so designed as to impress on the regions the need for fiscal and financial discipline.

5.06 To further tighten the control upon the recurrent budget, the Center insists that the regions should not frequently reallocate their funds from one sub-vote to another or transfer the funds earmarked for one sub-head to another sub-head. Only recently some discretion has been granted to them in matters relating to their recurrent budget. Nevertheless, as was indicated in Chapter III, funds allocated for major components of the recurrent budget like "personal emoluments" and subventions" still cannot be reallocated without proper authorization.

5.07 It seems then that the "Plan Guidelines" and "Standard Cost" estimates act as two control mechanisms at the time of the preparation of the regional development budgets and the "ceilings" and limited "reallocation powers" work as two control mechanisms at the time of the preparation of the regional recurrent budgets. A further control mechanism lies in making it difficult for the regions to get "supplementary" votes.

Conditions for "Supplementary"

5.08 To ensure that regions act with adequate fiscal discipline, the Center has made the grant of supplementary allocations to them as difficult as possible.

5.09 Under the Financial Orders, no ministry of region is entitled to a "supplementary" vote for its recurrent budget excepting: (i) "in cases of dire need where public interest will be jeopardized;"

(ii) "only if it can be shown that the expenditure could not have been foreseen at the time of formulating estimates"; and also, (iii) if it cannot be met within the region's reallocation powers. Genuinely worried about the expenditure indiscipline which decentralization might encourage, the grant of supplementaries was made even more difficult in 1972/73 by postulating: (iv) that all requests for such funds must have the approval of the Economic Committee of the Cabinet.

5.10 Similar conditions are also imposed for the supplementary requests for development budget which a region might like to make.

Control Mechanisms During Implementation Stage

5.11 The major control mechanism here is the rate of disbursement of the funds to a region which is tied to Center receiving from the region its Quarterly Financial and other Reports.

5.12 All regions receive quarterly disbursements. While they automatically receive a quarter of their development and recurrent budgets in the beginning of the fiscal year, i.e., July 1, further quarterly disbursements are not so automatic.

5.13 As far as disbursements for development budget are concerned, they are based on the region submitting to the Prime Minister's Office: (a) Quarterly Physical Progress Report comparing the actual physical progress of a program for the quarter and year to date with the plans as well as indicating a forecast of probable physical accomplishments in the quarter ahead; and (b) Quarterly Financial Report comparing the actual development and recurrent expenditure of a particular project or program with plans. Besides, the region must submit a "Problem Report" whenever an immediate action on a major actual or potential problem relating to a project is required in the region or district and which cannot be resolved there itself. Should a region fail to submit the former two Reports regularly, release of development funds can be withheld.

5.14 For their recurrent expenditures also, the regions are expected to submit to the Treasury a Quarterly (previously Monthly) Regional Expenditure Summary Report showing actual recurrent expenditure (including outstanding amounts or commitments already made) by districts and by sub-votes against the budget allocations.

5.15 Under the Financial Orders, the national budgetary accounts must be prepared by October 31 and then audited and presented to the Parliament by December 31. With decentralization, therefore, it has been expected that the regional accounts would be ready by September 30 or three months after the close of a fiscal year. The regions are, thus, expected to prepare Annual Appropriation Accounts which should include an Annual Programmes Performance Review indicating how each region or district performed over the last year by comparing, for each development project or program, the actual benefits, physical achievements and costs against the approved plans.

Working of the Control Mechanisms

5.16 The available information on this is extremely limited, hence what follows must remain an impressionistic appraisal.

5.17 To begin with perhaps two factual statements can be made categorically.

5.18 First, the audited budgetary accounts of Government of Tanzania (including Regional Administrations) since decentralization was introduced in 1972/73 have still not been presented to the Parliament. This means that data on actual expenditures by regions are not yet available even though it is about two years that the final accounts were due.

5.19 Second, most regions have asked for supplementary votes in the last two years and are expected to ask for them in the current fiscal year as well.

Failure to Produce Final Accounts

5.20 A variety of explanations have been given for the failure of the Regional Administrations to produce final accounts. During 1972/73, it is argued, the district and regional functional officers were still in the process of moving into their new jobs with the result that they could not devote much time to the compilation of financial reports expected of them. A second explanation for this is given in terms of the computerization of government accounts which has been in existence in Tanzania since the early sixties. As long as the national budget related to centralized ministries in Dar es Salaam, computerized accounts could be easily prepared. Once the administration was decentralized, it proved extremely difficult, primarily because of long distances and severe communication constraints, to feed regional and district expenditure vouchers and primary accounting returns into the Central computer on a daily basis. The Government has now decided to decomputerize government accounts with effect from the 1973/74 year with the exception of government employee salaries.

5.21 In addition to all these, it is suggested that the Regional and District Administrations lack the necessary and properly qualified accounting staff (there has also been a rapid turnover in their staff) and this has made the preparation of reliable accounts extremely difficult. Even a relatively developed region like Arusha has found this to be a severe problem. It has 13 accounting staff of which only five are formally trained or experienced. It would like to have, if possible, 17 accountants of which 10 must be trained or experienced. The staffing situation in districts is certainly much worse. No district seems to have more than 50% of "desired" level of accounting staff.

5.22 It is not only that preparation of budgetary accounts has suffered following the decentralization of Administration, the flow of information required for control mechanism which were described above is also simply not keeping pace. For example, the files of the Prime Minister's Office show that Quarterly Physical Progress Reports were received from only six regions for the fourth quarter of 1972/73, eight regions for the first quarter, 16 regions for the second quarter and 10 regions for the third quarter of 1973/74 and those are the last of the quarterly reports on plan projects received by the Center. It appears then that the Center has not been taking a very serious view of this problem and in this sense perhaps some of the financial control mechanisms have yet to become effective.

Problem of "Excess Votes"

5.23 Under the financial rules of decentralization (which are also applicable to the ministries in general) it is only under exceptional circumstances that a region can be granted a "supplementary" vote. In fact, one of the listed "sacred" duties of the Regional (and District) Finance Controllers is to see that "Voted expenditure is not exceeded." Yet the fact is that many regions have been "overspending" on recurrent account (see para. 2.18 above) and some have "overspent" on development account too.

5.24 Once again, various explanations are given for this situation. Firstly, it is suggested that the "ceiling" amounts suggested by the Center and even the "final" recurrent allocations approved by the Parliament are highly unrealistic. The Center appears to have made severe cuts in the recurrent budgets proposed by the regions, particularly their expenditures on procurement and maintenance of vehicles, traveling allowances, and maintenance of roads, buildings and other establishments. Dodoma region, for example, asked for 25 vehicles in 1974/75, 13 as replacements for older vehicles and 12 new, but finally got only 15. Arusha region complained that the Treasury has permitted it only 7,500 shillings as the "standard (running and maintenance) costs" for each landrover and lorry while it has actually cost it over 12,500 shillings. Arusha requested 6.3 million shillings towards the cost of maintenance of roads, bridges, etc (excluding personal emoluments), but got only 1.3 million shillings. All these have left the regions with a handle that their budget estimates of recurrent expenditures have been unrealistic anyway; consequently they do not seem to attach much significance to their budget estimates.

5.25 There is yet another factor which accounts for "supplementary" requests for their recurrent budgets. The recurrent expenditure consequences of recently completed development projects, and it is well known that most of them are social infrastructure projects with particularly heavy recurrent expenditure commitments, are not often anticipated at the time of the budget formulation with the result that they end up

becoming "supplementary" requests as the fiscal year comes to a close. It is extremely difficult, in view of the complete absence of Appropriation Accounts, to substantiate the significance of this factor.

5.26 On the development budget side, as Chapter IV shows, the "standard cost" estimates are out-of-date. This also means that development supplementaries cannot always be taken to be a reflection of the expanded "real" development effort by the regions during the course of a fiscal year. In part, as was shown in Chapter III, "standard costs" can prove unrealistic if the designated self-help component does not come forth and the region or district has to use paid labor in lieu of it.

5.27 Whatever the reasons of supplementaries, the fact that they are more than isolated requests by one region or another suggests that Tanzania may have more than a marginal problem here. There is in fact some evidence that regional overdrafts on the Bank of Tanzania have become a serious problem and this suggests that the control mechanisms described above may not be working.

5.28 One of the explanations for such a situation also lies in the fact that with decentralization in 1972 the politics and administration of Tanzania have been more closely interwoven, with the former having a final say in decision-making. In addition, all the political weight has been placed behind the national targets of social services, as well as the ujamaa villages which automatically are assured of social services, with the result that administrators at the lower levels do not feel as "guilty" as long as they are overspending only on social services and not on other services. For many regional administrators recurrent expenditure discipline simply does not carry the same degree of urgency as it does for officials at the Center. It is precisely because of this that budgetary allocations which do show a declining share of social services in regional expenditures cannot be relied upon to predict what the reality would look like once actual expenditure data become known.

5.29 Another argument here is that any serious attempt by the Center to strictly control the budgets of the lower level administrations could be seen to be against the very spirit of decentralization and this would not be politically acceptable at this stage. This, of course, makes the task of administrators at the Center extremely delicate when it comes to enforcing financial controls over the regions. Is it a surprise, then, that no action is taken when quarterly reports are not submitted on time or when it is found that a region is likely to end up seeking an "excess" vote!

Conclusion

5.30 To conclude: for Tanzania's system of decentralization to be successful it is imperative that financial controls are made to work. It seems that they are not working yet; in fact certain forces mentioned

above seem to be in operation which are likely to impede their effectiveness in the future as well. A solution to this problem must be found if decentralization is not to become a fiscal liability.

CHAPTER VI. SUMMARY AND CONCLUSIONS

6.01 It is time now to take stock of the major points made in this report. It must be stressed again that inadequate data availability does not permit at this stage the derivation of any firmer conclusions. Hopefully as more data become available their validity can be tested and an overall generalization about the success of Tanzania's brand of decentralization made.

Tanzania's Own Brand of Decentralization

6.02 Tanzania's system of administrative decentralization differs significantly from what is usually defined as "decentralization" of government. A decentralized government usually consists of multi- (often two or three) levels of government with each one having its functions and tax authority to finance those functions clearly spelled out and even constitutionally defined. Each level of government enjoys autonomy in decision-making with respect to those functions and has its own administrative set up to make those decisions and own civil service to help make as well as implement those decisions. In doing all these, the lower level governments might, and often do, legitimately seek financial and other help from the higher level governments.

6.03 What Tanzania has actually done is that it has abolished local governments altogether. It has centralized their tax powers and has absorbed the employees of the former district, urban and city councils into a central cadre and offered them the same salary structure and conditions of service as those of the Central Government employees. It has also simultaneously centralized the final decision-making authority with respect to how much will be spent and on what.

6.04 In its place it has created lower, regional and district, level administrations (quite distinct from governments) and delegated some functions or authority. For example, government activities in relation to "rural development" have now to be performed through lower level administrations. Besides, lower level administrations have been made responsible for initiating the ideas, but not finally deciding, as to what should be done in a region or district in the field of rural development. Then, the regions have been "authorized", on behalf of the Center, to carry out and implement the budgets and plans "approved" by the latter for which they are "answerable" to the Central Government and the National Assembly. The regions have of course been given some limited discretion to "deviate" from the centrally approved budgets and plans. Also they are not required to seek day-to-day authorization from the Center in whatever they want to do.

6.05 Thus the system of decentralization adopted in Tanzania is somewhat of a unique system -- it is more akin to deconcentration of central authority -- and perhaps the most important single characteristic of it is that now the public administration system (or the "executive branch") has been fully integrated for decision-making with the political party (or the "political branch").

Goals of Decentralization

6.06 Theoretically, there is no reason why the taxing authority as well as spending decision-making cannot be centralized while at the same time the spending activity is actually decentralized. In fact, the goals of using tax policy as a redistributive device or public expenditure policy to bring about inter-regional (and rural-urban) equity in public services can perhaps best be achieved after the centralization of tax policy and public spending decisions have been brought about and this was one of the major motivations behind the 1972 reforms. Similarly, the major advantages of decentralizing spending activity would be to bring about speedier implementation of projects and programs as well as encourage local participation in development.

6.07 But, then, clearly there are no mechanisms inherent in the system of decentralization which would automatically encourage the spending units to minimize the costs of services that they provide or to control their expenditures within the authorized levels. Also, as a result of the integration of politics and administration particularly where the former has spelled out its targets for social services like education, health and water supply much more clearly than for economic production decentralization of administration increases the danger that productive sectors might get ignored in favor of social sectors.

Generalizations

6.08 In appraising the results of decentralization, with admittedly inadequate data available at this stage, a few generalizations might be made.

Achievements

6.09 Decentralization appears to have succeeded in achieving the following:

- (a) It has speeded up spending and removed a serious institutional bottleneck on local project implementational capacity. However, to the extent this capacity was constrained in the past by the lack of trained staff or availability of local and imported building materials or because of other procurement difficulties, decentralization has done, and in fact could do, very little to remove them. If anything, it has aggravated some of these problems.

- (b) It has made the pursuit of the goal of inter-regional equity easier for the Government. There is some evidence suggesting that the Government is now implementing this goal vigorously.
- (c) It has improved the communications between the villages, wards, districts, and regions. The local people now know whom to approach for making suggestions or getting things done. The decentralized system has, therefore, been successful in conceiving of development projects based on local "needs" and the Regional and District Administrations have found no difficulty in initiating new ideas.

Limitations

6.10 There appears to be considerable scope for improvement with respect to the following:

- (a) The quality of projects proposed by regions or districts has not improved markedly. The decentralization of administration has not resulted in any significant inter-functional cooperation at the regional or district levels (this is partly because salary levels and conditions of service of different functional officers still remain far from uniform). Rarely any cost-benefit studies are done before a region proposes a project or even before the Center accepts it which, of course, is not unique to Tanzania alone.
- (b) The greater "cost-consciousness" does not exist. The major tool of ensuring cost constraint on a development project, i.e., "Standard Costs" seems to have become unrealistic with heavy inflation in material costs and rapidly rising salaries and labor costs. A review of this question now seems to be in progress.
- (c) Decentralization has not resulted in a perceptible improvement in the motivation of people to participate in development projects. Overall voluntary labor contributions have probably expanded but this is because more is now being done, particularly in the social sectors, than before rather than that decentralization has generated an urge in the people to participate in development projects and contribute voluntary labor.
- (d) The expenditure decision-making has not been democratized which means the Center still dictates what the overall allocation of development funds should be. It has

attempted to place a lid on people's desire to have more and more social services at the cost of productive investments but an answer to the question whether or not this strategy is succeeding in reality will have to wait until final appropriation accounts of the Regional Administrations become available. Nevertheless, one thing is obvious that much of the government productive activities are still outside of the jurisdictions of the Regional Administrations; they either belong to parastatal organizations or the Central Ministries.

- (e) The financial control mechanisms are not working and there is a real danger that regional expenditures, particularly heavy recurrent expenditures due to fast expanding social services on which regions are not allowed to levy any user charges, might soon get out of hand.

6.11 Of course, it is too soon to know for sure what, in the final analysis, the net benefits of decentralization would be. What has been decentralized so far is only nine Central Ministries and only about 20% of the national budget.^{1/} The share of decentralized administration would be even smaller if the resources of the central parastatal enterprises are taken into account. The Government does not appear to be rushing towards regionalizing its budget or its total administration. It would seem advisable to review the successes and failures of present "limited" decentralization before taking the next step but, then, this exercise will have to wait till more data become available.

^{1/} The "limited" amount of decentralization which seems to have taken place up till now partly reflects the limited project preparation, project designing and implementation capacity of the regional/local administrations. In part it is also due to the insistence of foreign donors who prefer to deal with a single centralized agency even though the program may have regional/local character (e.g., Scandanavian assistance for health services).