



# Rapid Budget Analysis of the Water Sector in Tanzania

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# Introduction

## Areas of strength

1. There have been substantial increases in the water sector budget in both nominal and real terms between 2010/11 and 2012/13 as the Water Sector Development Programme (WSDP) budget, which outlines development priorities and resource allocations for the sector, increased from TzS 307 billion in 2010/11 to TzS 541.6 billion in 2012/13. Furthermore, the recurrent budget for 2012/13 is TzS 46.5 billion, and thus the total water sector budget is TzS 588.1 billion. A full breakdown of the WSDP budget is provided in Annex 3. The water sector budget increase is reflected in the share of water spending in the total Government of Tanzania budget having increased slightly to 3.8 per cent. This reverses a declining trend from the past few years, although it is still below a high of 6.5 per cent in 2007/08. This represents an increase in per capita spending (from TzS 8,185 to TzS 9,713) across the two years of this analysis. Despite these increases, the sector's spending as a share of GDP is following a declining trend.
2. The share of the water sector budget funded by the Government of Tanzania has increased from 23 per cent to 31 per cent between 2010/11 and 2012/13. As in previous years, development expenditure accounts for the majority (89-92 per cent) of the sector's expenditure. The Government's share of the development budget has increased from 12 per cent to 25 per cent. This demonstrates the credible commitment that the Government is making to water sector development. Recurrent expenditure has however been reducing which is a concern for future sustainability.
3. The quality of the data has improved significantly, with greater detail and clarity in 2011/12 and 2012/13 than in 2010/11. However, some issues remain and these are highlighted in Annex 2.
4. The wage bill has been substantially reduced, largely emanating from a substantial reduction in allowances. Salaries and wages accounted for 83 per cent of the wage bill budget in 2011/12, a considerable improvement from a low level of 50 per cent in 2009/10. This has contributed to the reduction in the recurrent budget. The water sector has made progress in addressing this common problem in the Tanzanian civil service. Despite this reduction, expenditure on allowances still represents the opportunity cost of financing improved access to water for 4,655 people.
5. In aggregate, the implementation of budget transfers from the Ministry of Finance and Economic Affairs (MoFEA) to regions has improved from 30 per cent in 2010/11 to 62 per cent in 2011/12. This is however in the context of fewer funds being decentralised to regions and transfers to regions being highly variable. Only 11 per cent of funds were allocated to regions in 2012/13, which represents a considerable reduction from the level of 45 per cent in 2008/09. An additional TzS 400.3 billion is transferred from the Ministry of Water (MoW) to urban utilities, water basin boards, and other agencies in 2012/13, over half of which was to DAWASA. The details of the transfers are discussed in more detail below. In addition, TzS 22.4 billion is budgeted to be transferred from the MoW to district councils, but these funds are actually being spent directly by the Ministry in implementing rural water supply projects.

## Areas of weakness

1. The budget for the WSDP component of urban water supply and sanitation has nearly doubled over three years, accounting for the majority of the increased budget for the water sector as a whole. A significant portion of this increase is due to the DAWASA improvement project, which accounts for around a third of the total water sector budget in 2012/13. It is unlikely that this increased funding in 2012/13 will be absorbed given the deteriorating performance in budget execution for the DAWASA project (it

decreased to 46 per cent in 2011/12). This will have implications for spending from the Millennium Challenge Corporation as this is a precondition for disbursement.

2. Conversely, and highlighted as a concern, is the substantially reduced allocation for rural water supply and sanitation, component 2 of the WSDP, despite slower than expected improvements in rural access. The total WSDP component 2 budget has been reduced from TzS 137 billion in 2010/11 to TzS 75 billion in 2012/13 according to the Ministry of Finance data tables. There is a significant variance between the financial resource allocations in the WSDP 2012/13 work plan and the approved budget figures from the Ministry of Finance in the rural component. Variances such as this are an ongoing issue in the sector and had occurred in previous years. In 2012/13, the variance has delayed fund releases and project implementation in the rural sector. Because the WSDP's budget has increased overall, the rural water supply and sanitation component's share of the total sector budget has decreased from 37 per cent to only 13 per cent in 2012/13. This is expected to hinder the sector's ability to meet rural access targets.
3. Budget execution for the water sector in general is not improving. Execution of the recurrent budget has decreased substantially while execution of the development budget remains low. Poor budget execution is reflected in the unreliability of exchequer releases to the MoW. In general funds are released predominantly in quarters 1 and 4, and releases from Government development funds and foreign development funds are highly irregular on a quarterly basis. Despite the increases in Government development funding (from 12 per cent of the development budget to 25 per cent in 2012/13), which is generally more reliable on an annual basis than foreign funding, budget execution problems have not been solved.
4. There are clearly capacity issues that limit the water sector's ability to utilize its increasing budget and these issues in budget execution relate to the Government's inability to meet the commitments it outlined for itself in the WSDP Restructuring Plan. In the plan, the Government committed to spend USD\$ 128 million in 2011/12 but only spent USD\$ 17 million.

## **Recommendations**

1. It is recommended that the financing of the recurrent budget is increased in line with what can realistically be absorbed. While the Government is making a credible commitment to water sector development and has increased its development spending, the declining recurrent budget is a concern for future sustainability.
2. Budget reconciliation of the MoW's budget with the approved budget from the MoFEA should be undertaken early in the financial year. The unreconciled variance between the two budgets has been a recurring issue and has delayed implementation of sector plans in 2012/13.
3. Given on-going concerns around budget execution it is recommended that in the planning and budgeting process lags are built in to allow for delays in the approval process for plans and contracts. This would help to adjust expectations of absorptive capacity and avoid large, and often unrealistic, commitments being made.
4. Furthermore the in-year release of funds is unreliable and uneven across the quarters creating problems for LGAs in carrying out their work. Efforts to improve planning and communication in this regard would be particularly welcome. The improved use of the WSDP as a planning tool could bring benefits for the budgetary performance of the sector.
5. It is recommended that there is a rebalancing in favour of the rural water sector to attempt to support efforts to improve rural water access and to work towards meeting access targets.

6. The good progress in reducing allowances is commended, however expenditure on allowances still represents the opportunity cost of financing improved access to water for almost five thousand people, and therefore further cutbacks are encouraged.
7. The water sector is highly donor dependent, with 68 per cent of the total budget and 74 per cent of the development budget being funded by donors, risking undermining the Government of Tanzania's accountability to its citizens. It is recommended that continued efforts are made to reduce dependence on foreign sources over the medium and long term.

**Table 1: Government of Tanzania budget figures**

Budget	These figures come from previous RBA.						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Water Budget as share of total GoT Budget	4.60%	6.50%	4.40%	3.90%	<b>3.16%</b>	<b>3.23%</b>	<b>3.82%</b>
Water wage bill as share of total water budget	6.10%	3.80%	6.30%	5.50%	<b>6.69%</b>	<b>5.25%</b>	<b>3.26%</b>
Development spending as share of total water budget	83%	89%	90%	90%	<b>89%</b>	<b>89%</b>	<b>92%</b>
Share of decentralised water expenditure (Regions & LGAs) in total water budget	16%	36%	45%	27%	<b>24%</b>	<b>22%</b>	<b>11%</b>
Budgeted increase (decrease) in expenditure	48%	77%	-20%	12%	<b>6%</b>	<b>22%</b>	<b>31%</b>

**Table 2: Government of Tanzania expenditure figures**

Expenditures	These figures come from previous RBA.					
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Actual Water Expenditure as share of total GoT Budget	4.30%	4.20%	2.70%	2.60%	<b>1.58%</b>	<b>1.52%</b>





## 1. Sector strategy

1. The Ministry of Water (MoW) (formerly the Ministry of Water and Irrigation) has developed a Water Sector Development Programme (WSDP) for 2006-2025 through a Sector Wide Approach (SWAp), which defines sector priorities. The WSDP was revised in 2011 and restructured with new targets; performance indicators; work plans; and financial plans. The WSDP is broadly aimed at facilitating the development and improvement of the water sector through 4 primary components:
  - 1 **Strengthening of water resources management and development framework**
  - 2 **Scaling up of rural water supply and sanitation**
  - 3 **Urban water supply and sanitation**
  - 4 **Support sector institutional strengthening and capacity building**
2. The WSDP Restructuring Plan developed new targets to be reached by June 2012, including the strengthening of institutional bodies and improved water and sanitation access in both urban and rural areas. Specific targets included the strengthening of 9 Basin Water Boards by 2012 and instituting an operational water quality management and pollution control mechanism by 2012. In addition, the WSDP Restructuring Plan set out targets for rural access to water of 60.5 per cent and access to improved sanitation facilities in program villages of 50 per cent. In urban areas, water supply targets were set at 90 per cent for 19 regional centres and at 72 per cent for areas serviced by DAWASA. Household coverage of sewage systems was targeted to be increased to 20 per cent in Dar es Salaam and 11 other regional centres. The Restructuring Plan estimated that 50 per cent of total funds allocated to the WSDP had been disbursed during phase 1. The allocation of remaining funds to components was prioritized according to activities defined by the workplan. (MoW 2011)
3. The MoW Medium Term Expenditure Framework (MTEF) has been developed to align with the WSDP and includes these components as its priority activities. In addition, both the MTEF and the WSDP have been developed to align with the National Five Year Development Plan and the MKUKUTA II. The WSDP accounts for funds from both the Government of Tanzania and development partners.
4. The WSDP gives strong guidance on resource allocation and clearly prioritizes component III, urban water supply and sanitation, above other priorities. In terms of the budget for 2011/12, component II was the next largest, followed by component I, and then component IV. However, as will be discussed in more detail below, budget performance varied greatly in each component between 2010/11 and 2011/12.
5. The MoW is responsible for the majority of expenditure in the water sector, but the MoFEA, the Prime Minister's Office, Regional Administration and Local Government (PMO-RALG), subnational institutions such as water basin boards and utilities, and local and regional governments also spend funds in the sector. The Ministry of Home Affairs, Prison Services is also responsible for a small amount of expenditure in the water sector, but this is excluded from the WSDP as noted in the analysis below.

## 2. Overall trends in water sector expenditure and budget

6. Government expenditure in the water sector is increasing, in both nominal and real terms. The portion of the Government of Tanzania's budget expended on the water sector has risen from 3.23 per cent in 2011/12 to 3.8 per cent in 2012/13. In nominal terms this is an increase from TzS 367 billion in 2010/11 to TzS 449 billion in 2011/12 and to TzS 588

billion in 2012/13. The total of TzS 588 billion includes the WSDP budget of TzS 541.6 billion, defined as the development budget in the MoW Work Plan for 2012/13 and a recurrent budget of TzS 46.5 billion (MoW 2012). Increases in real terms are less dramatic but still present. This reverses the declining trend of the water sector's share in the total budget; however, the sector share is still below its share of 6.5 per cent in 2007/08. A share of 3-4 per cent appears to be the new normal for the water sector.

**Table 3: Proportion of GoT budget and GDP dedicated to water sector**

Sectoral share of water in GoT budget	These figures come from previous RBA.							
Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Budget allocations	3.80%	4.60%	6.50%	4.40%	3.80%	3.16%	3.23%	3.82%
Actual expenditures	2.70%	4.30%	4.20%	2.70%	2.60%	1.58%	1.52%	N/A
Sectoral share of water GDP	These figures come from previous RBA.							
Budget allocations	0.90%	1.20%	2.30%	1.60%	1.20%	1.05%	1.09%	N/A
Actual expenditures	0.70%	1.10%	1.10%	0.80%	0.70%	0.52%	0.52%	N/A

7. Table 3 shows that the water budget remains at 1.05 and 1.09 per cent of GDP, for 2010/11 and 2011/12, respectively, which continues a declining trend. Actual expenditures have reduced even further to approximately 0.52 per cent of GDP in both years, from a previous high of 1.1 per cent in 2007/08. Even though the water sector budget and expenditures are increasing, they are not keeping pace with the growth of the Tanzanian economy.
8. In per capita terms, the water sector budget increased from TzS 8,185 to TzS 9,457 from 2010/11 to 2011/12. In current US dollar terms, this represents an increase from approximately USD\$5.50 per person to USD\$6.50.<sup>1</sup>
9. The increase in the budget is linked entirely to increases in the Government budget, through the MoW. From 2011/12 to 2012/13 MoW's budget increased from TzS 308.5 billion to TzS 486 billion, which includes a development budget of TzS 466 billion and a recurrent budget of TzS 20 billion.<sup>2</sup> A significant portion of that increase is due to the improvement to DAWASA project, which is being financed by both Government and foreign funding. The DAWASA project accounts for 31 per cent of the total water sector budget, and as highlighted further in the discussion below, it is unlikely that these funds can be fully utilized. Furthermore, the increase in the budget is entirely composed of development expenditure, while the recurrent budget has actually decreased over the two years.

**Figure 1: Sectoral share of water in the Government of Tanzania Budget**

<sup>1</sup> World Bank population data; exchange rate of 1500 TzS = 1 USD

<sup>2</sup> This includes all budget data under Vote 49 and classified as "water" in MoFEA data.

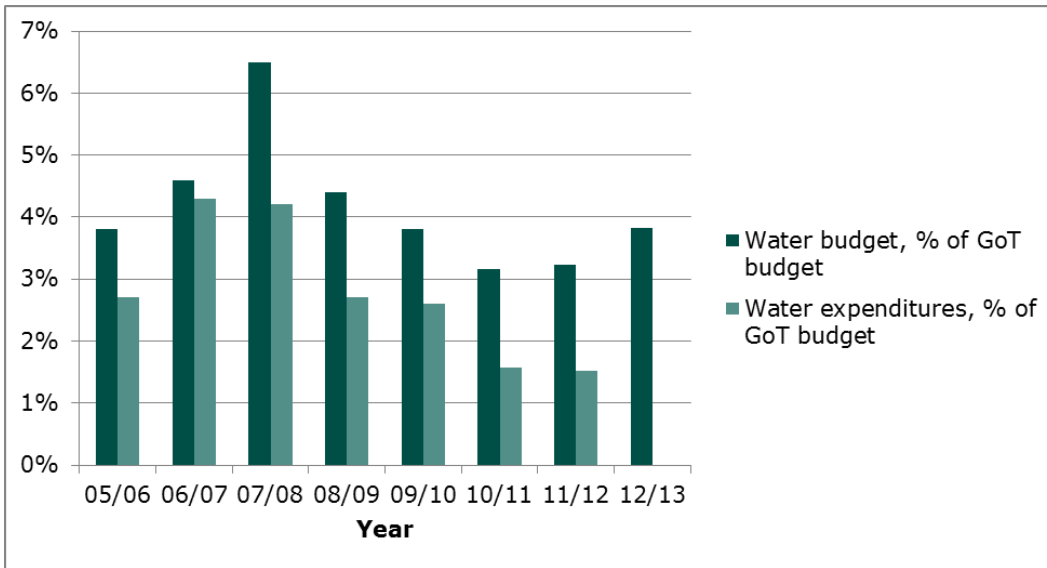
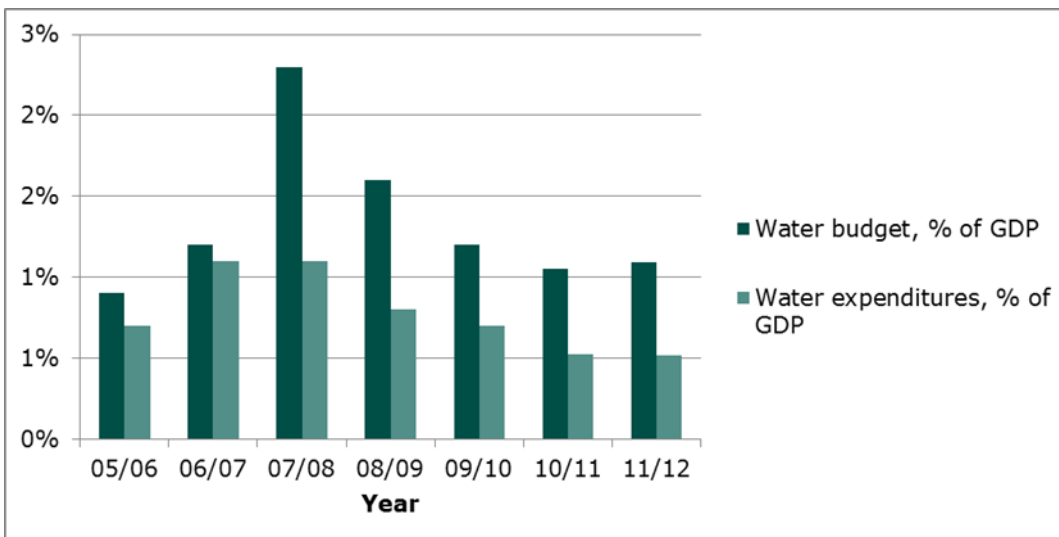


Figure 2: Sectoral share of water as a percentage of Tanzania GDP

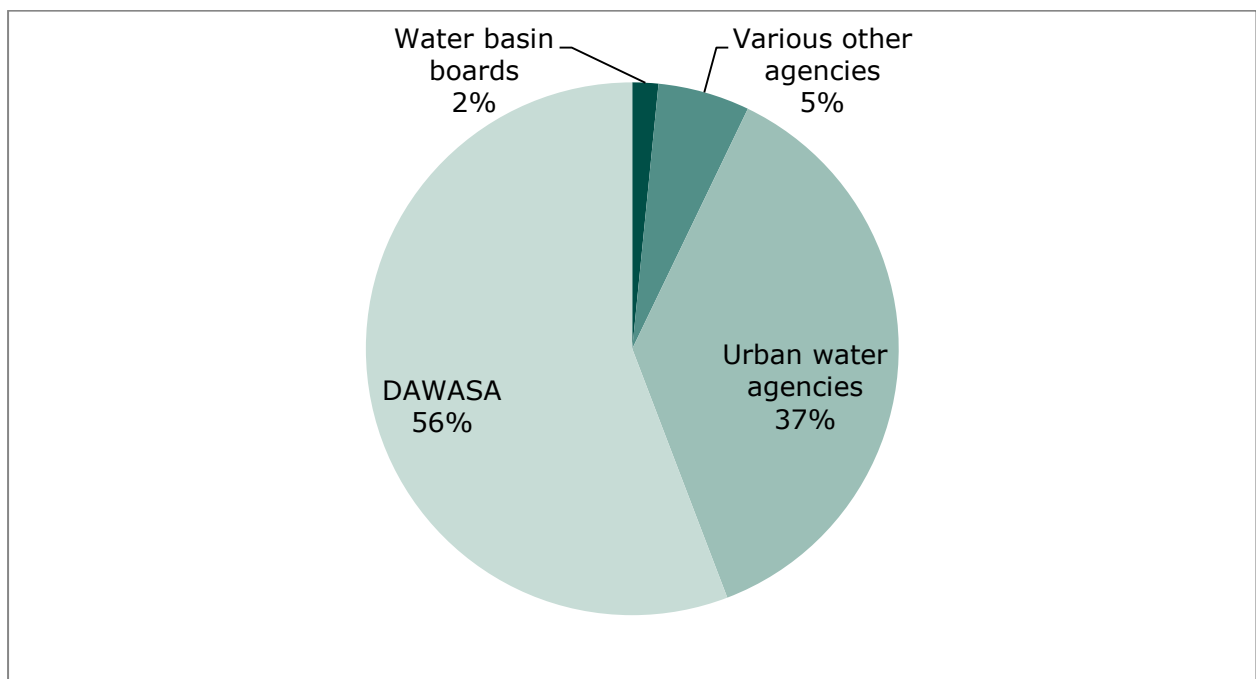


10. An analysis of the composition of the budget shows that development spending accounts for the majority of water sector budget and expenditure, around 90 per cent of the total from 2010/11 to 2012/13. This is appropriate given the need to improve water and sanitation infrastructure in the country, however classification issues and sustainability concerns are discussed below. Due to challenges in budget implementation development expenditure accounts for 80 per cent of the total sector spending. Because the majority of this expenditure takes place at the agency level, as noted below, it is difficult to track how this money is spent. Just under half of the central government development spending (TzS 82 billion) is budgeted to be spent on maintenance and rehabilitation of infrastructure and equipment in 2012/13. This most likely includes amounts to be spent on rehabilitation of building, vehicles, and other materials and does not solely relate to maintenance of water infrastructure. However, the current dataset does not allow for a detailed breakdown on the items to be maintained. Furthermore the majority of new construction takes place at the agency level and also cannot be included in this analysis.
11. There are also some issues around the classification of recurrent spending as development spending. In 2012/13 salaries, allowances, maintenance, office supplies, and infrastructure rehabilitation have all been classified as development spending. In total, approximately TzS 42 billion of recurrent expenditures have been classified as development expenditures at the central government level in 2012/13. It would be useful to be able to analyse the

classification of water sector expenditure into current and capital types of spending, but currently this classification is highly inaccurate, with many costs which appear to be related to capital spending classified as current and vice versa. Further data quality issues are highlighted in Annex 2.

12. Although a high level of development expenditure is important to improve the infrastructure in the country, it is also important to maintain an adequate recurrent budget to ensure proper operations and maintenance of facilities. Particular challenges are faced in sustaining rural water supplies as communities struggle to raise sufficient revenues to cover large maintenance expenses. Given the difficulty of implementing cost recovery policies such as user fees at the local level in low income contexts, it is imperative that recurrent costs are fully covered.
13. The policy of decentralisation continues to be reversed, with only 11 per cent of the water sector budget, or TzS 64.9 billion allocated directly to regions in 2012/13. The MoW is involved in some project implementation but it transfers most of its funds to water utilities and other entities. Out of the MoW's total budget of TzS 486 billion, TzS 400.3 billion is budgeted to be transferred from the MoW to urban utilities, water basin boards, and other agencies in 2012/13. This accounts for 89 per cent of MoW's total budget. Transfers to DAWASA account for TzS 223.4 billion of this total amount, or 56 per cent, as shown in Figure 3. Further amounts of TzS 6.3 billion to water basin boards, TzS 148.3 billion to other urban water agencies, and TzS 22.3 billion to various agencies, are budgeted to be transferred. An additional amount of TzS 22.4 billion is budgeted to be transferred to district councils from the MoW for rural water supply, but these funds have been misclassified. In practice, the MoW has been implementing rural water supply projects directly in some districts.

**Figure 3: Breakdown of budgeted transfers from MoW, 2012/13**

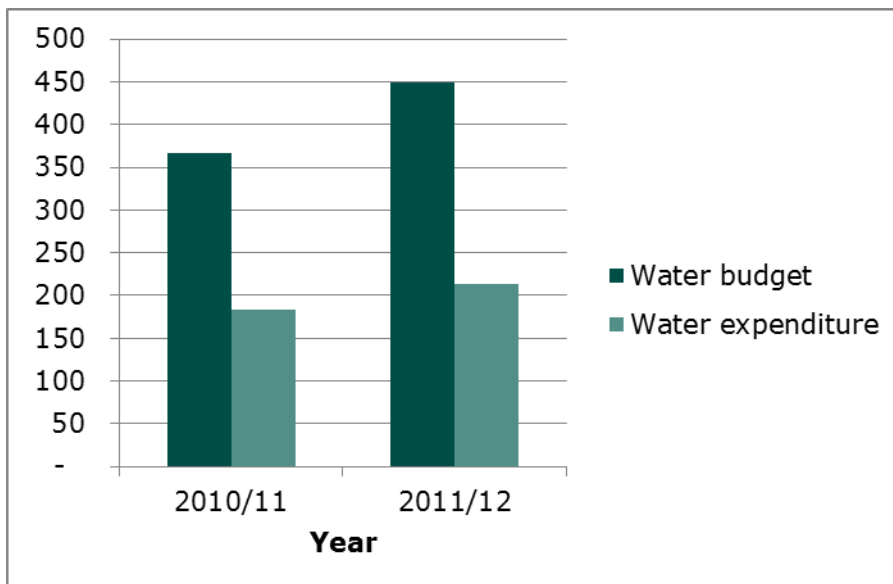


14. As Figure 1 above shows, expenditure remains low as a portion of the Government of Tanzania's budget. Although there have been nominal and real increases in the budget, the ability to implement the budget remains a significant issue for the water sector. Overall budget execution from 2010 to 2012 has remained constant at approximately 50 per cent, as shown in Figure 2, which is a significant decrease from the execution rates of 83 per cent in 2008/09 and 73 per cent in 2009/10. There could be capacity issues for the

water sector to absorb continued increases in budget, and execution can be highly variable across different types of expenditure.

15. Recurrent budget execution rates of around 90-95 per cent were achieved in 2006/07 and 2007/08, and these rates have now dropped to about 75 per cent. As in previous years, budget execution for development spending continually underperforms recurrent spending, with rates of approximately 45 per cent for development spending. Some of the budget execution issues could be attributed to a change in disbursement procedures.
16. In 2010/11 and 2011/12, funds were released based on invoices for work completed, and not based purely on the budget due to financial mismanagement issues identified in the 2010 mid term review. Although this change in disbursement procedure has affected budget execution, the budget execution rates still point to the budget not being used adequately as a planning tool. If work expected to take place in 2010/11 and 2011/12 is not being completed, and thus not being invoiced, this highlights that the water sector needs to adjust its plans to build in project implementation delays. Disbursement against budget will be returned to in 2012/13 and it will be important to track if budget execution improves accordingly.

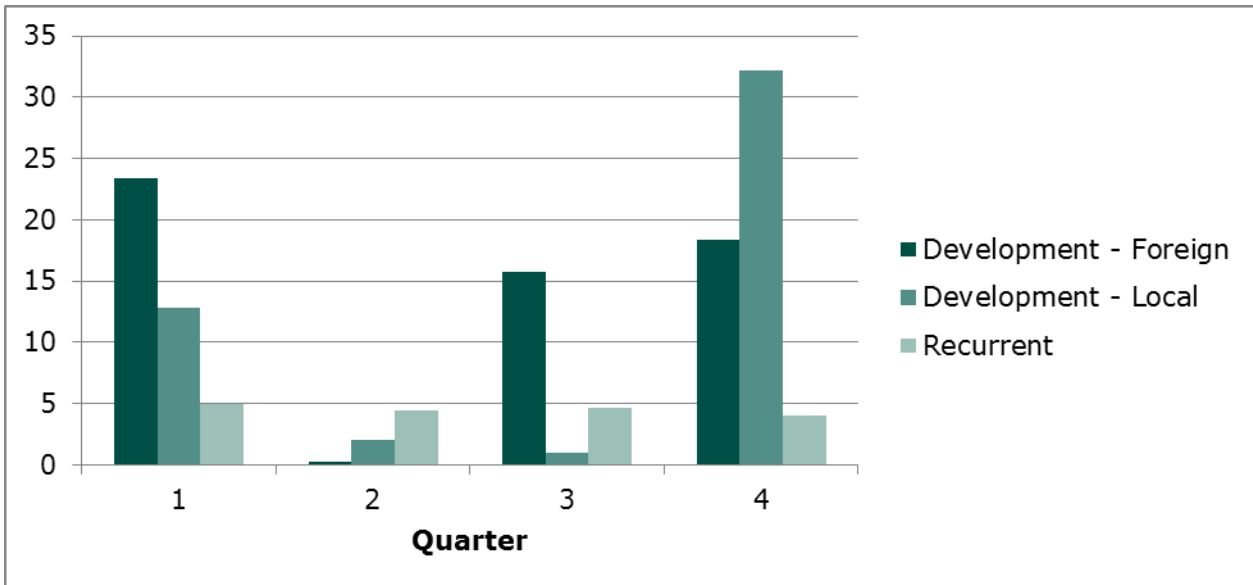
**Figure 4: Water sector budget execution 2010-2012, TzS billions**



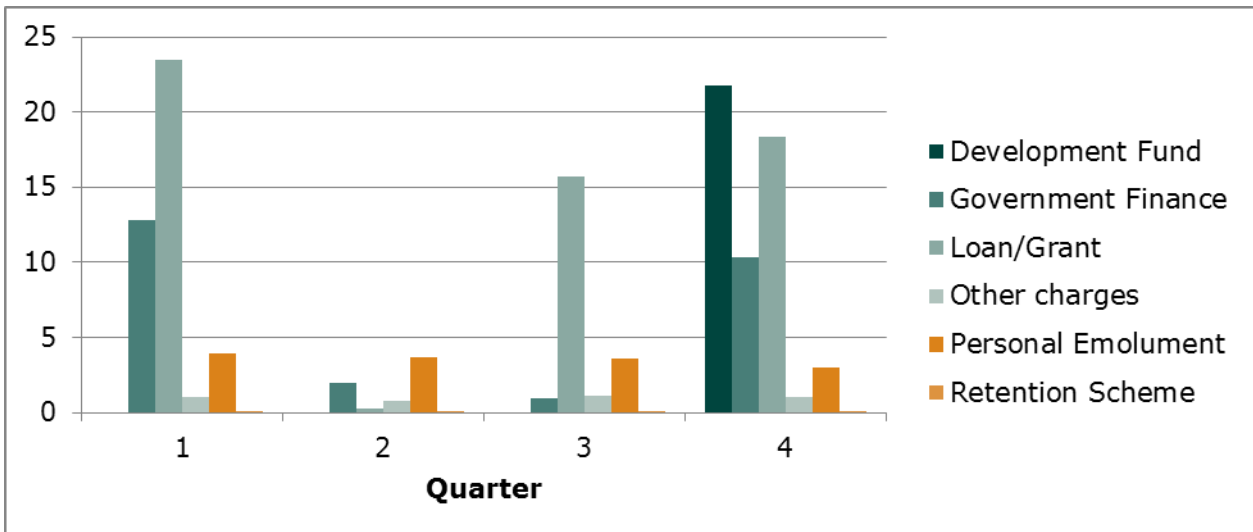
17. Poor budget execution and the change in disbursement procedures is reflected in the unreliability of exchequer releases. Exchequer releases to MoW in 2011/12 for recurrent expenditures were relatively constant, with around a quarter of the annual releases taking place in each quarter of the year. **Releases from development funds, both foreign and local, are however highly irregular, with local development funds performing the worst.** Less than a third of local development funds were released in the first quarter, while two thirds were released in the fourth quarter; releases during the intervening quarters were minimal, accounting for less than 5 per cent of the annual local development funds.
18. While still irregular, foreign development releases were more consistent, with 40 per cent in quarter 1, 37 per cent in quarter 2, less than 1 per cent in quarter 3, and 31 per cent in quarter 4. This is illustrated in Figures 5 and 6 below, showing that funding from Government sources for development is highly irregular, while foreign development funding and Government recurrent spending for personal emoluments are much more consistent by quarter. If quarterly expenditure data were available, it would be very useful to analyse how closely actual expenditure follows disbursements. This would allow for a critical perspective on the reliability of the budget for the water sector. It would also be

useful if exchequer releases were made available for previous years in order to analyse trends.

**Figure 5: Exchequer releases to MoW 2011/12 by type, TzS**



**Figure 6: Exchequer releases to MoW 2011/12 by type of release, TzS billions**

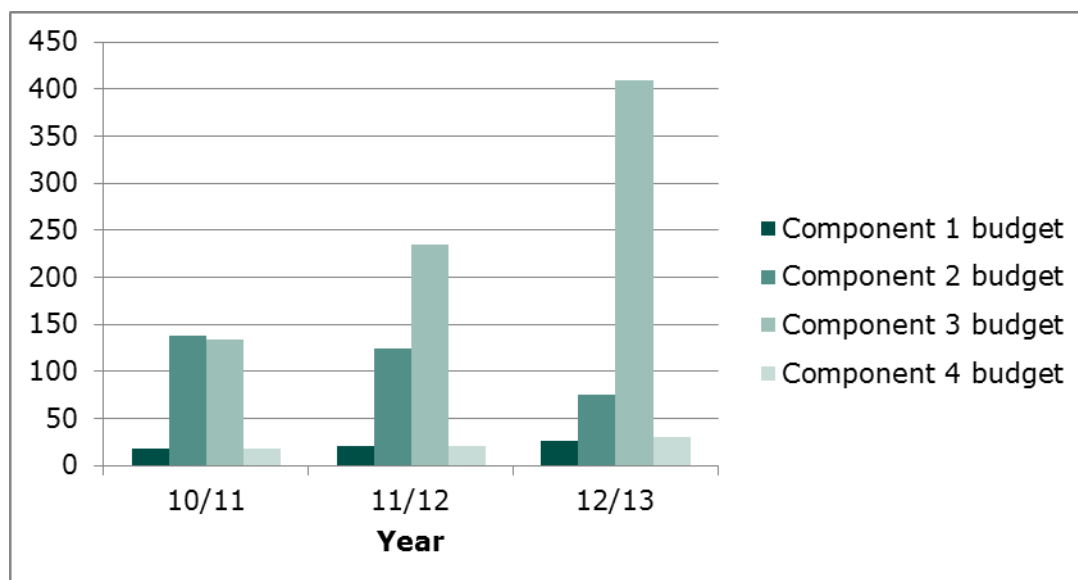


### 3. Review of expenditure by WSDP component

19. As noted earlier, the water sector budget has grown substantially since 2010/11 and this is reflected in the various components of the WSDP which have increased from approximately TzS 307 billion in 2010/11 to TzS 541.6 billion in 2012/13.<sup>3</sup> In addition, recurrent spending not included in the WSDP has decreased to TzS 46.5 billion over the same time period.

**Figure 7: WSDP Component Budgets, TzS billions**

<sup>3</sup> These figures were calculated by analysing WSDP project codes provided in MoFEA data.



20. However, rates of increase are highly variable across the different components of the WSDP, and there has been a substantial reduction in the rural water component's share of the budget. Rural water supply and sanitation, component 2 of the WSDP, has had a reduced allocation, from TzS 137 billion to TzS 75 billion between 2010/11 and 2012/13.
21. There is a significant variance between the rural component allocations in the WSDP 2012/13 work plan and the approved budget figures from the MoFEA. According to the work plan, TzS 121 billion had been allocated to rural water supply and sanitation, while only TzS 76 billion had been allocated according to MoFEA data. This is entirely due to a significant shortfall in foreign funding.<sup>4</sup> This variance is presented in Table 4 of Annex 3, which provides a comparison of MoFEA data with the WSDP allocations. Similar variances have occurred in the water sector budget in recent years, resulting from budget ceilings imposed by the MoFEA that have not been incorporated in the MoW's budget. In 2012/13, this variance has resulted in delayed fund releases and project implementation in the rural water sector. Because the WSDP budget has increased, this means that the share for this component has decreased from 37 per cent of the total sector budget to only 13 per cent in 2012/13. Although budget execution has been variable for the rural component over the past few years, it reached 48 per cent in 2011/12, exceeding the other components. It is not clear why the rural sector has received such a large reduction in funding.
22. It is especially troubling that the rural component is receiving reduced funding given that rural water access is far lower than urban access in Tanzania (as of 2012, rural access is 56.6 per cent and urban access (excluding Dar es Salaam) is 81 per cent, and for Dar es Salaam it is 51 per cent.<sup>5</sup> Given that the earlier target of 65 per cent of the rural population to have access to water by June 2010<sup>6</sup> and the revised target of 60.5 per cent by 2012 have been missed,<sup>7</sup> the decision to reduce funding is expected to prevent progress towards this target in the medium term. This bias of policy towards urban areas is likely to inhibit the movement towards greater equality of rural and urban access to water.

**Figure 8: WSDP Component Expenditures, in TzS billions**

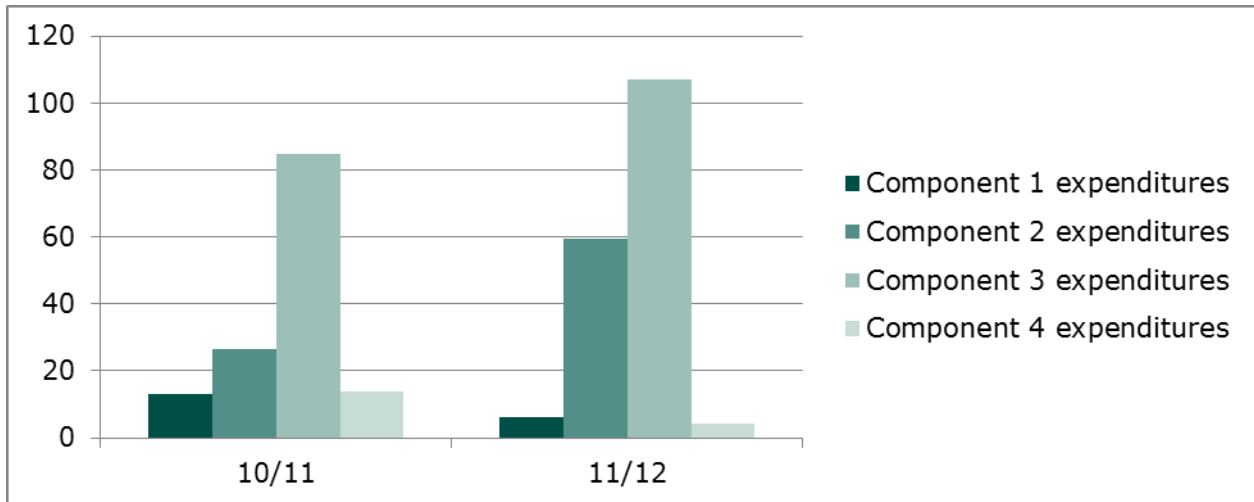
<sup>4</sup> Only TzS 39 billion was allocated to project no. 3280, instead of the expected TzS 75 billion.

<sup>5</sup> Water Sector PAF 2012.

<sup>6</sup> According to the WSDP Restructuring Plan.

<sup>7</sup> See detailed targets discussed above, page 5.





23. In aggregate, funding for urban water supply and sanitation, component 3 of the WSDP has increased from TzS 133 billion in 2010/11 to TzS 409 billion in 2012/13. In 2012/13, the urban water supply budget represents 76 per cent of the total WSDP budget and 70 per cent of the total sector budget. Budget execution for this component has decreased however to 46 per cent in 2011/12, pointing to challenges in absorbing the increased funding. It is unlikely that this component will continue to be able to absorb the increased investment in 2012/13 given that it represents a staggering 74 per cent increase over the 2011/12 budget.
24. Much of this increased budget for urban water is due to the “Improve Dar es Salaam Water Supply and Sewerage project” which has increased from TzS 10 billion in 2010/11 to TzS 187 billion in 2012/13, an increase from 3 per cent of the WSDP budget to 35 per cent. This project alone accounts for three quarters of the total increase for the WSDP from 2010/11 to 2012/13. Furthermore, budget execution for this project has been low, at around 45 per cent and 25 per cent in 2010/11 and 2011/12, respectively. It is therefore unlikely that DAWASA will be able to absorb the increased budget allocations for 2012/13. However not meeting these spending targets will have repercussions for spending by the MCC as preconditions will not have been met. Other urban agencies are budgeted to receive TzS 148.3 billion in transfers from the MoW in 2012/13, which is an increase of 20 per cent from the level in 2011/12.
25. Components 1 and 4, water resources management and institutional strengthening, respectively, have both seen more modest changes in their budgets. The budget for Component 1 has increased from around TzS 18 billion to TzS 26 billion from 2010/11 to 2012/13 although budget execution has been highly variable, with three quarters of resources spent in 2010/11 but this decreased to less than a third in 2011/12. The budget for Component 4 has similarly increased from TzS 18 billion to TzS 30 billion from 2010/11 to 2012/13, and budget execution has also been highly variable, with 75 per cent of resources spent in 2010/11 but only 21 per cent in 2011/12.
26. In general, recurrent budget execution performs better than that for the WSDP overall, which highlights weaknesses in its use as a budgeting and planning tool.<sup>8</sup> In 2010/11 and 2011/12, budget execution was 75 per cent for the recurrent budget, while it was 45 per cent for WSDP components. Further analysis of how funds are allocated to WSDP components and how the WSDP in general is used as a planning and budgeting tool could draw out suggestions for overcoming these weaknesses.

<sup>8</sup> In 2012/13 the WSDP corresponds to the development budget.



## 4. Wage bill analysis

27. Basic salary and wage expenditures account for approximately 86 per cent of the wage bill for the water sector in 2011/12. This represents a considerable improvement over the wage bill in 2009/10, which was equally split between salaries and allowances. Allowances, including training, travel, housing, food, and other payments, account for 14 per cent of the total wage bill in 2011/12, a considerable reduction from 46 per cent in 2009/10. It was felt that a substantial amount of training had been carried out without commensurate improvements in performance. Therefore in 2010/2011 it was agreed that no training, other than for MIS, will be financed from donor funds until a training impact assessment is conducted, which is still pending. From 2012 onwards all training financed by donors has to be approved in advance.
28. Travel and training expenses together account for 82 per cent of total allowances, with a relatively equal split between the two. Unfortunately, as in previous years, most of the training costs are linked to allowances to trainees and travel and not related to tuition costs or training fees. In 2011/12, expenditure on training related allowances was quite high, accounting for around 60 per cent of total training expenditure; in contrast, fees for training accounted for only 20 per cent of total training expenditure.
29. The approved training budget for MoW remains relatively constant between 2011/12 and 2012/13. In 2011/12 the budget was approximately TzS 1.9 billion, and this has increased slightly to TzS 2 billion in 2012/13, although training costs were only TzS 900 million in 2011/12. This represents a considerable reduction from the training budget of TzS 5 billion in 2010/11; the training budget per MoW employee has been reduced from TzS 2.5 million in 2010/11 to TzS 1.3 million in 2012/13. In both years, the training budget for MoW was predominantly composed of domestic training items.
30. Although the reduction in spending on allowances is welcome and impressive, it remains at TzS 406 million, approximately USD\$270,000. If this was redirected to water infrastructure it could finance improved access to water for 4,655 people.
31. Spending on other activities remains low as disbursement of donor funds must be against invoices raised and cannot therefore be used to cover other expenses such as supervision and monitoring visits. Given the low level of government allocations for recurrent costs, supervision and monitoring visits are jeopardised. The demand for these visits is however likely to have been lower as there was no on-going construction works on the ground that required supervision, although preparation for construction would have benefited from supervision support.

**Figure 9: Wage bill budget, in TzS billions**

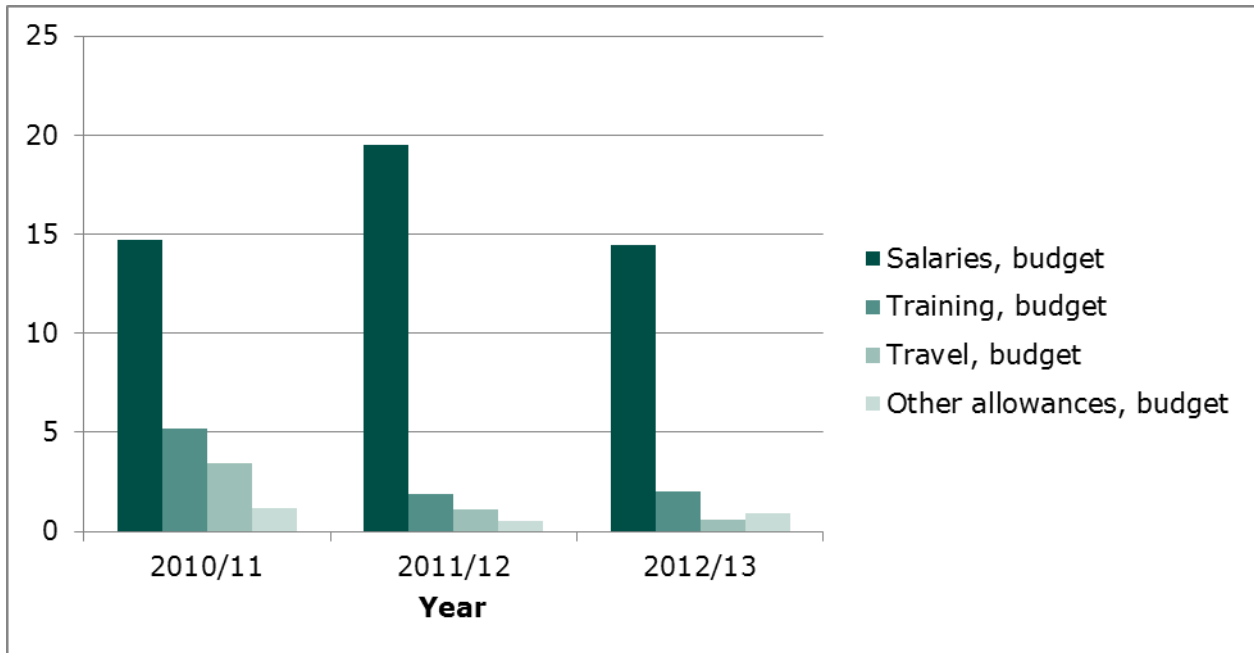
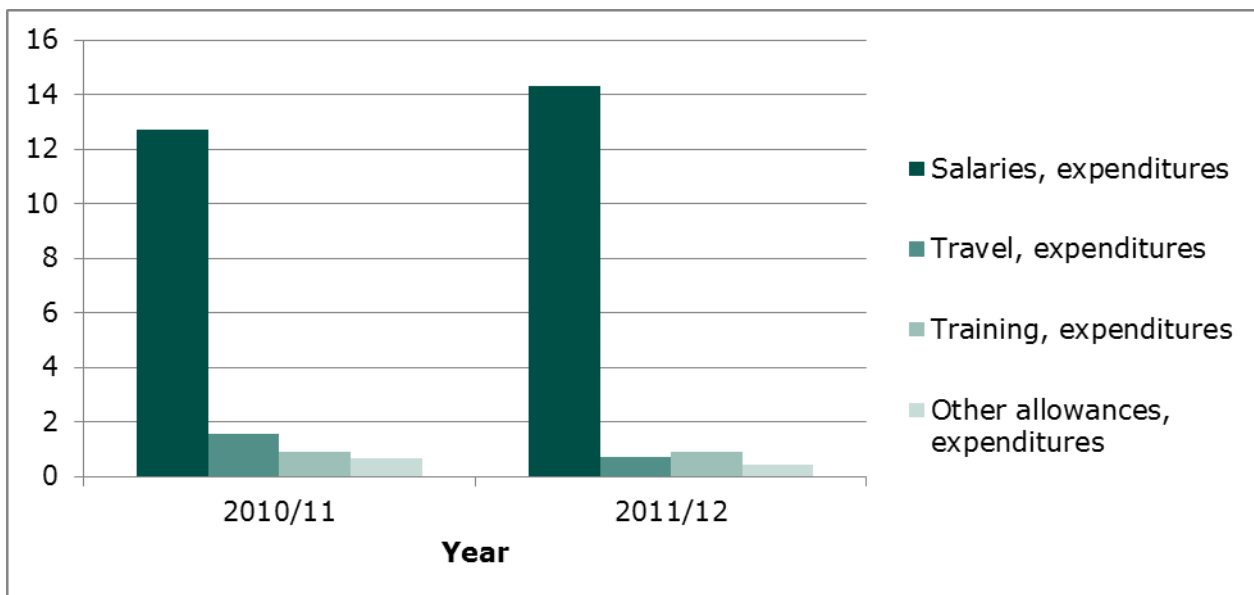


Figure 10: Wage bill expenditures, in TzS billions



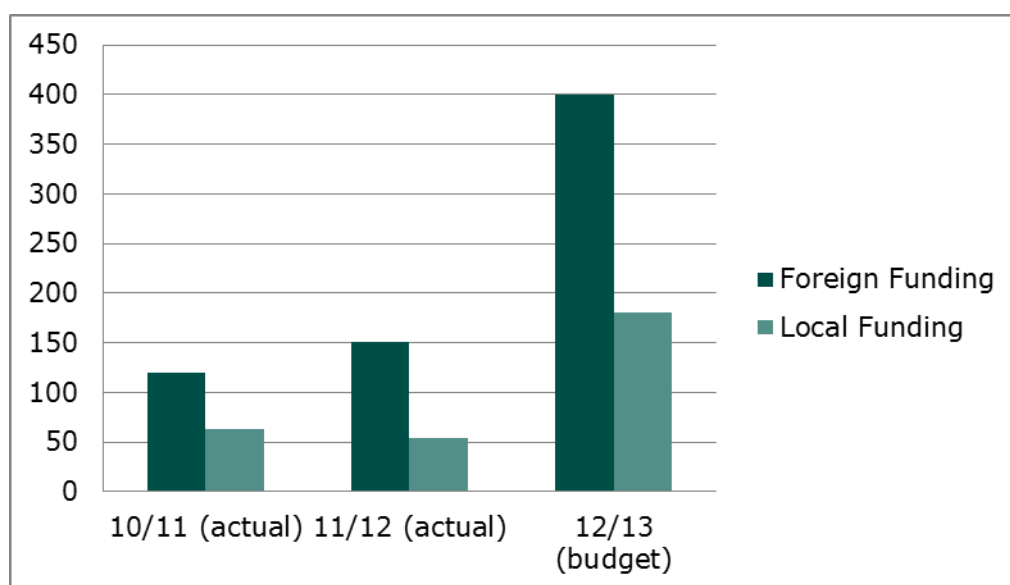
## 5. Trends in water sector funding

32. The share of the water sector budget funded by the Government of Tanzania has increased, from 23 per cent to 31 per cent between 2010/11 and 2012/13. Furthermore the Government's share of the development budget has increased from 12 per cent to 25 per cent within the same period. This is a reversal of the declining sector share seen in 2009/10 when the Government's share of the total water sector budget decreased to 19 per cent and its share of the water development budget decreased to 10 per cent. This demonstrates that the Government is now making a credible commitment to water sector development; it should be noted that this increase in local funding is driven almost entirely by DAWASA's Dar es Salaam project and is therefore focussed on urban rather than rural water.
33. The water sector remains highly donor dependent, with 68 per cent of the total budget and 74 per cent of the development budget being funded by foreign sources in 2012/13. This

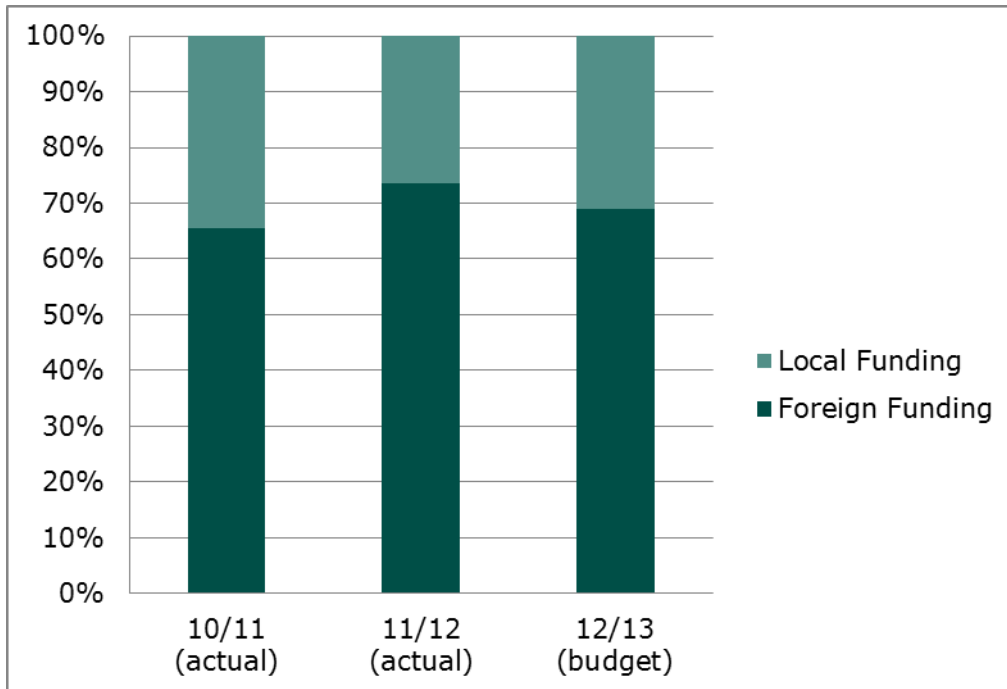
represents an improvement from 2011/12 when foreign funding accounted for 80 per cent of the water sector budget and 90 per cent of the development budget. However, most subsectors of the WSDP, including components 1, 2, and 4, remain highly donor dependent, with respectively 93, 87, and 95 per cent of funding from foreign sources. Over the long term, Tanzania should continue efforts to reduce dependence on donors and increase its domestic revenue raising capacity. Continued dependence on external donors could undermine the Government of Tanzania’s accountability to its citizens.

- 34. As budget execution from local funds overall has performed better than foreign funds in previous years, this means that the water sector can also expect more reliable sources of funding. Unfortunately this is somewhat undermined by the unreliability of local development fund releases on a quarterly basis, discussed above.
- 35. Despite the Government’s increased funding, there are significant issues around the ability to meet these commitments. According to the WSDP Restructuring plan, the Government has committed to spend \$128 million, or approximately TzS 192 billion in 2011/2012; however, actual performance has fallen far short of this, and the total expenditure from local funds in the WSDP amounted to only USD\$17 million (with an approved budget of only USD\$27 million). This again points to the question raised above about how the WSDP is being used as an effective budgeting and planning tool, alongside questions about the Government’s ability to meet spending commitments.
- 36. Tanzania is receiving USD\$ 64 million or approximately TzS 83 billion between 2008 and 2013 towards investment in the water sector as part of the Millennium Challenge Corporation Tanzania compact. As of June 2010, the WSDP Restructuring Plan estimated that there was USD\$50 million remaining to be spent. In 2011/12, the Ministry of Finance disbursed TzS 28 billion and has budgeted another TzS 37 billion in 2012/13. Disbursement has depended on the DAWASA improvement scheme which has experienced delays, and progress in that project is therefore a precondition for the MCC spending.

**Figure 11: Water sector by type of funding, TzS billions**



**Figure 12: Water sector by type of funding, per cent of total expenditures**



## 6. Transfers to regions

37. Expenditure at the regional level is difficult to identify, and the only easily identifiable data is classified under transfers to regions, with limited information on how those transfers are spent, see Annex 2.
38. Budget execution of transfers to regions is highly variable (Figures 13 and 14) with only two regions (Dar es Salaam, excluding DAWASA, and Singida regions) almost fully implementing their budget in 2011/12. Furthermore, within regions there is significant variation year on year in budget implementation, with Dar es Salaam for example achieving only 20 per cent of budget in 2010/11. This does not take into account the high transfers to entities such as urban utilities and water basins, as noted in previous sections. This spending is not easily geographically categorized in the current data; however, an interesting further analysis would be to re-classify spending to facilitate such an analysis.

**Figure 13: Budget execution for transfers to regions 2010/11, TzS billions**

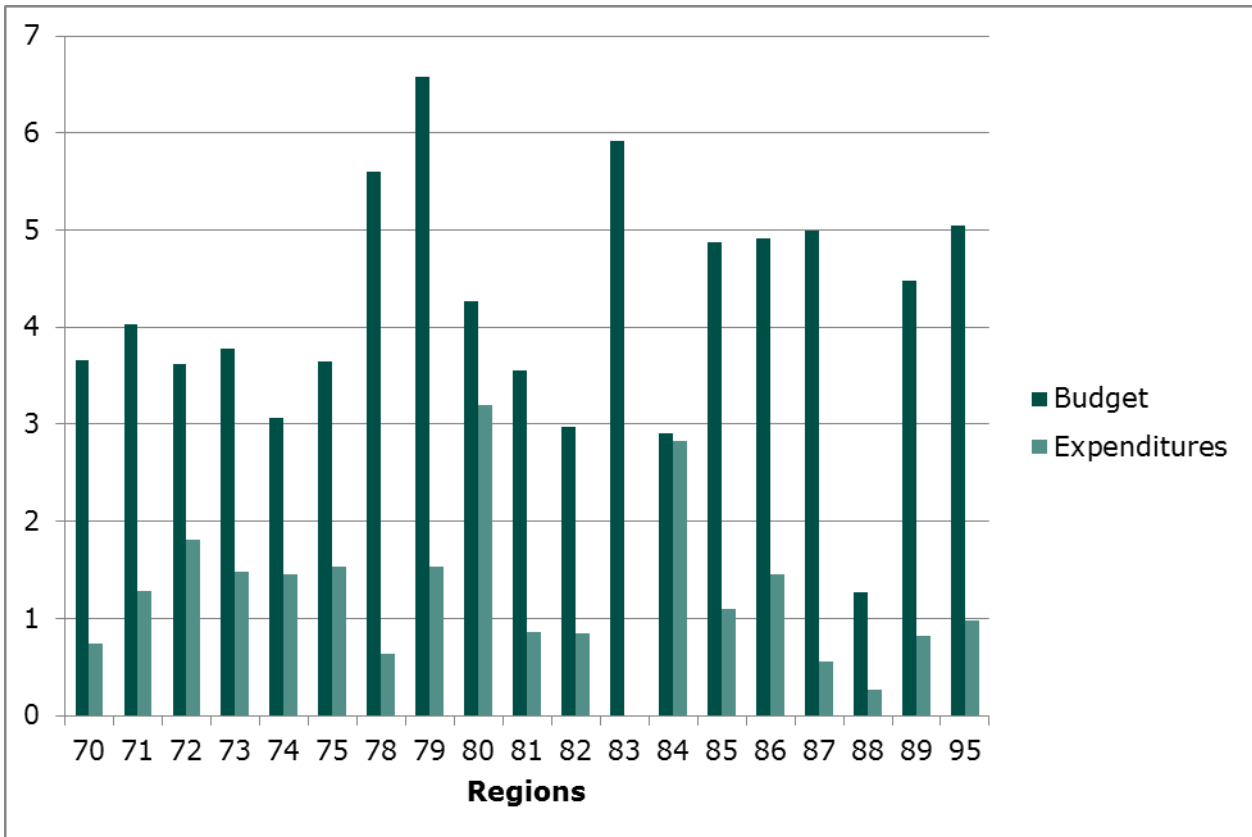
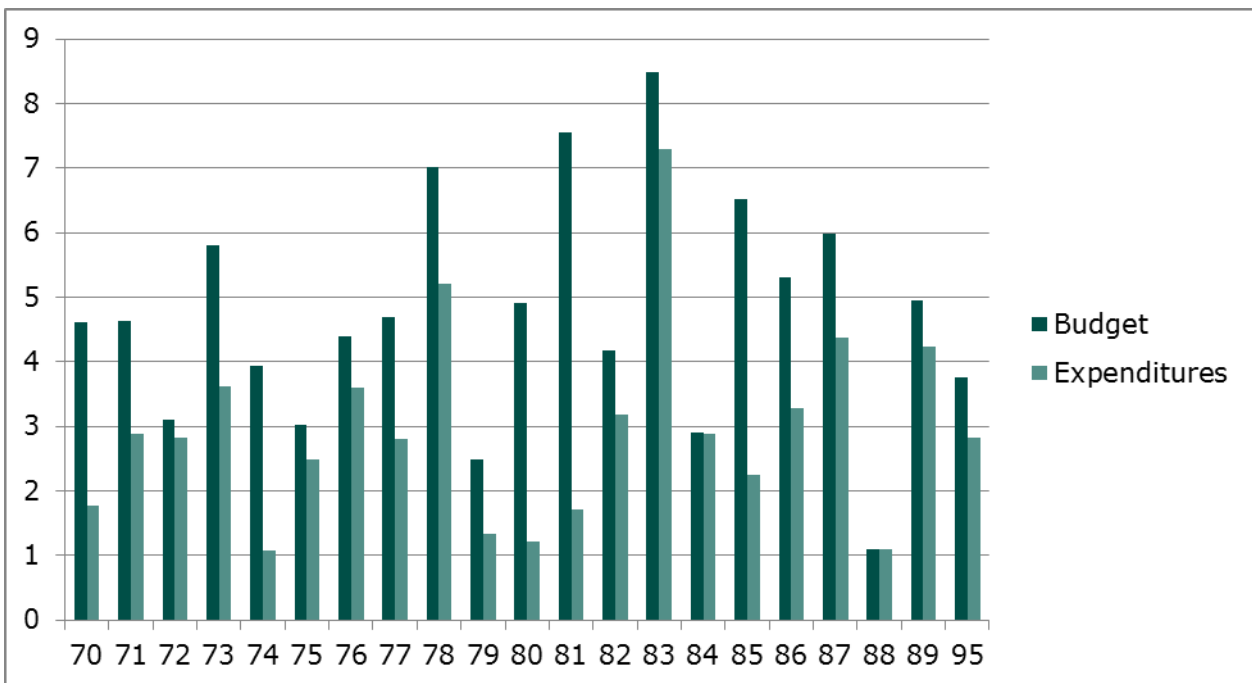


Figure 14: Budget execution for transfers to regions, 2011/12



## References

Ministry of Water. Water Sector Development Programme: Restructuring Plan for Phase I. April 2011.

Ministry of Water. Updated Work Plan for Financial Year 2012/2013. September 2012.

## Annex 1

### Vote codes and descriptions

Vote Code	Vote Description
8	Constitutional Review Commission
9	Secretariat of The Public Remuneration
10	Joint Finance Commission
12	Judiciary Service Commission
13	Ministry of Public Safety and Security
14	Fire and Rescue Force
15	Commission for Mediation and Arbitration
16	Attorney General's Office
20	State House
21	The Treasury
22	Public Debt and General Services
23	Accountant General's Department
24	Ministry of Co-operatives and Marketing
25	Prime Minister
26	Vice President
27	Registrar of Political Parties
28	Ministry of Home Affairs - Police Force
29	Ministry of Home Affairs - Prison Services
30	President's Office and Cabinet Secretariat
31	Vice President's Office
32	President's Office - Public Service Management
33	Ethics Secretariat
34	Ministry of Foreign Affairs and International Co-operation
35	Public Prosecutions Division
36	Katavi Region
37	Prime Minister's Office
38	Defence
39	National Service
40	Judiciary
41	Ministry of Constitutional Affairs and Justice
42	The National Assembly Fund
43	Ministry of Agriculture, Food Security and Cooperatives
44	Ministry of Industry, Trade and Marketing
45	National Audit Office
46	Ministry of Education and Vocational Training
47	Simiyu Region
48	Ministry of Lands and Human Settlements Development
49	Ministry of Water and Irrigation
50	Ministry of Finance and Economic Affairs
51	Ministry of Home Affairs
52	Ministry of Health and Social Welfare
53	Ministry of Community Development, Gender and Children
54	Njombe Region
55	Commission for Human Rights and Good Governance
56	Prime Minister's Office - Regional Administration and Local Government
57	Ministry of Defence and National Service
58	Ministry of Energy and Minerals
59	Law Reform Commission
61	Electoral Commission
62	Ministry of Transport
63	Geita Region
65	Ministry of Labour, Employment and Youth Development
66	President's Office - Planning Commission
67	Public Service Recruitment Secretariat
68	Ministry of Communication, Science and Technology
69	Ministry of Natural Resources and Tourism
70	Arusha Region
71	Coast Region
72	Dodoma Region
73	Iringa Region
74	Kigoma Region
75	Kilimanjaro Region
76	Lindi Region
77	Mara Region
78	Mbeya Region
79	Morogoro Region
80	Mtwara Region

81	Mwanza Region
82	Ruvuma Region
83	Shinyanga Region
84	Singida Region
85	Tabora Region
86	Tanga Region
87	Kagera Region
88	Dar es Salaam Region
89	Rukwa Region
91	Anti Drug Commission
92	TACAIDS (Tanzania Commission for AIDS)
93	Immigration Department
94	Public Service Commission
95	Manyara Region
96	Ministry of Information, Culture and Sports
97	Ministry for East African Cooperation
98	Ministry of Works
99	Ministry of Livestock Development and Fisheries

1004	Government Communication Unit
1005	Legal Services Unit
1006	Procurement Management unit
1007	Management Information System
1008	Internal Audit Unit
2001	Water Resource Assessment & Exploration
2002	Central Stores
2003	Water Laboratory
3001	Urban Water Supply and Sewerage
4001	Rural Water Supply
5001	Water Development and Management Inst.

<b>Ministry of Finance subvotes</b>	
Subvote	Description
1007	MCC Tanzania

<b>Ministry of Water subvotes</b>	
Subvote	Description
1001	Administration and HR Management
1002	Finance and Accounts
1003	Policy and Planning

<b>Region subvotes</b>	
Subvote	Description
8091	LOCAL GOVERNMENT



## Annex 2

### Methodology and data sources

- All data was obtained from the DFID offices in Tanzania, unless otherwise noted.
- The water sector budget and expenditure figures were derived from votes 29, 49, 50, and 56. Additional analysis was conducted to ensure that water sector relevant expenditures in other votes had not been overlooked.
- Agriculture expenditure under MoW that relates to drilling, borehole construction, and dam construction has been reclassified as water sector expenditure.
- The wage bill is here defined as salaries and personal allowances, including training and travel expenses.
- Urban areas are defined by subvote 3001, while rural areas are defined by subvote 4001. Transfers to regions have been identified under votes 70-89 for 10/11 and 11/12, and with the addition of 36, 47, 54, and 63 in 12/13.
- A full list of vote and subvote definitions can be found in Annex 1.

### Data quality

- The quality of the data provided by the Government of Tanzania has improved significantly, with greater detail and clarity in 2011/12 and 2012/13 than in 2010/11.
- However, specific expenditure items have been misclassified.
  - A portion of recurrent expenditures is labelled as development expenditures.
  - A portion of the water sector expenditure that had been allocated to Kidunda dam construction had been labelled as agriculture expenditure. In 11/12, this totalled TzS 12 billion or 3 percent of the total water sector budget.
  - Many costs which appear to be related to capital spending are classified as current and vice versa.
  - Many of the transfers to regions are classified as relating to rural water projects, even in predominantly urban regions such as Dar es Salaam. (This is indeed correct as not the whole of Dar es Salaam for example is covered by DAWASA/DAWASCO. Municipal councils in these urban centres provide services to the peri-urban and some rural communities in their municipalities)
  - As in previous years, some recurrent expenditure has been misclassified as development expenditure. However, this has improved significantly, with only an estimated 1 per cent of development expenditures classified as recurrent expenditures in 2011/12, compared to 6 per cent in the 2010/11.
- Some additional data could have been useful.
  - If quarterly expenditure data were available it would be very useful to analyse how closely actual expenditure follows disbursements.
  - Transfers to regions contain very little information on how the money is spent or further disbursed to LGA's and other subnational entities. More information on LGA budgets from preceding years would have been helpful.
- Finally, the quality and formatting of the data varies slightly every year, making it difficult to identify trends across years. Trends could have been identified were a full multi-year data set provided with uniform data.

## Annex 3

**Table 4: Comparison of Ministry of Finance budget data with WSDP 2012/13 Work Plan allocations (MoW 2012)**

Component 1: Water Resources Development and Management (in TzS)					
No.	Project Name	Implementing Agency	Ministry of Finance budget data	WSDP 12/13 Work Plan allocation	Variance
1	Project No. 6545: Water Resources management and Development	MOW/BWOs	24,727,805,360	24,727,805,360	-
2	Project No. 3435: Water Quality and Ecosystem Protection	MOW/BWOs	1,483,000,000	1,483,000,000	-
<b>Total Component 1</b>			<b>26,210,805,360</b>	<b>26,210,805,360</b>	<b>-</b>
Component 2: Rural water Supply and Sanitation (in TzS)					
1	Project No. 3216: Expansion of Rural Water Supply Projects	MoW/LGAs	14,740,540,800	14,740,540,800	-
2	Project No. 3223: Borehole Drilling and Dam Construction	MoW/LGAs	1,845,947,880	1,845,947,880	-
3	Project No. 6276: Management Support to LGAs	MoW/LGAs	15,190,792,400	15,190,792,400	-
1(b)	Project No. 3280: Rural Water Supply and Sanitation Project (RWSSP)	LGAs/RSs	43,798,698,000	80,260,256,844	- 36,461,558,844
2(b)	Sanitation National Campaign	MOHSW	-	6,800,000,000	- 6,800,000,000
3(b)	School WASH	MOEVT	-	1,750,000,000	- 1,750,000,000
4(b)	Sector Monitoring	PMO_RALG	-	200,000,000	- 200,000,000
<b>Total Component 2</b>			<b>75,575,979,080</b>	<b>120,787,537,924</b>	<b>- 45,211,558,844</b>
Component 3: Urban Water Supply and Sewerage(in TzS)					
1	Project No. 3306: Rehabilitation of Urban Water Supply and Sewerage Projects	UWASAs	137,817,994,800	137,817,994,800	-
2	Project No. 3307: Expansion of Urban Water Supply and Sewerage Projects	UWASAs	4,316,541,688	4,316,541,688	-

3	Project No. 3403. L/Victoria - Kahama and Shinyanga Water Project	UWASAs	1,000,000,000	1,000,000,000	-
4	Project No. 3437. Improve Dar es salaam Water Supply and Sewerage Project (DSSP)	DAWASA	187,231,601,538	187,231,601,538	-
5	Project No. 3438. Kidunda Dam water Project	DAWASA	5,221,764,510	5,221,764,510	-
6	Project No. 3439. Kimbiji na Mpera Water Project	DAWASA	30,992,000,000	30,992,000,000	-
7	Project No. 6275: Management Support to Urban Water Utilities and MOW	MoW/UWASAs	5,476,324,000	5,476,324,000	-
1(b)	3310: Lower Ruvu Plant Extension	Ministry of Finance	22,138,744,000	7,567,137,000	14,571,607,000
N/A	3308: Rehabilitation of Urban water supply-DSM	Ministry of Finance	7,567,137,000	-	7,567,137,000
N/A	3309: Rehabilitation of urban water supply-Morogoro	Ministry of Finance	7,325,200,000	7,325,200,000	-
<b>Total Component 3</b>			<b>409,087,307,536</b>	<b>386,948,563,536</b>	<b>22,138,744,000</b>
<b>Component 4: Institutional Strengthening and Capacity Development (In TzS)</b>					
1	Project No. 3308:Water Sector Institution and Capacity Building	MOW	5,545,607,000	5,545,607,000	-
2	Project No. 3436: Monitoring and Coordination WSDP	MOW/DDCA/WMDI	18,127,535,250	18,127,535,692	- 442
3	Project No. 2325:Water Sector Coordination and Performance Monitoring	MOW	6,701,592,000	6,701,592,000	-
4	Project No. 6571: Environmental Management Act – Implementation Support Project	MOW/UWASAs/BWOs/LGAs	337,290,774	337,290,774	-
<b>Total Component 4</b>			<b>30,712,025,024</b>	<b>30,712,025,466</b>	<b>- 442</b>
<b>Total WSDP</b>			<b>541,586,117,000</b>	<b>564,658,932,286</b>	<b>- 23,072,815,286</b>
<b>Recurrent budget</b>			<b>46,537,680,000</b>		
<b>Total water sector budget</b>			<b>588,123,797,000</b>		

