

Budget Process

Budget Process The budget process is actually about the annual budget cycle events and activities. Essentially it involves the determination of resources and their uses for attainment of government objectives. A sound budget serves as a tool for economic and financial management and accountability and also serves as a mechanism for allocation resources among different needs and priorities as well as bringing economic stability and growth.

- Budget Formulation
- Scrutiny of Budget Proposals and Dialogue
- Budget Execution
- Budget Monitoring and Control

Budget Formulation

The budget estimates are formulated in line with detailed macroeconomic forecasts on future growth, inflation and external sector (import) trends. Donor/Government Consultations assist the budget process by confirming donor financial commitment in the budget. These discussions take place between MoF/sectors and Development partners. Once the macro-policy and sectoral performance review and resource projections are completed, the government then formulates goals, objectives and budget priorities which should be achieved in the forthcoming financial year. The government has decided to focus on poverty reduction and so the PRS targets as reflected in the PRSP documents and progress reports become the basis of allocating resources. The budget frame is also formulated for a longer three-year time period in a document called the Budget Guidelines (BG) or Medium Term Expenditure Framework (MTEF). This is prepared by a Committee which comprises representatives from the Ministry of Finance, Planning Commission, Prime Ministers Office, Civil Service Department and Regional Administration and Local Government. The Budget Guidelines contain:

- an overview of macroeconomic performance and projections
- priority sector MTEFs (prepared by Sector Working Groups in the Public Expenditure Review process – see expenditure policy page) - which are consistent with PRS targets and have been updated and costed;
- vote expenditure ceilings based on resource availability; and
- procedures for preparation and submission of the draft budget to the Ministry of Finance.

Scrutiny of Budget Proposals and Dialogue

The Inter – Ministerial Technical Committee (IMTC)

This is a committee of all Permanent Secretaries which has a role to scrutinize budget proposals before they are finally approved by the cabinet. To facilitate the discussions, the MoF prepares a draft cabinet budget paper that covers the budget frame, the financial demands after dialogue with MDAs, the government priorities and financial implications. After a thorough review, IMTC. May require the MoF to make further technical improvements on the paper or put up recommendations for consideration by the Cabinet.

Cabinet approval of Estimates.

The Cabinet budget paper is then discussed by the cabinet after preliminary review by IMTC. The role of the cabinet is to deliberate on the budget cabinet paper and then approve government budget proposals for fiscal year in question before they are submitted to the legislature.

Parliamentary Sector Committees

The process of obtaining Parliamentary authorisation starts with discussions by Sector Committees; Preliminary briefs are provided by the Minister of Finance and the Minister for Planning and Privatization. MDA's detailed budgets are then submitted to Parliamentary committees for scrutiny one by one.

Public Debate and Authorisation

After the Estimates have been reviewed by the sector committees of the Parliament, they have to be tabled to parliament for debate and authorisation. The major events during Parliamentary debate and authorization of the government are as follows:-

- Presentation of a Public Speech on macroeconomic performance and projections by the Minister for Planning and Privatization
- Presentation of the government budget proposals to Parliament by the Minister for Finance through a budget speech
- Parliamentary debates/discussions on sector estimates submitted by each minister responsible
- Parliamentary approval of estimates by passing the Appropriation Bill.
- Parliamentary approval and passing the Finance Bill that empowers the Minister for Finance to raise the money and finance the budget.

Budget Execution

Budget execution is an important stage of the budget process as it is at this stage that actual revenue collections and service delivery takes place. Execution of the budget therefore is about the collection and accounting for revenue, provision of services through the recurrent budget and implementation of development projects. The key documents used during implementation of the budget are Revenue and Expenditure estimates books, action and cash flow plans and budget memorandum. Main activities are:-

- Release of funds by the MoF
- Collection and accounting for revenue collections by TRA and other MDAs. Accounting officers are appointed as receivers of revenue and accountable officers for expenditure in accordance with the Public Finance Act, 2001.
- Delivery of services and project implementation by institutions. This involves both government institutions and Development Partners. Donors are required in some cases to release funds and award of contracts.
- Maintenance of proper Accounts for control and Accountability
- Reporting on budget performance (both financial and physical) and evaluation
- Project inspection and expenditure monitoring

The Ministry of Finance publishes quarterly Budget Execution Reports to maintain transparency on actual use of public funds in line with the budget estimates approved by Parliament. See Budget Execution Reports

Budget Monitoring and Control

Budget monitoring, control and evaluation are necessary for closer supervision of work programmes and projects. This involves a continuous monitoring of the plans and budget in order to identify achievements and bottlenecks. Basically, monitoring, control and evaluation focuses on:-

- Accountability – to ascertain appropriateness of expenditure and revenue and their conformity to the authorities through financial reports.
- Management assistance – for providing management with information on performance.

Mechanisms for control and monitoring

- Periodic reporting and followup. Specific formats have been issued for budget monitoring and followup.

- Internal Audit
- External Audit
- Parliamentary control
- Budget Review and Adjustments
- Project inspection

However, the overall control and monitoring of public expenditure is now effected largely through an Integrated Financial management System (IFMS). This is a computerized system which links up most of the government paying stations in Dar es Salaam. Therefore most payments are centralized and controlled. Hardly expenditure or commitment can be incurred without financial provision from IFMS. Major outputs from IFMS include:

- Monthly flash reports on revenue collections and expenditure
- Quarterly and annually performance reports
- Control of excess spending beyond approved budgets
- Specific reports based on user requirements

In addition to IFMS we have established sub-treasuries in all the regions for processing payments from decentralized government Ministries and Regions. Efforts are underway to establish sub-treasuries in all the Regions.