



# TRAINING WORKSHOP ON BUDGET ANALYSIS

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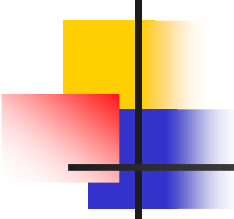
Administration for Development  
Organizations (ADO)  
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# WORKSHOP COVERAGE

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- The budget frame
  - Revenue sources at central & local govt.
  - Public expenditure at central & local govt.
- Planning and budgetary process at central and local govt.
- Gender budgeting
- Budget analysis and monitoring



# Workshop objectives (continue)

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- Understand the budget cycle
- Understand link between budget and Mkukuta goals
- Gain skills for analyzing and interpreting budget information
- Gain knowledge of sources of information.



# The budget frame

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- Government need to execute its functions
  - Administrative (general administration)
  - Investments (education, health, roads etc)
  - Regulate the economy using the budget vehicle
- Government to raise resources (revenues)
- Government to spend resources (expenditures)



# The budget Framework

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- Introduction
- Technical framework
- Policy and budgets
- Legal framework



# The budget framework – introduction

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- Budget framework is the context in which a budget is conceptualized and designed
- Framework provides the policy context as well as the legal mandate and limit in which a budget will be implemented and limited
- Comprises sub-frameworks



# The technical Framework

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- Technical issues considered during the formulation and management of national budget.
- Can be implicit or explicit
- factors considered
  - Demand for service
  - Economic advise and conditionality from DevParters
  - Contribution of budget to GDP growth



# Technical framework (continue)

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- Desired effect of budget on private sector growth
- Budget resource envelop and sources of revenue
- Policies (medium/long-term) and related strategies
- Institutional capacity and arrangement to implement the budget





# Policy and budget

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- A budget is frame within a social economic policy framework
  - The Vision
  - Mkukuta
  - The “Manifesto”
  - All Medium Term Plan
  - Other approved Programmes



# The legal framework

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- Budget requires more than technical expertise to put together
- Budget follows certain prescribed procedures and processes.
- Legal framework outlines the political process that the budget follows
- What laws
  - The constitution
  - The public finance Act
  - The Procurement Act
- Specification of roles of main actors



# Group assignment

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- Which activities should be undertaken by government, and Why?
- Who should determine which activities are to be undertaken by government?
- How should the activities listed above be financed or funded? What sources should be used?



# Budget structure : revenues

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- Central government Revenues
  - revenues from three main sources:
    - Domestic revenues
    - Foreign grants and loans
    - Domestic loans and proceeds from investments (shares in companies)



# Cont.

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- Central government revenues
- Tax revenues
  - Import duty and excise duty
  - Sales tax (local and import (replaced by VAT))
  - Value Added Tax (VAT)
    - Imports
    - Domestic
  - Income tax
  - Other taxes



# Budget structure : Revenues

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- Local government revenues
  - Local revenues
  - Grants from central government
  - Foreign grants (limited at the moment)



# Local government revenues

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- **Local revenues**

- ***Taxes on property - taxes on buildings***
- ***Taxes on Goods and Services - crop cess***
- ***Taxes on Specific Services - guest house levy***
- ***Business and Professional Licenses***
- ***Motor Vehicles, Other Equipment and Ferry Licenses***
- ***Other Taxes on the Use of Goods & Permission to Use Goods , (hunting, shotgun, forest produce etc.)***
- **Service levy**
- ***Entrepreneurial and Property Income***
- ***Other Local Revenue Sources -● Fines, Penalties and Forfeitures***



# Local government revenue (continue )

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- Central government grants
  - Sector block grants (education, health, roads etc)
  - Local government capital grants system
    - Capital development grant
    - Capacity building grant (CBG)
    - Agriculture development grants +CBG
    - Urban development and envir. Mgt grant +CBG
    - Rural water supply and sanitation grant + CBG





# Budget frame: public expenditure

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- Public expenditure by central and local government
- Expenditure by nature for both level of government
  - Recurrent expenditure
  - Development expenditure



# Recurrent expenditure

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- This is expenditure on operations
- Classified into:
  - **Personnel emoluments**
    - Salaries
    - Other salary related benefits
  - **Other charges**
    - Costs of administration
    - Operating costs of long term investments



# Development expenditure

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- Expenditure incurred for activities whose benefits will accrue over a number of years eg:
  - Roads, schools, hospitals, agro-projects, power projects,



# Categorization of expenditure

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- Expenditure by purpose- done to show where which areas have been consuming resources
- This is equivalent to assigning expenditure by sectors



# Categorization of expenditure (continue)

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- Expenditure by purpose
  - General public service (executive and legislative organs, foreign affairs etc.)
  - Defence affairs and services
  - Public order and safety
  - Education affairs and services
  - Health affairs and services
  - Social security and welfare affairs



# Categorization of expenditure (continue)

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- Housing and community amenity affairs and services
- Fuel & energy affairs and services
- Agriculture, forestry, fishing, hunting affairs and services
- Mining, minerals, manufacturing and construction
- Transportation and communication
- Other economic affairs
- Others (public debt, pensions etc.)



# Expenditure classification by spending centre

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- Expenditure is also classified by spending centers:
  - Ministries
  - Regions
  - Local governmentetc



# Balancing of revenues with expenditure

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- Concept of surplus and deficits
  - The budget balances if domestic revenues cover total expenditure
  - Surplus arises where domestic revenues exceed total expenditure
  - Deficit arises where total expenditure exceed domestic revenues

Example ;





# Example of deficit (year 2003/2004)

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|                                     |                         |
|-------------------------------------|-------------------------|
| ■ Dom. Rev (tax and non tax)        | 1,400,606               |
| ■ Total expenditure                 | 2,559,091               |
| ■ Deficit                           | (1,158,485)             |
| ■ Deficit financing                 |                         |
| ■ External sources( grants, loans)  | <b>1,076,748</b>        |
| ■ Internal sources (banks, others ) | <b><u>81,748</u></b>    |
| ■ Total deficit financing           | <b><u>1,158,486</u></b> |



# Group assignment

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- Expenditure is categorized in different ways, which type of categorization among the three categories mentioned is good for you? and why?
- More often than not, the government spends more than it generates from domestic revenue. What are your views? Explain with examples.