

CLUSTER WORKING GROUP 4

KEY ISSUE 4: BUDGET

Presentation for the

GBS ANNUAL REVIEW 2010

07/12/2010



Presentation Outline

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Issues on Macro-Fiscal Framework 2010/11

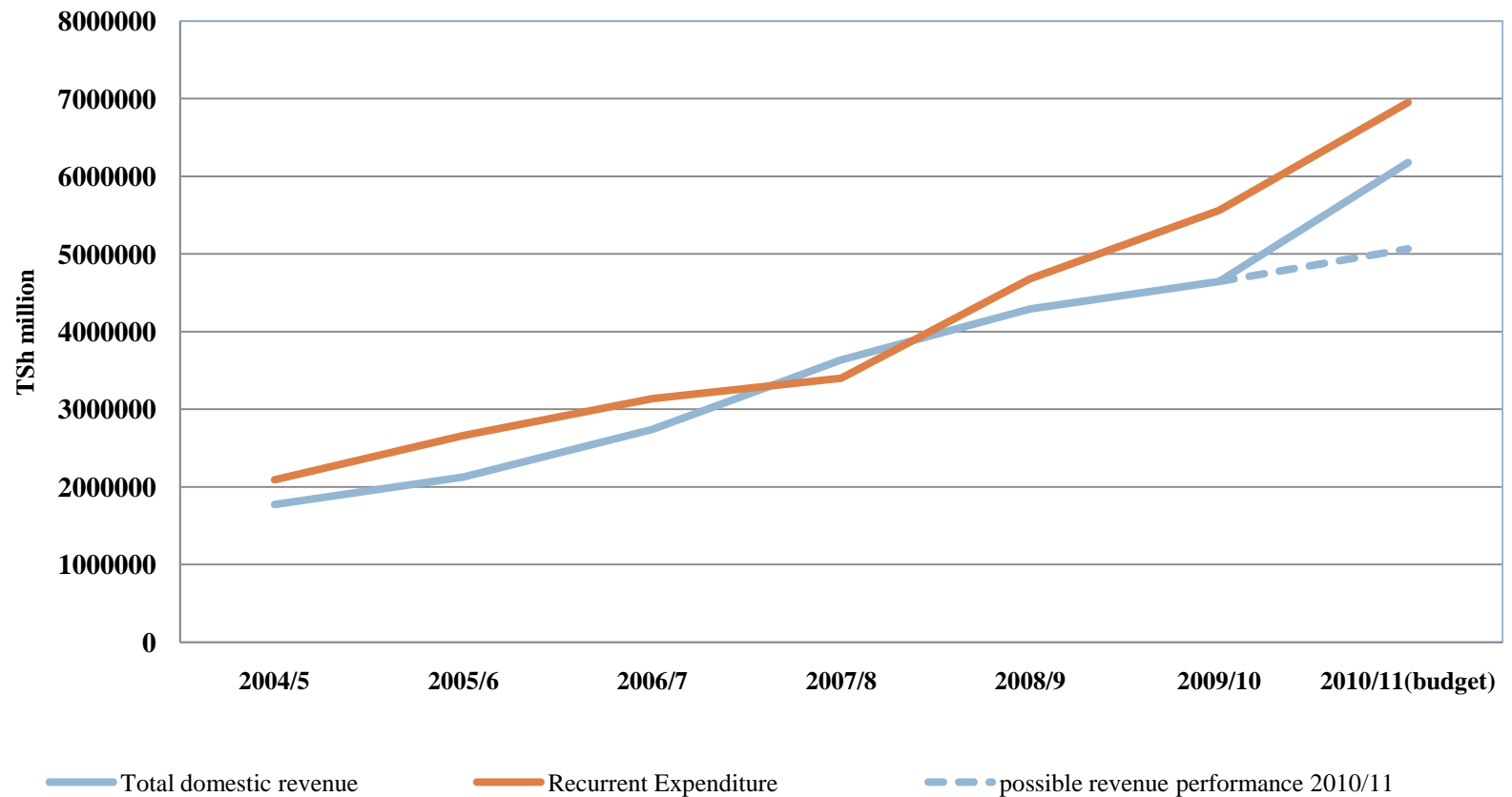
Issues on Budget Allocation 2010/11

Issues on Budget Execution 2009/10

Key issues on Macro-fiscal policy – 2010/11

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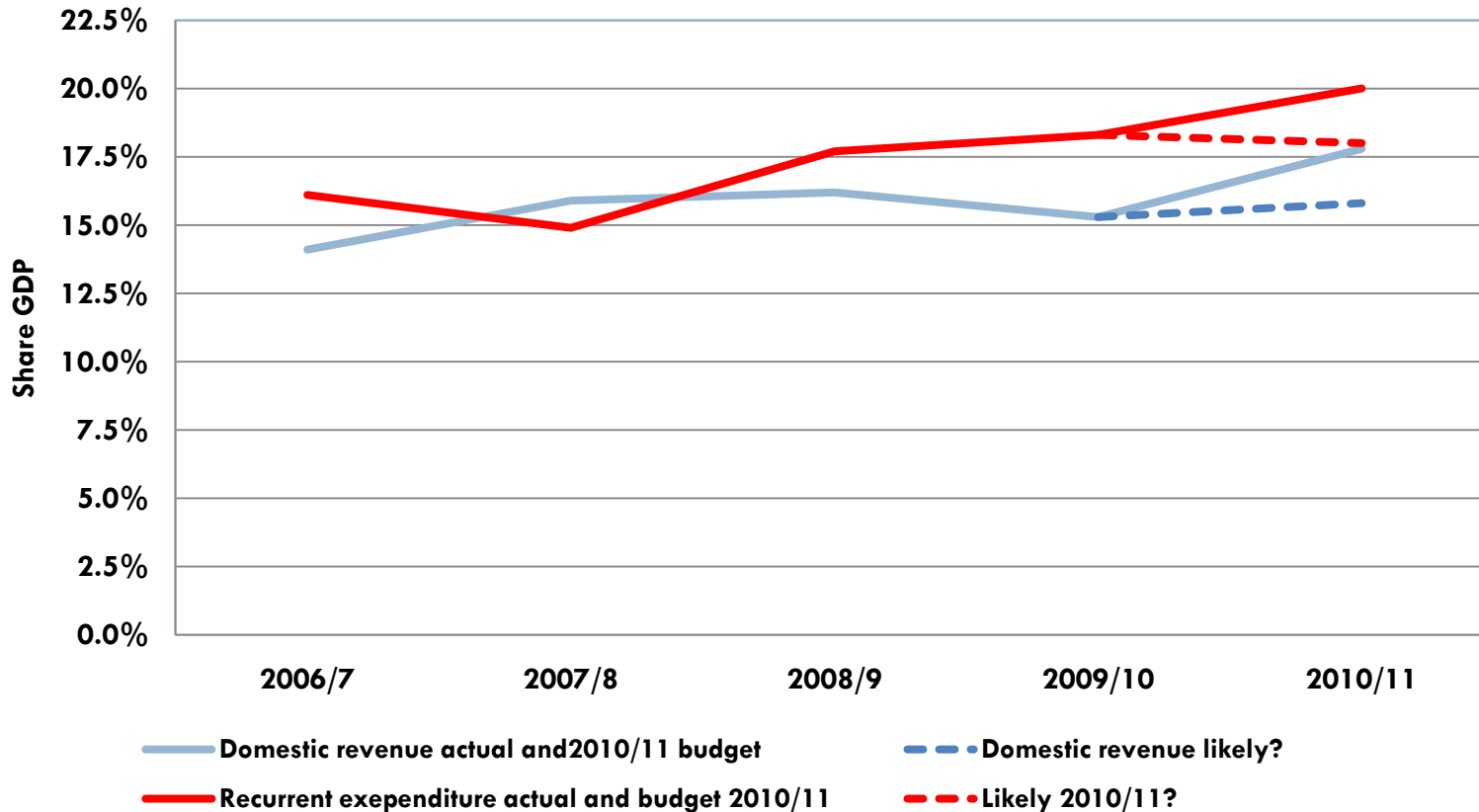
How do we reduce recurrent spending in order to create more fiscal space for investment; at the same time to allow for domestic revenue fully cover recurrent spending?



Key issues on Macro-fiscal policy – 2010/11

4

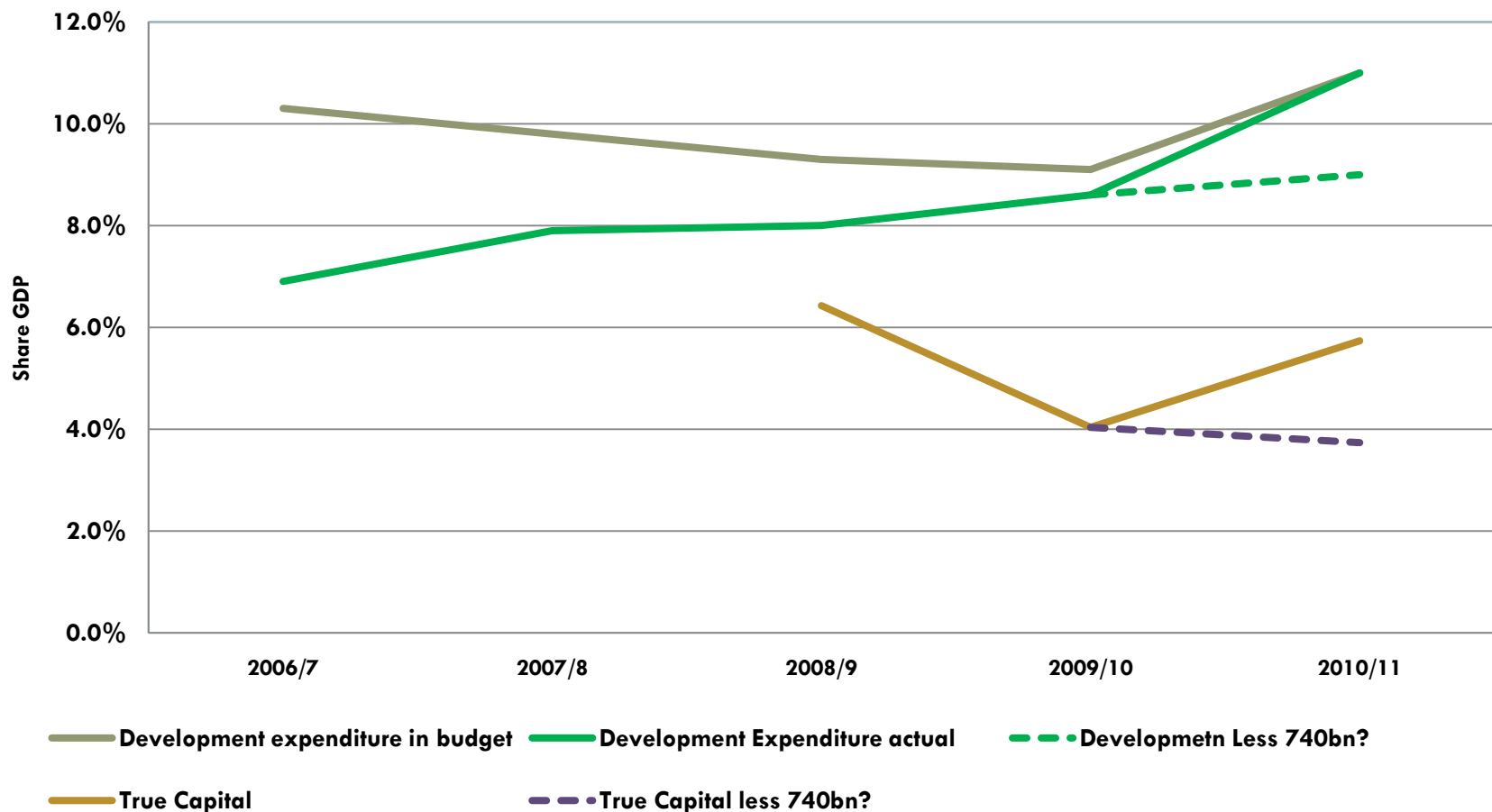
How is the financing gap in the budget is being filled without jeopardizing spending in key areas of MKUKUTA and service delivery? How do you avoid this situation in future?



Key issues on Macro-fiscal policy – 2010/11

5

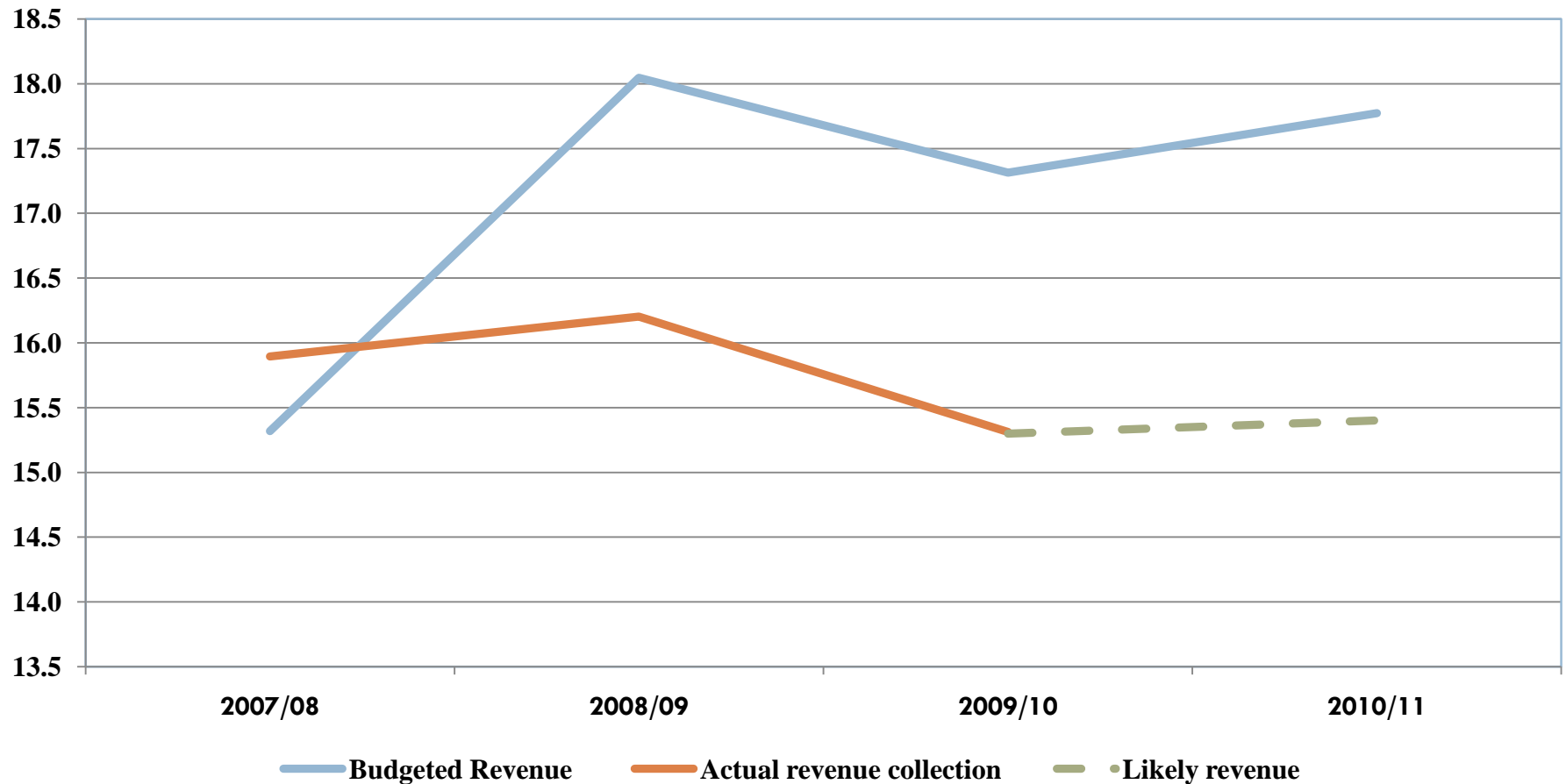
The level of public infrastructure investment spending in the budget is low; and could even be lower if financing gap is not closed and execution of dev budget improved.



Key issues on Macro-fiscal policy – 2010/11

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Actual revenue collections continued to remain lower than forecasted amount. How do we improve revenue forecasting and collections?



Key issues on Macro-fiscal policy – 2010/11

□ Key issues summary

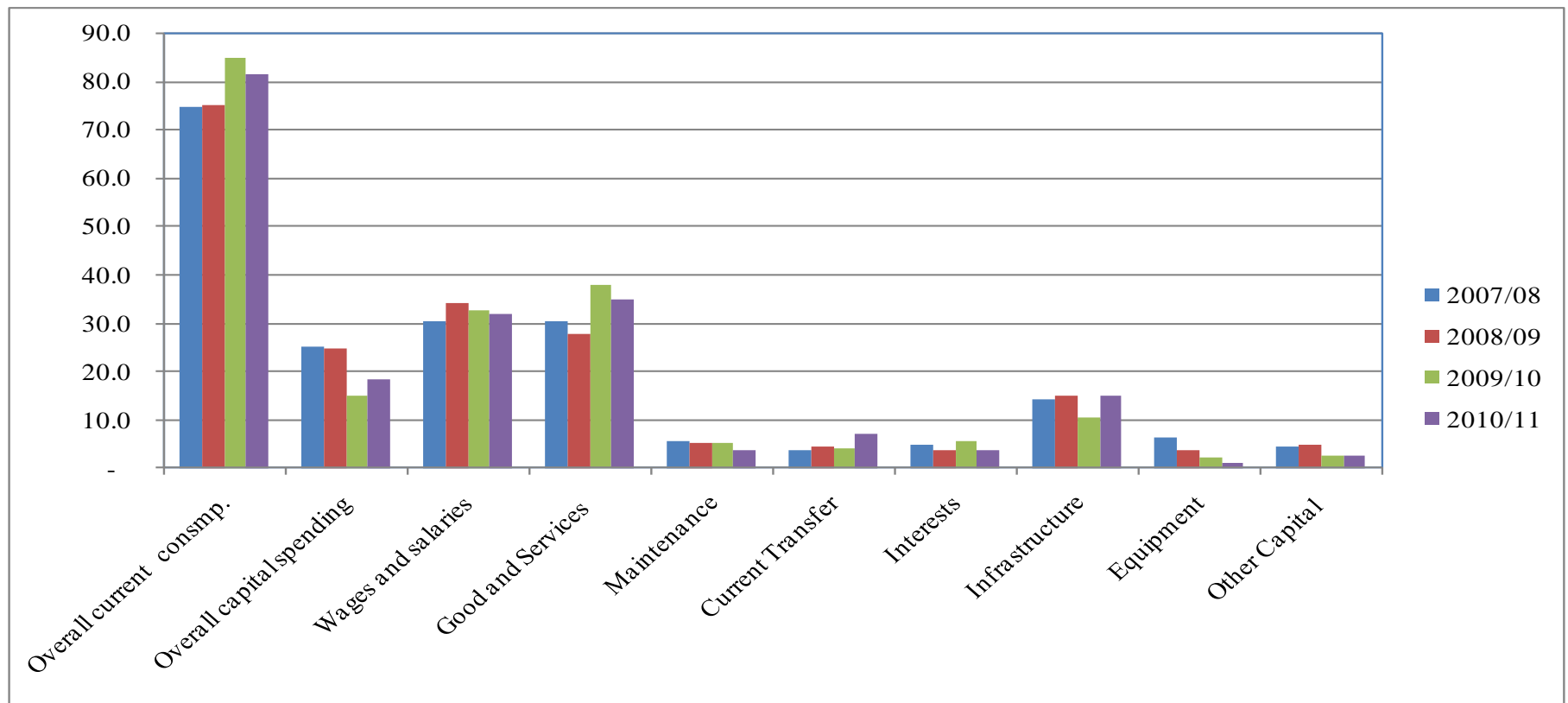
- How do we reduce recurrent spending in order to create more fiscal space for investment; at the same time to allow for domestic revenue fully cover recurrent spending?
- How is the financing gap in the budget is being filled without jeopardizing spending in key areas of MKUKUTA and service delivery? How do you avoid this situation in future?
- The level of public infrastructure investment spending in the budget is low; and could even be lower if financing gap is not closed and execution of dev budget improved.
- Actual revenue collections continued to remain lower than forecasted amount. How do you improve revenue forecasting and collections?

Key issues on Budget allocation – 2010/11

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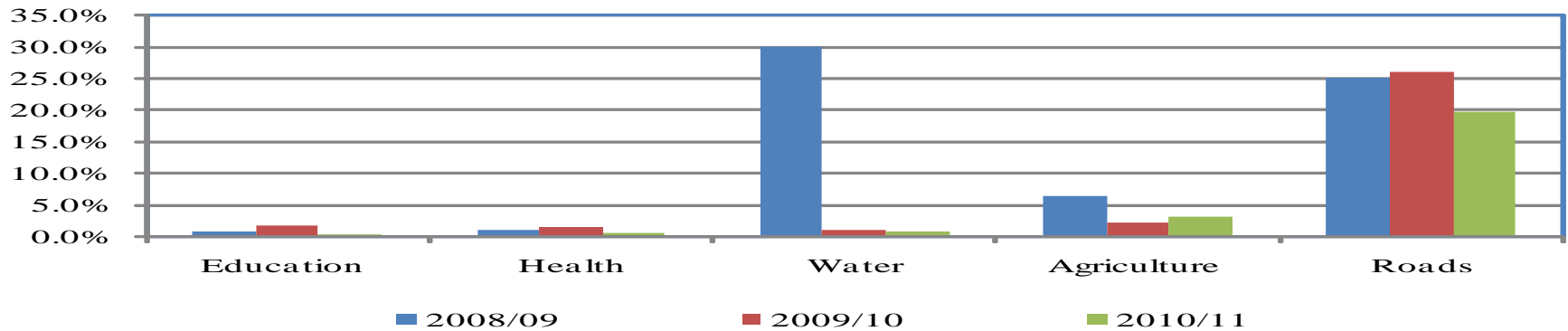
Low share of public infrastructure investment spending in the budget; that could even be lower if financing gap is not closed and execution of dev budget improved.

Budget composition by economic categories (as % of total budget)



Key issues on Budget allocation – 2010/11

Less and less allocations for infrastructure maintenance; even more worrisome is decline in share of roads maintenance, which also declines in real terms



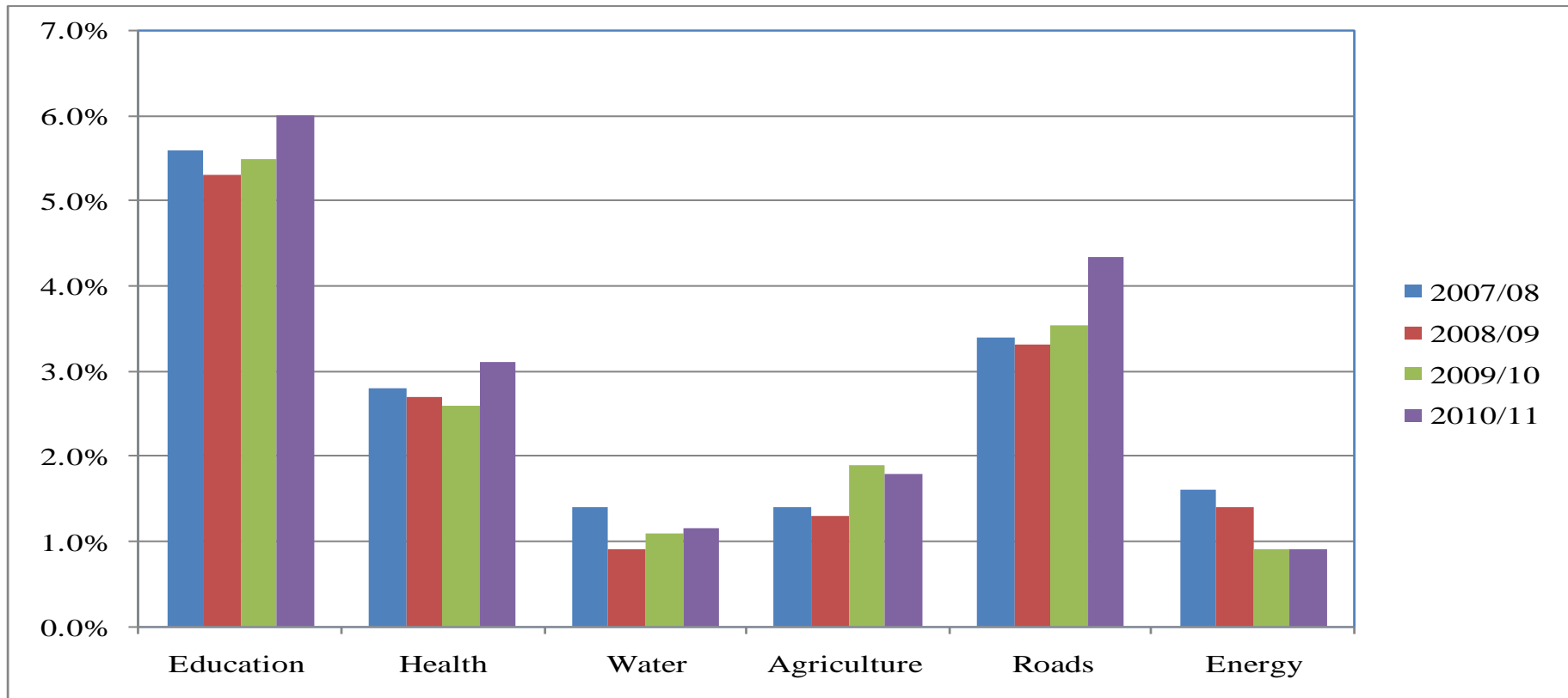
	Education	Health	Water	Agriculture	Roads
2008/09					
Ratio of Sector Maintenance Budget to Sector Infrastructure Budget	22.7%	14.1%	110.9%	33.6%	46.2%
Sector Maintenance Budget as a share of total Sector Budget	0.9%	1.1%	30.1%	6.3%	25.2%
2009/10					
Ratio of Sector Maintenance Budget to Sector Infrastructure Budget	38.8%	31.2%	1.6%	85.0%	52.1%
Sector Maintenance Budget as a share of total Sector Budget	1.7%	1.5%	1.0%	2.2%	26.1%
2010/11					
Ratio of Sector Maintenance Budget to Sector Infrastructure Budget	12%	18%	7%	160%	34%
share of total Sector Budget	0%	1%	1%	3%	20%

Key issues on Budget allocation – 2010/11

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There are some weakness in alignment sector budgets and sector priority of objectives despite increased share of key sectors in budget allocation.

Key priority sectors allocation as % of GDP



Key issues on Budget allocation – 2010/11

There are some weakness in alignment sector budgets and sector priority of objectives despite increased share of key sectors in budget allocation

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Agriculture sector

Priorities are:

- (1) Supporting physical infrastructure;
- (2) Water and irrigation infrastructure;
- (3) Financial and extension services;
- (4) Knowledge and information;
- (5) Value addition activities (crop production, livestock, fish processing, and mechanization);
- (6) Trade and export development services

Budget allocation:

- (1) Supporting physical infrastructure - LOW
- (2) Water and irrigation infrastructure - LOW
- (3) Financial and extension services – HIGH
- (4) Inputs (seeds & fertilizer) – HIGH
- (5) Value addition activities - LOW
- (6) Research and extension - LOW

Transport sector (incl. roads)

Priorities are:

- (1) Roads rehabilitation in accordance with TSIP prioritization;
- (2) Roads construction in accordance to TSIP prioritization;
- (3) Local Government Transport Program (LGTP);
- (4) Roads maintenance;
- (5) Railways rehabilitation and extension of network;

Budget allocation:

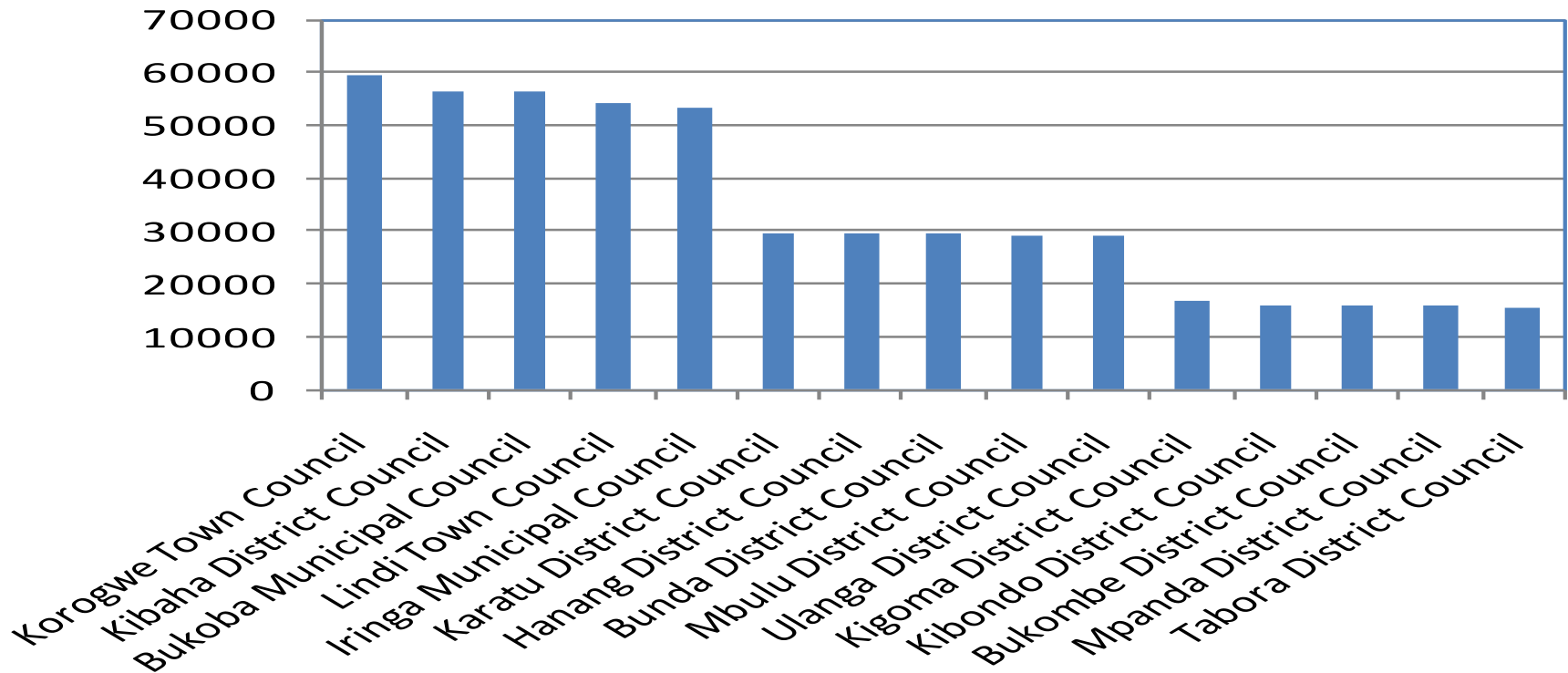
- (1) Roads rehabilitation – INADEQUATE
- (2) Roads construction – INADEQUATE & PRIORITIZATION
- (3) Local Government Transport Program (LGTP) - INADEQUATE
- (4) Roads maintenance – INADEQUATE & DECLINING
- (5) Railways rehabilitation and extension of network – LOW & NEEDS A CLEAR STRATEGY

Key issues on Budget allocation – 2010/11

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Inequality in budget allocation among districts continue to exist despite increased share of budget allocation for LGAs

Per Capita Education Recurrent Budget FY 2010/11

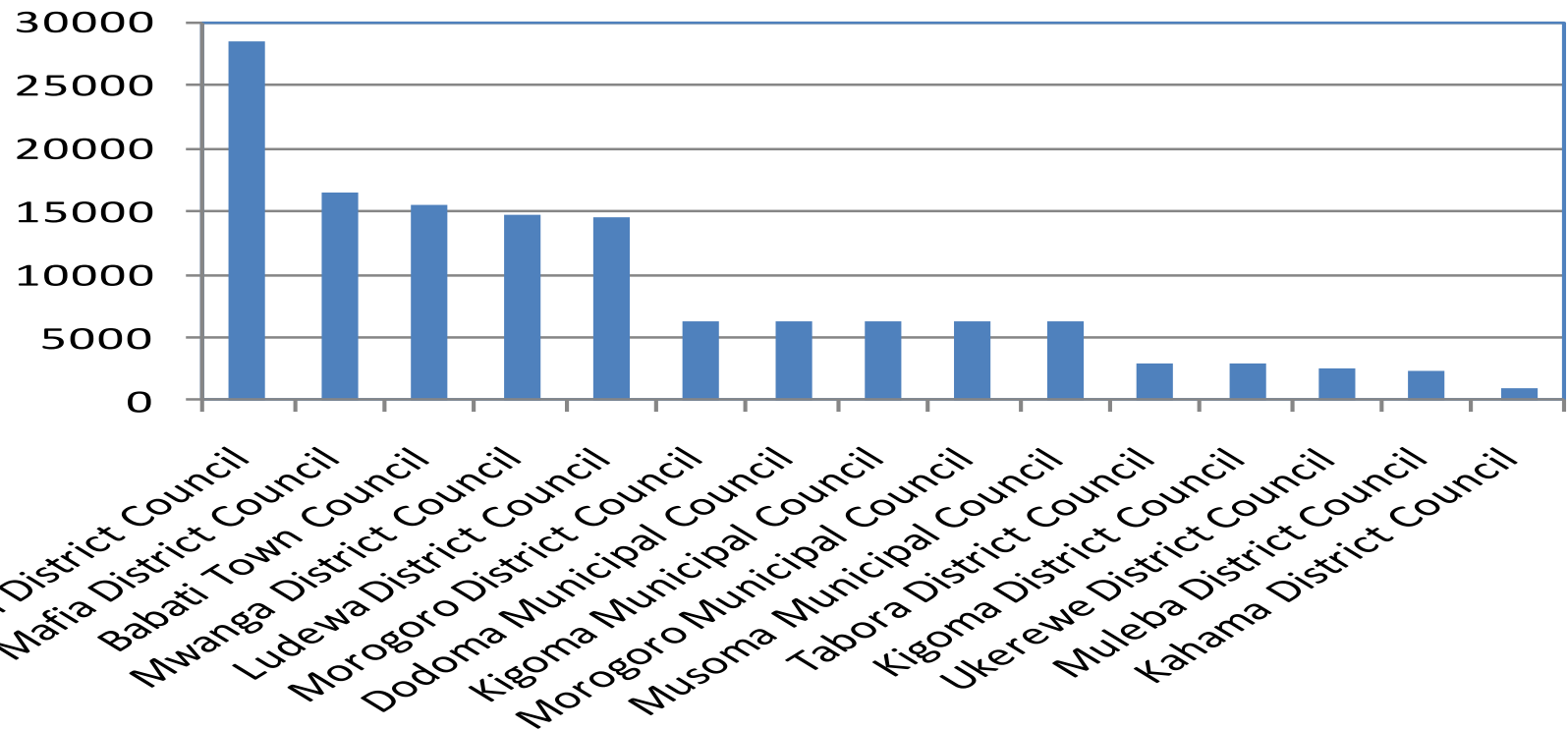


Key issues on Budget allocation – 2010/11

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Inequality in budget allocation among districts continue to exist despite increased share of budget allocation for LGAs

Per Capita Health Recurrent Budget FY 2010/11



Key challenges on Budget Allocation – 2010/11

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Key issues summary

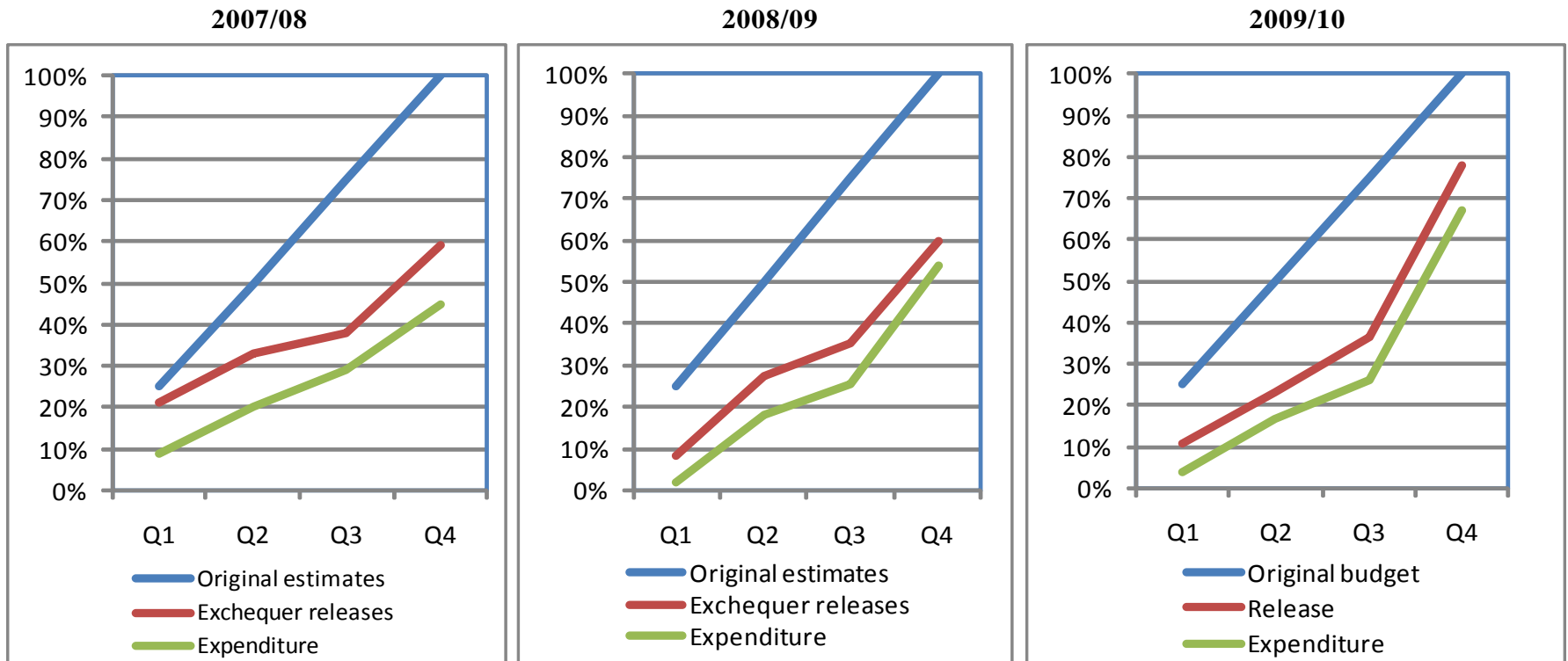
- Low share of public infrastructure investment spending in the budget; that could even be lower if financing gap is not closed and execution of dev budget improved.
- Less and less allocations for infrastructure maintenance; even more worrisome is decline in share of roads maintenance, which also declines in real terms.
- There are some weakness in alignment sector budgets and sector priority of objectives despite increased share of key sectors in budget allocation.
- Inequality in budget allocation among districts continue to exist despite increased share of budget allocation for LGAs

Key issues in Budget execution – 2009/10

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Delays in release of development budget funds despite improved overall MDAs budget execution; delays more serious in LGAs.

MDAs development budget, release and expenditure



Key issues in Budget execution – 2009/10

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How do we improve capacity in planning-budgeting-physically implementing large capital investment projects in MDAs and LGAs. (e.g energy)

2009/10 MDAs Dev. budget execution - By Funding source and Economic Nature

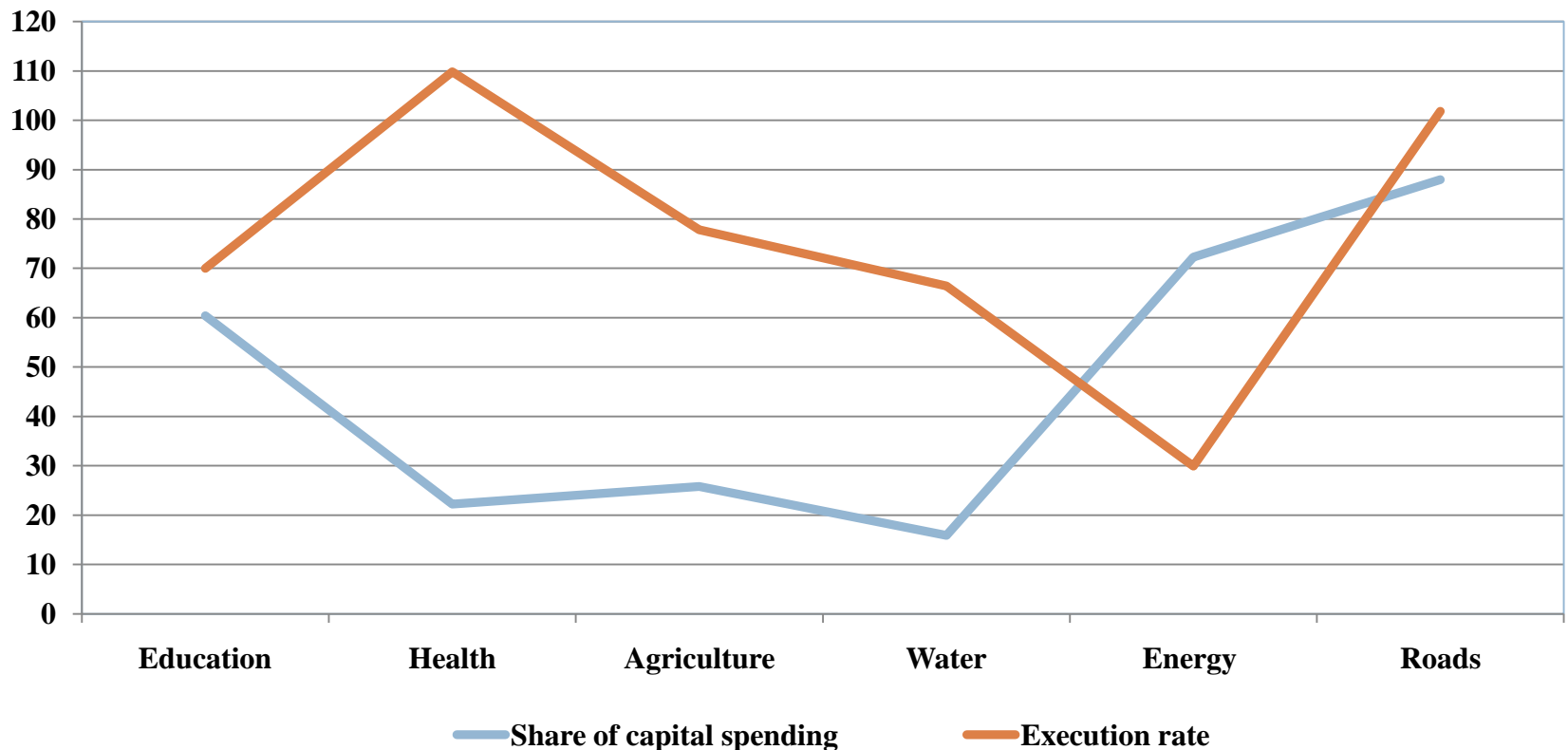
Sector	Item	Shares of total			Execution rates		
		Foreign	Local	Total	Foreign	Local	Total
Overall	Current	36.6	9.5	46.2	60.8	143.8	77.9
	Capital	27.5	26.3	53.8	40.2	105.8	72.3
	Total	64.2	35.8	100.0	52.0	115.9	74.9
Agriculture	Current	67.2	7.0	74.2	80.5	61.9	78.8
	Capital	17.7	8.1	25.8	79.9	65.0	75.2
	Total	84.9	15.1	100.0	80.4	63.6	77.8
Education	Current	17.8	21.8	39.6	94.6	71.4	81.9
	Capital	29.5	31.0	60.4	25.0	97.7	62.3
	Total	47.2	52.8	100.0	51.2	86.9	70.0
Health	Current	76.4	1.4	77.8	126.4	79.2	125.5
	Capital	15.3	6.9	22.2	50.2	65.4	54.9
	Total	91.6	8.4	100.0	113.7	67.8	109.8
Energy	Current	5.1	22.6	27.7	1.3	58.9	48.2
	Capital	38.6	33.7	72.3	9.6	38.0	22.8
	Total	43.7	56.3	100.0	8.6	46.4	29.9
Roads	Current	5.0	7.0	12.0	62.3	288.9	194.0
	Capital	42.5	45.5	88.0	46.1	129.5	89.2
	Total	47.5	52.5	100.0	47.8	150.6	101.8
Water	Current	69.4	14.7	84.1	62.7	67.1	63.4
	Capital	13.2	2.6	15.9	74.2	121.1	82.0
	Total	82.7	17.3	100.0	64.5	75.3	66.4

Key issues in Budget execution – 2009/10

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How do we improve capacity in planning-budgeting-physically implementing large capital investment projects in MDAs and LGAs. (e.g energy)

2009/10 MDAs Dev. budget execution



Key challenges in Budget execution – 2009/10

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Key issues summary

- Delays in release of development budget funds despite improved overall MDAs budget execution; delays more serious in LGAs.
- Weak capacity in planning-budgeting-physically implementing large capital investment projects in MDAs and LGAs. (e.g energy)

Thank You!