Parliamentary Centre
Le Centre parlementaire

PARLIAMENTS, POVERTY REDUCTION AND THE BUDGET PROCESS IN AFRICA

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List of Abbreviations and Acronyms

AG	Auditor General
ANC	African National Congress
APRs	Annual Progress Reports
APRN	African Parliamentary Poverty Reduction Network
AU	African Union
CBO	Community-Based Organisation
CBO	Congressional Budget Office
CLAD	Cross Cultural, Language and Academic Development
COMESA	Common Market for Eastern and Southern Africa
COSATU	Congress of South African Trade Unions
CRDB	Cooperative and Rural Development Bank
CSOs	Civil Society Organisations
CSSDCA	Conference for Security, Stability, Development and Cooperation in Africa
DA	District Assembly
DGDP	Data for Gross Domestic Product
DRM	Domestic Resource Mobilisation
EAC	Eastern Africa Community
ECA	Economic Commission for Africa
ECOSOCC	Economic, Social and Cultural Council

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEPF	Government Employees Provident Fund
GNI	Gross National Income
GNP	Gross National Product
GPRS	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy II
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	Information Communication Technology
IFI	International Financial Institution
IMF	International Monetary Fund
IPU	Inter-Parliamentary Union
IRS	Internal Revenue Service
IT	Information Technology
LAPF	Local Authorities Pensions Fund
MDAs	Ministries Departments and Agencies
MDGs	Millennium Development Goals
M & E	Monitoring and Evaluation
MFPED	Ministry of Finance, Economic Planning and Development

MPs	Members of Parliament
MTEF	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
NGO	Non Governmental Organisation
NOTU	National Organisation of Trade Unions
NSSF	National Social Security Fund
OAU	Organisation of African Unity
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PAP	Pan African Parliament
PBO	Parliamentary Budget Office
PC	Parliamentary Centre
PEAP	Poverty Eradication Action Plan
PPBS	Programme Performance Budgetary System
PPF	Parastatal Pension Fund
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Papers
SADC	Southern Africa Development Cooperation
SALW	Small Arms and Light Weapons
SSA	Sub-Saharan Africa
TOR	Terms of Reference

TRA	Tanzania Revenue Authority
TUC	Trade Union Congress
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
US	United States
VAT	Value Added Tax

Table of Contents

Introduction

The process of democratization and deepening of good governance principles in Africa has a direct correlation to the socio-economic development of these countries. Good governance and effective public sector performance are crucial in combating poverty reduction, planning, implementing and overseeing poverty reduction programmes. Good governance principles of transparency and accountability ensure improved service delivery to the poor and promote the establishment of a conducive climate for investment and growth.

Parliaments play a crucial role in improving governance and public service delivery. Although the parliaments of many African countries still have a long way to go before they maximize their ability to strengthen outcomes from country-level poverty reduction strategies (PRSs), the first decade of the poverty reduction strategy process had produced some important examples of the ways the parliaments can get involved, shape the debate, and learn from experiences of legislatures in other developing countries.

Wide public and community participation is central to the new thinking about poverty reduction strategies. As representative of citizens, parliaments have a duty to ensure that the voice of the people is heard. Given their representative, oversight and legislative functions, parliaments are uniquely positioned to understand and monitor the effects of poverty and act as a bridge among the government, private sector, and civil society. Parliaments provide the potential to serve as a forum for multiparty consensus on poverty reduction priorities and thus for countrywide support and ownership.

Effective poverty reduction requires stakeholders to have a good understanding of the pathways via which poverty reduction policies (at global, regional and national levels) are transmitted to the poor. No less important is the need to have a grasp of the policy formulation process and the subsequent implementation channels. This is important in order to identify and leverage important points for intervention.

As key stakeholders in poverty reduction initiatives, parliaments perform quite a number of important functions which are critical to the fight against poverty. They, for instance, can play a role in the diagnosis and analysis of poverty. It is crucial to identify where concentrations of the poor exist within society and to consider the regional, occupational, ethnic, and gender characteristics of the poor for adequate pro-poor policy formulation. Parliament can also be involved in prioritizing policy decisions related to poverty and making sure that people's voices are heard, especially those of the poor.

Another crucial function of parliament is related to parliamentary scrutiny of national budgets. Budget analysis and review is at the heart of parliamentary activity for most national legislative institutions. Poverty programmes must translate into spending on specific identifiable programmes and projects, and parliaments must ultimately approve or reject poverty-related programmes. Parliamentary involvement in budget planning can be the basis of economic policies to help build national stability. Parliament must necessarily play an active role in all phases of the budget process, including policy formulation, ensuring that what has been approved is put into effect, making sure that poverty-related priorities are incorporated adequately, auditing and evaluating budget results to increase the effectiveness of expenditure, and maintaining financial transparency. Through its role in policy implementation and service delivery, parliament can create public awareness through information dissemination. Furthermore, through monitoring and evaluation of policy outcomes, parliament can work together with civil society and insist on explanations when goals are not met.

This publication which is intended for parliamentarians and parliamentary staff is a compilation of presentations made at the second African Poverty Reduction Network forum held in Dakar, Senegal in 2009. The presentations cover five themes which include the following:

1. Effective Parliamentary Involvement in the Budget Process - Key to Pro-Poor Budgeting

2. Pro-Poor Policies and Budgeting: The Role of Parliament

3. Parliament and the role of domestic resource mobilization aimed at poverty reduction

4. Parliament and the role of monitoring and evaluation in the budget process

5. Engendering collaboration between parliament and civil society organizations at the national and local levels

Conceptual issues of domestic revenue mobilization and results-based monitoring and evaluation are among the issues examined. Additionally, specific country examples of the contributions parliaments make towards the fight against poverty are amply highlighted. Civil society relationship with parliament and challenges of fruitful collaboration between parliament and civil society organizations are also elaborated.

The first presentation talks about effective parliamentary involvement in the budget process in ensuring pro-poor bias of the national budget. It also looks at how parliament is able to use its involvement in the budget process to advocate adequate resource allocation to pro-poor programmes and projects. The second theme which is closely linked to the first examines the specific role parliament plays in the formulation of pro-poor policies and budgeting. The third theme focuses on "Domestic resource mobilization", the two presentations dilated on the various sources of revenue generation, and provided suggestions to address some of the challenges faced in revenue generation.

Cognisant of the importance of monitoring and evaluation in the budget process, the fourth theme examines monitoring and evaluation and the role of parliament/parliamentarians in the context of the budget process. MPs are urged and encouraged to adopt results- based approach to monitoring and evaluation where outcomes of development interventions are measured and not merely recording the execution of programmes. The final presentation addresses civil society relationship with parliament. The presentation traces the evolution of civil society in Africa, talks about the increasing collaboration between civil society organizations and parliaments in Africa. Common challenges are identified and suggestions of how these could be overcome are offered.

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1. The Role of the Legislative Budget Offices - The Uganda Experience

Hon. William Okecho, Chairman of the APRN, Member of Parliament, Uganda

1.1 Introduction

The Parliament of Uganda is one of the few African Parliaments with an established budget office. The need for this office arose out of the conviction by Uganda's Parliamentarians that the national budget process should be transparent, participatory, and they should be able to monitor its implementation with the force of law (accountability).

A private member's Bill was therefore developed along the lines of the Congressional Budget Office of the USA Congress and enacted into law in 2001. This law became known as the Budget Act 2001 and it established one important department within Parliament called the Parliament Budget Office which is Uganda's Legislative Budget Office.

1.2 The Establishment

- The Parliament Budget Office (PBO) is a department of the Parliament Commission, created by the Budget Act, 2001.
- PBO was established, with the objective of creating technical

capacity within Parliament to interpret National Budget/Economic data and to provide Parliament and its Committee with objective, timely and independent analysis needed for national economic and budgetary legislative decisions. The role of the Budget Office is to provide technical support for Parliament to effectively deal with the massive information and data involved arising from the implementation of various legislatives passed by Parliament.

- The goal of the PBO is to support Parliament in its role of promoting the rule of law, good governance, accountability and transparency, within Government as key ingredient into Uganda's overall development process. This entails strengthening the system of "checks and balances" in the public fiscal institutions, and in particular to ensure transparency and accountability in the national budget process.

- The mandate of PBO is derived from Sections 20 and 21 of the Budget Act 2001, which set out PBO operation and allow it to carry out several functions as part of the implementation of the Act, specifically:

    1. Section 20 of the Budget Act 2001 sets up the PBO with staff who are budget and economic experts; and

    2. Section 21 sets out functions of PBO in accordance with the proper implementation of the Budget Act.

- While the main function of PBO is to support Parliament to increase transparency and accountability in the national budget process, specifically the functions of PBO as enshrined in the Budget Act, 2001, include but are not limited to:

1. Providing budget-related information to all Committees in relation to their jurisdiction;

2. Submitting reports on but not limited to, economic forecasts, budget projections, and options of reducing the budget deficit;

3. Identifying and recommending on Bills that provide an increase or a decrease in revenue and the budget;

4. Preparing analytical studies of specific subjects such as financial risks posed by Government sponsored enterprises and financial policy; and

5. Generally advising the Parliament and its Committees on the National Budget and the Economy.

1.3 Objectives of the Parliamentary Budget Office

The objectives of PBO for the medium term include but are not limited to:

1. Ensuring that provision of the Budget Act 2001 are sufficiently implemented and complied with.

2. Establishing a mechanism for the Parliament and its committees to have timely access to budgetary data and information.

3. Strengthening the link between the Civil Society and Parliament on budgetary issues with a view to reinforce and improve consultations and civil debate on the national budget; the link should gradually act as a means to ensure that the budget reflects the wishes and aspirations of the civil society and the general public.

4. Providing a non-partisan critique to the Executive's revenue and expenditure proposals and their economic assumptions. This will assist Parliament in developing alternative forecasts and appropriate policy option to the Executive's proposals.

5. Producing report on spending patterns of Government programmes for a multi-year period, which enables Parliament analyse Ministerial Policy Statements. This helps in examining and assessing the relative proportions of budgetary allocations within and across various sectors in line with national objectives and goals.

6. Producing quarterly reports for Parliament, summarizing the economic data and trends, in order to advise Parliament and its Committees on their budget oversight responsibilities.

7. Examining and assessing performance measurement indicators for Government programmes for ensuring efficiency and effectiveness.

8. Designing and carrying out analytical and policy studies on matters of public interest and concern;

1.4 Challenges Faced by the Parliamentary Budget Office

Despite the numerous responsibilities bestowed on the Budget Office by the Budget Act, 2001; there are still some challenges faced by the PBO in executing its duties:

1. ***Insufficient information:*** In some cases the PBO is not able to receive independent information and data from Ministries, the Central Bank, the Revenue Collection body or the Bureau of Statistics. The proposal to have IT connectivity with these institutions and the Ministry of Finance has not been implemented due to financial constraints.

2. ***Bureaucracy***: The bureaucracy within the administration of Parliament slows down the work of PBO. Release of funds for the PBO activities is sometimes not as timely as would be necessary.

1.5 Benefits of the Parliamentary Budget Office

All in all despite the several challenges, faced by PBO, Parliament as a whole has recorded several benefits over the last eight financial years.

1. There has been tremendous improvement in the capacity of MPs in scrutinising the budget proposals;
2. The quality of the budget debates in Parliament is high.
3. The Budget Act has provided Parliament with an opportunity to analyse and recommend alternative policy options to government before the Budget is passed.
4. Parliament has a significant role in the setting of priorities for government's expenditure.
5. The Budget Act has to a great extent reduced on the time Parliament takes to pass the Budget. For the time the Act has been in place, the budget has been passed within the first quarter of each financial year (FY).
6. There has been improvement in the quality and content of the reports from the government and from the Committee of Parliament.
7. The timetable for exchanging vital budgetary information between the executive and the legislature has to a large extent been adhered to.

1.6 Conclusion

In conclusion, Uganda's legislative budget office (the PBO) has been one single innovation that has enhanced Parliament's ability to curb corruption by exercising efficient resource application and utilisation. The PBO has consistently advised Parliament in its critical functions of oversight and ensuring accountability for the Country's scarce resources. Through its advice, Parliament has been able to ensure good governance, and formulated and enacted sound policies and legislations especially in the economic sector.

2. Effective Parliamentary Involvement in the Budget Process, Key to Pro-Poor Budgeting

Hon. Soule Adam, Budget Expert and Former MP, Benin

Objectives of presentation:

- Demonstrate how the budget can be used as a tool for poverty reduction;
- Propose how the participation of Parliament in the budgetary process as well as its influence on the budget can be strengthened and implemented;
- Highlight the tools Parliament needs for effective budget scrutiny aimed at ensuring that pro-poor issues are addressed;
- Enhance the role of legislative offices or permanent budgetary committees;
- Examine the level of participation of citizens during parliamentary stage of the budget process;
- Identify the key challenges to ensuring conformity with the budget.

2.1 Introduction

Over a decade after the failures of the structural adjustment programs of the 1980's, African countries have not been committed to the formulation of Poverty Reduction Strategy Papers (PRSPs) as a condition to benefiting from IMF and World Bank support through different mechanisms including the Facility for the reduction of poverty and growth under the auspices of International Financial Institution (IFI). For several years, there have been economic strategy papers aimed at establishing a plan for poverty reduction at the national level. The PRSP initiated by the IMF and the World Bank in the late 1990s were aimed at assisting countries to develop strategies for poverty reduction. This complemented the HIPC initiative which was aimed at ensuring that no poor country faces a debt burden it cannot manage.

In September 2000, at the Millennium Summit, the world leaders fixed the agenda for the United Nations. Eight objectives/goals with specific targets were developed to be achieved by member nations by 2015. This agenda establishes directives which make the Millennium Development Goals (MDGs) part of national development agenda.

One of the tools developed by governments which incorporates the MDGs into national development frameworks is sthe Medium Term Expenditure Framework (MTEF). It serves as a basis for drawing up a budget each year. The national budget, an essential instrument of public policy, is drawn up each year by the government and submitted to Parliament. This is an act that forecasts public revenues and expenditures; the Parliament examines it and authorises the Executive to implement it in accordance with the legislative and regulatory provisions.

The budget combines the desirable, that is to say, the ambitions of an economic and social policy, and the tenable, namely the economic and financial means of action. It is the main instrument for the modernization of public management. It is equally an indispensable tool in leading the fight against poverty and in achieving the MDGs.

Parliament, as an institution, has its functions well-defined by the constitution. These functions include: representation, legislation, voting on and controlling the budget. By the varied and different origin of its members, Parliament is well placed to express the concerns of people, to demand that these are taken into account, to monitor their achievement and to check their appropriateness as far as public policies are concerned and in respect of commitments to which the Executive has subscribed. Since Parliament does not have at its disposal all the necessary human resources for the accomplishment of its mission, it can cooperate with civil society organisations and tie a strategic partnership with the principal donors so as to fulfil its mission.

2.2 The Budget as a Tool For Poverty Reduction

Parliament is established by constitutional provisions and operates by strict adherence to the laws of the nation. It is a concentration of all the interests of the nation with a membership varied and different in origins. The laws which are submitted to it are discussed, amended and passed by taking into account the concerns and interests of the entire population.

The budget which is one of the most important laws passed by Parliament occupies a place of choice in parliamentary life. Indeed, the budget is the tool par excellence for fiscal and economic policy. The choices parliament makes in terms of approving taxes and other instruments for revenue mobilization are informed by the socio-political context.

The budget must also take into consideration the objectives fixed by the world leaders in the MDGs. The allocation of resources must conform to the objectives being pursued. The programmes of the budget submitted come from the sectional ministries that are charged with implementing sectional policies. It is important that Parliamentarians are informed about all these commitments which the governments have subscribed to.

2.3 The Millennium Development Goals

The table below gives a general survey of the 8 objectives and 18 targets of the MDGs. Each country has stated them in actions which allow results to be achieved.

MDGs	TARGETS
Objective 1: Eliminate extreme poverty	Reduce by half, between 1990 and 2015, the proportion of the population whose income is less than one dollar a day. Ensure full-employment and the possibility of each one, including women and young people, finding a decent and productive work. Reduce by half, between 1990 and 2015, the proportion of people suffering from hunger.
Objective 2: Ensure primary education for all	Giving all children, boys and girls, everywhere in the world, the means to finish a complete cycle of primary education by 2015.
Objective 3: Promote equality of sexes and the autonomy of women	Eliminate disparities between sexes in primary and secondary education by 2005, and if possible, to give all of them the level of education required latest by 2015.
Objective 4: Reduce the mortality of children below five years Objective 5: Improve maternal health Objective 6: Fight against HIV/AIDS, malaria and other diseases	Reduce the rate of mortality of children below five years, by two-thirds, between 1990 and 2015. Reduce the rate of maternal mortality by three-quarters, between 1990 and 2015. Make universal procreative medicine accessible by 2015. Stop the spread of HIV/AIDS and begin to reverse the current trend by 2015. Ensure that all those who need to be treated for HIV/AIDS have access to treatment by 2015. Bring malaria and other serious diseases under control and begin to reverse the current trend by 2015.

Objective 7: Ensure a sustainable environment	Integrate the principles of lasting development into national policies and programmes and reverse the current trend of loss of environmental resources. Reduce the loss of biodiversity and achieve a significant decline in the rate of loss by 2010. Reduce by half the percentage of the population that neither has access to a lasting supply of potable water nor to basic sanitary services, by 2015.
Objective 8: Put in place a global partnership for development	Meet the needs of particularly least developed countries, countries without coastlines and small developing island States. Pursue the setting up of a regulated, predictable and non-discriminatory open multilateral financial and commercial system. Deal with the problem of the debt of developing countries as a global issue. Cooperate with the private sector to see to it that the advantages of new technologies, especially information communication technologies, be given to all.

In order to facilitate measuring of progress made, the eight objectives above have eighteen targets and forty-eight measurable indicators. Monitoring their realization is thus made easier.

2.4 Reflecting Pro-poor policies in budget determination

The PRSP is drawn up in accordance with participatory processes which take into account every social stratum. These processes end in plans with clear objectives and indicators that allow for monitoring and evaluating the outcomes of policies and the ensuing advantages for the poor and vulnerable people.

Such a strategy is sustained by allocation of resources. The budget then becomes the main tool for implementing the PRSP. The funds allocated conform to the priorities defined by the strategy. The sectional strategies, the development plans and the MTEF contribute to achieving the objectives of the PRSP out of the national budget. In this way, the budget becomes a key element in the implementation of the PRSP.

The governments must consistently take the targets into account in proposing the allocation of resources to Parliament. In summary, to improve a given indicator the following ought to be considered:

- quantity of resources to be allocated;
- social groups to be targeted;
- region of the country to be targeted;
- how to spend resources; and
- how to monitor, evaluate and control.

For example, to achieve objective 1, target 1 that is 'Reduce by half, the proportion of the population whose income is less than one dollar a day, between 1990 and 2015', a series of policies to be implemented as well as resources to be mobilized will be provided for in the State's budget; in short, a programme with general objectives, specific objectives, policies and expected outcomes, all within the logical framework of making it coherent and allowing for monitoring, evaluation and controlling in due time by competent institutions.

The procedure will be the same for each of the objectives and targets retained. Each country implements them according to her national constraints and her ability to mobilise and use resources coming from the international community. The common denominator will be that the budget of the State will be focused on pro-poor projects.

Essentially, the budget must provide favourable measures for:

- gender
- the fight against poverty
- achieving the MDGs
- the advancement of young people, their training and their integration into the world of work
- fighting against endemic diseases and the HIV/AIDS pandemic
- good governance, promoting human rights and the protection of vulnerable people.

These measures do not only have to do with public expenditure; they also concern the section on the revenues of the budget and can consist of tax expenses or tax measures. Indeed, the tax structure can express the will of the government to efficiently fight against poverty. The possible consequences of taxes and taxes on the poor and vulnerable people are indicators for the Parliamentarian. Revenue mobilization should not be done to the detriment of the poor.

For more efficiency, it is preferable that the policy of Parliament is given equal priority in the budget process.

2.5 Reinforcing the participation and influence of Parliament in the Budgetary Process

The budgetary cycle responds to a series of rules with strict stages and shared responsibilities between the actors. The main institutional actors who are the Executive and the Parliament occupy a place of choice in it. The budgetary activity paces the lives of these institutions permanently. Indeed, when a budget is being executed, another is being prepared.

The budget is prepared by the Executive and submitted (in the form of a bill) to Parliament which examines it, discusses it, amends it and passes it. The Finance Act passed is returned to the government to be ‘executed’. The Parliament supervises the execution in accordance with the powers granted it by the constitution.

It is more and more a question of bringing about some changes in the participation of Parliament in the budgetary cycle considering the numerous expectations of people that are not met and the current level of governance in African countries.

2.6 Some general questions Parliament must ask itself

Parliament is a chamber of elected Members of a nation. In democratic Parliaments these elected Members are grouped together according to two big blocs: favourable to the government and opposed to the government. These two antagonistic positions do not have to negatively influence the determination of the elected Members to get involved in favour of the fight against poverty.

Indeed, poverty touches the people without regard to their political membership. The measures to be taken to eradicate it must be the work of all the elected Members. Therefore, the Parliamentarians, among others, must constantly ask themselves the following questions:

- What can be done to improve the situation of the poor majority who elected us? What are the expectations of the poor by sending us to Parliament?

- Has Parliament sufficiently discussed with the poor prior to examining and passing laws including the Finance Act?
- Are the aspirations of the poor reflected in the national strategies and policies, particularly, the national budgets and strategies for poverty reduction?
- Are policies implemented on the poor really efficient as far as aspirations are concerned?

2.7 The functions and means of control by Parliament

The functions of Parliament are:

- representation
- passing laws
- voting on the budget
- monitoring the government

The means at the disposal of Parliament are:

- sessions of asking the government questions
- questioning
- committees of enquiry
- special debates during plenaries
- examining the reports of the plenary committees
- examining the reports of departments and public services
- the budgetary process.

2.8 Removing the numerous obstacles that weigh down the policy of Parliament

a) Parliament has to be endowed with quality human resources to support the work of Parliamentarians. Indeed, the asymmetry of resources and competences between the Executive and Parliament does not allow the legislature to get involved with the budgetary process. The numerous frameworks experimented with sectional ministries overburden the few Parliamentary assistants assigned to the committees. It is obvious that this disequilibrium will be maintained for a long time. Nevertheless, a programme for settling the process of Parliamentary frameworks and building their capacities is needed.

b) Encourage the possibility of discussing the choices of public policies in the mid-term, prior to translating them into resource allocations or into fiscal measures in the State's budget.

c) In discussions related to amendments to the constitution, it will be useful to take into consideration suggestions of strengthening the power of Parliament when it comes to amending the budget as well as the possibility of intervening prior to the process without acting as a substitute for the executive; reinforcing the role of permanent committees; and giving a much longer deadline to Parliament to study, adopt and vote on the Finance Act.

d) The Parliamentarians and their staff should accept to train themselves as far as economic and budgetary issues are concerned so as to take up the challenges faced by their basic communities. Likewise, the Parliament has to establish strategic partnerships with the NGOs and the development partners to build the capacities of the elected Members of Parliament each time the chamber has new members. For some years now, the Canadian Parliamentary Centre already offers this kind of training. The IMF, the World Bank, the African Development Bank and some others do the same.

e) The Parliamentarians and their staff have to be educated on and inform themselves on international commitments subscribed to by the country and which demand that certain conditionalities be respected before accessing resources for poverty reduction and the attainment of the MDGs in general.

f) The information provided to Parliament by the executive is sometimes poor in quality and always insufficient. Parliament should be accustomed to searching for information from independent sources to compare with those provided by the Executive.

g) Monitoring, evaluating and controlling the budget has to be the main preoccupation of Parliament. The Coalition for Monitoring Organs of Parliament should be pro-active. Likewise, the permanent committees must get involved in accordance with their mandate so long as this is in line with the MDGs.

In all, the political will of actors is the catalyst for a much stronger participation of Parliament in the budgetary process.

2.9 Facilitation Tools Needed by Parliament to Ensure That the Poor Are Taken Into Account

The government prepares the budget proposal according to the economic policy choices of sector programmes. The proposal submitted to Parliament is allocated to one or several permanent technical committees.

Each Parliament has a particular internal organisation for studying the budget. In the francophone countries, the budget proposal is the subject of a general presentation in a plenary followed by debates. The sector ministries then come to defend their proposals before the committees. Constitutional frameworks impact on Parliament's ability to vary expenditure for pro-poor programmes. Parliaments that are constricted by their frameworks are unable to increase expenditure for pro-poor programmes; those that are not have the power to review expenditure upwards or downwards across sectors with the view of reflecting pro-poor policies.

In sum, the poor are not a separate category of society. They encapsulate varied groups (men, women, young, old) and in all the different regions. There is no separate budget for the poor. There is a single budget whose leanings can be pro-poor or not. In this way, a budget that directs the fruits of the growth towards a category of expenditures aimed at reducing the inequalities can be qualified as pro-poor.

2.10 Allocation of resources in a pro-poor budget

Even if poverty is defined as a lack of knowledge, assets and power; it does not remain any less than it presents itself under different profiles according to the countries. For example, in a country that is in a state of war or post-conflict and in a stable country, the priorities of people can change. In these conditions the governments are consequently obliged to allocate public resources.

a) The Parliament must have information as comprehensive as possible on the profile of poverty and the different scenarios so as to improve the indicators retained. Studies exist in each African country to direct the action of decision-makers. In Benin, to attain objective 1 (Eliminate extreme poverty) Target 1 (Reduce to 50% the proportion of the population living below the threshold of poverty by making the poverty index go past 15% by 2015), the following measures were contained in the budget:

- Improve access to credits for rural people;
- Rationalise diversification of export of basic agricultural produce;
- Develop basic community infrastructure (roads, water, electricity, telephone);
- Build capacities to manage and absorb public resources; and
- Implement policy for the advancement of women and reduction in the inequalities between the poor and the non poor.

Each of these measures forms the subject of a specific programme.

b) The Parliamentarians must examine the different programmes and estimate the adequacy of resources

c) The Parliament must initiate or support any legislation in favour of attaining the MDGs

d) The Parliament must implement all the monitoring, evaluation and control mechanisms.

2.11 Monitoring of all the policies in favour of poverty reduction by the Parliament

The budget is only a tool that reflects a strategy and a policy. If the policy and the strategy are erroneous, the tool reflects erroneous things that are contrary to poverty reduction. Parliament must see to it that the structures charged with providing all the inputs for analysis and estimates produce good quality work.

2.12 The Role of Legislative Offices of the Budget

In 1913, Jean Jaurès asserted, while talking about a budget: ‘This is the budget I mean to talk about or debate on the budget. It holds a terrific place in the parliamentary soup and we never get to the end of it’. A whole session is devoted to the study of the budget without expectations being fulfilled. The technical work is done by committees whose role in Parliament is similar to the role engine rooms play for ships. However, there is a remarkable difference. Indeed, in an engine room of a ship, all the technicians obey and toe the line of the commander. At Parliament, each member of the Chamber has a position imposed by his/her political persuasion.

2.13 The effective participation of Parliament in budgetary work

A number of Parliaments suffer from the little interest that the Parliamentarians give to the work of committees in aid of public debates on the budget during plenary in front of the cameras. Certainly, a Parliamentarian has a need to give his contribution in Parliament, but the organization of work is such that every file only gets to the plenary after it has been passed by a committee.

Is it not desirable to open the committees to the media in the hope that those elected members who participate give more visibility to their contribution?

2.14 The contribution of the technical committee during budget scrutiny

A real coalition of Parliamentarians and all the committees can give better results. For example, the permanent committee in charge of educational matters is able to understand more than to evaluate the policies and measures taken to ‘ensure primary education for all’ (Objective 2).

Simply put, the budget committee must open up.

2.15 Participation of the Poor During the Legislative Stage of the Budget

Parliaments have become increasingly conscious of being the voice of those who elected them. Diverse initiatives are being promoted to ensure the incorporation of the people's perspective in budgetary debates.

Each social group makes efforts to participate in the debates on the budget in order to give an assessment to Parliament before the budget or any important law is examined. Through this mechanism the poor become informed and are enabled to influence the budget submitted to Parliament.

Each country has its history as far as this subject is concerned and the participants at this conference can share their experiences.

2.16 Involvement of Civil Society during budgetary debates in Benin

Prior to the examination of the State's budget, the Beninese Parliament passes on the entire project onto the NGO platforms, civil society, Chamber of commerce, Association of agricultural producers, etc., so that each one of them, depending on what concerns them, studies it and makes submissions to the budget committee. The discussion with the government only takes place after this stage.

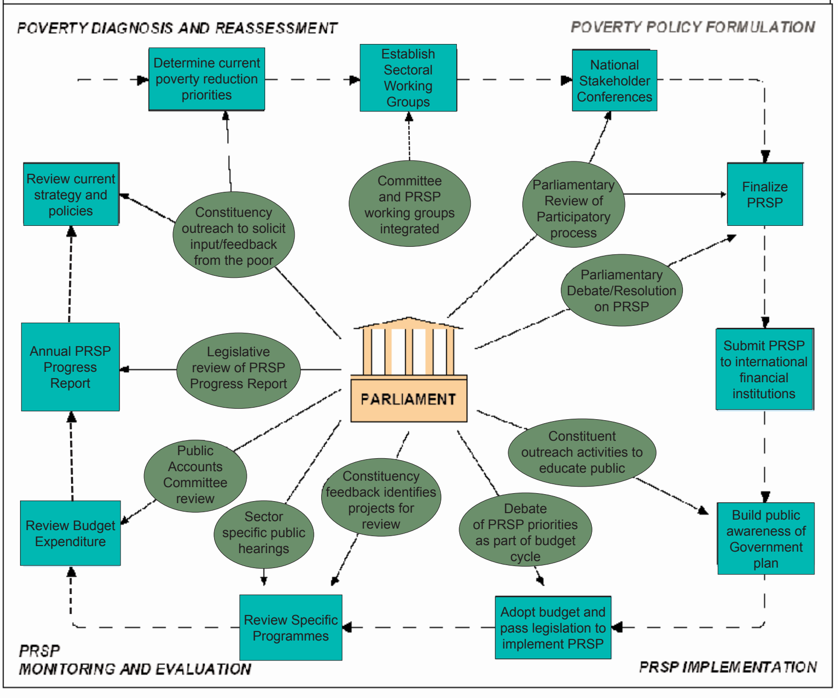
The analysis and relevant recommendations end in important fiscal measures contained in the budgets passed, particularly the exemption of customs duty on agricultural equipment, the elimination of VAT on the first tranches of water and electricity consumed, etc.

2.17 Initiatives in other countries

- the Women's Budget Group of the United Kingdom
- the initiatives of South African women (Women's Budget Initiative)
- the media and community radios ask that debates on the budget be broadcast, etc.

The following table drawn from 'Parliaments and the PRSP Process', 2002 by K. S. Hubli and A. P. Manadaville, illustrates the mechanisms of the participation of Parliaments in the PRSP process.

Figure 1: Possible Mechanisms for Parliamentary Engagement in the PRSP cycle



2.18 The Key Challenges in Ensuring Conformity to the Budget

The budget is a law. Therefore, it corresponds to the general character of laws; that is to say, it is general in scope and impersonal. Below are some of the key challenges in ensuring conformity to the budget:

- Each player must play its part in the budgetary process: the Parliament, the Executive and the monitoring organs
- Each actor must be responsible and accountable
- The Executive must open preliminary discussions on the definition of public policy for all the institutional and non institutional actors
- The rules of the game must be respected particularly transparency
- Information on the budget must be available and updated regularly. For example, a well drawn up MTEF that contains quality information can help Parliament to exert its control on the expenses and test the conformity of the budgets in relation to the policies fixed and to ask the government to be accountable
- The Parliament must clearly link the figures of expenses and revenues in the medium term to government's policy in establishing a relationship between the MTEF and the Declaration of budgetary policy in the medium term
- Monitoring institutions must play their role
- The Parliament must examine and vote regularly on the law of settlement on a good date
- The laws must be taken into account in improving the budgetary process and made more transparent and accessible to all the citizens and especially the poor.

2.19 Conclusion

Members of parliament must strive to be responsive to the needs of the people. This is so for a number of reasons. Firstly, these members of parliament are where they are because they were voted for by the people. Secondly, many of those who vote to put parliamentarians in power are poor people who look up to these parliamentarians to use their privileged positions to improve the appalling conditions under which ordinary people live. Since they have shown good faith by voting for these parliamentarians, it is only natural for them to expect reciprocal action from parliamentarians. Finally, parliamentarians have a constitutional responsibility to cater to the needs of ordinary people. Parliament has a mandate to improve the living conditions of ordinary people in order to make their lives more meaningful. They need to live up to that mandate.

In addition, the public resources upon which parliamentarians preside and the funds they access from donor countries are meant to enhance the development of the country. One way of enhancing that development is through investing the public resources in projects that benefit the poor. Not only must those kinds of investment be made; they must also be made in a diligent and transparent manner so as to ensure optimum benefits for all those at whom it is targeted. In other words, the fruits of economic growth must be directed towards the concerns of the poor. These concerns are most acutely felt in sectors such as food/agriculture, education, health, and so on. Consequently, it makes sense to encourage more investment of government resources in the development of these sectors.

3. Pro-Poor Policies and the Budget Process - the Role of Parliament/ Parliamentarians, Ghana Experience

Hon Clement Kofi Humado, Chairman of the Committee on Poverty Reduction, Ghana Parliament

3.1 Basic Framework for Pro-Poor Budgeting in Ghana

Ghana is a signatory to the United Nations Millennium Declaration of September 2000 which specified time bound poverty reduction targets mutually agreed upon by the international community for the attainment of the Millennium Development Goals (MDGs). In response to this obligation, Ghana evolved a Poverty Reduction Strategy Paper (PRSP) since the year 2001 as the broad development policy framework to achieve macroeconomic stability, accelerated growth and to attain poverty reduction objectives consistent with the UN's Millennium Development Goals (MDGs).

With the formulation of the PRSP, the Parliament of Ghana had to invoke Order 191 of its Standing Orders to establish a Special Committee on Poverty Reduction in the Third Parliament of the Fourth Republic in the year 2001 as an 11 member committee. Its mandate is to exercise parliamentary oversight over the implementation of the PRSP and issues related to Ghana's poverty reduction efforts. In the fourth Parliament (2005), the committee was re-constituted as a 20-member special committee.

Initially the Committee had problems with distinguishing its role and mandate from those of existing Select Committees of Parliament responsible for specific Ministries, Departments and Agencies (MDAs). The Committee therefore had to determine its own Terms of Reference in such a way that it would not duplicate and conflict with the existing mandate of Select Committees. The present focus of the Committee on Poverty Reduction is on pro-poor issues contained in the Ghana Poverty Reduction Strategy (GPRS) and budgetary allocations, expenditures and projects associated with the attainment of the MDG Goals. These are:

- ***Basic education:*** Pre-school, Basic Education, Technical and Vocational Education, Teacher Training and Educational Management at Basic School level
- ***Primary Health Care:*** Primary Health Care expenditures on District Health Services, Regional Public Health Expenditures, Primary Health Training Institutions.
- ***Poverty Focused Agriculture:*** Smallholder Agriculture expenditures on crop production, subsidies for fertilizer and agro-inputs, special microfinance schemes for rural poor farmers
- ***Rural Water and Sanitation:*** Provision of Rural Water, Sanitation and Affordable Housing
- ***Transport:*** Provision of feeder roads and water transport to rural farming areas and access tracks to remote communities
- ***Energy:*** Rural electrification
- ***Other Poverty Focused Expenditures:*** Employment and job creation, social protection programmes, cash transfers etc.

3.2 What Type of Consultations are Conducted to Achieve Broad Consensus for Pro-poor Budgeting?

The process and institutional arrangement for achieving consensus on the priorities for pro-poor national policies, programs and projects is inherent in the National Planning System Act 1994, Act 480. The Act specifies the role of stakeholders in the formulation of the national development policy framework, how the sector and district plans based on the national policy framework are to be prepared and the role of stakeholders in preparing these plans. Stakeholders include Non-Governmental Organizations (NGO), Community-Based Organizations (CBO), Private Sector, Identifiable /Organised Groups and Associations (TUC, Federation for the Blind & Disabled etc). The role of Parliament is to ensure that annual budgets are prepared within the framework of national development plans and to verify that such plans include a report on the stakeholder consultative process involved in the preparation of the plan.

For the preparation of annual budgets, the Ministry of Finance places an Advertiser's Announcement in the daily newspapers in the first quarter of each year, to solicit for ideas and contributions from recognised professional bodies, associations, civil society organisations and individuals. These inputs are discussed at a consultative meeting between the Ministry of Finance and representatives of Stakeholders. The process engenders broad participation from across the general populace thereby ensuring citizens' ownership. However, there is no law establishing the consultative process that should be followed and thus this process is presently discretional.

In the case of the National Development Planning Commission (NDPC) that prepares the GPRS, it is clear that the need for consultative mechanism is established by law. However, in the case of the National Budget there seems to be no law enforcing compliance with the consultative process. Until a Budget Law is enacted in Ghana, Parliament may by a review of its Standing Orders insist that the Annual National Financial Policy and Budget Statement should contain a report on the public hearing involved in the preparation of the budget. This is to ensure that Civil Society's inputs are considered in the preparation of pro-poor policies and budget.

3.3 How are these Policy Priorities reflected in the Budget?

The involvement by Parliament in ensuring that policy priorities are reflected in the budget is to ensure that National Budgets are linked to the GPRS. Parliament requests the NDPC to submit Annual Progress Reports (APRs) in the first quarter of each year. In Ghana however, the compilation of the APR takes much time therefore submissions are often two years in arrears. In May 2009, the APR of the 2007 GPRS was laid in parliament and referred to the Committee on Poverty Reduction.

As part of the preparatory work towards fulfilling its mandate the Parliamentary Special Committee on Poverty Reduction held a workshop between 20th-23rd July 2009 to review the 2007 Annual Progress Report (APR) of the Growth and Poverty Reduction Strategy (GPRS II). The objective of the workshop was to subject the findings and recommendations of the APR to a wider forum of stakeholders to enable critique and dialogue with Civil Society Organizations (CSOs) and Non Governmental Organizations (NGOs), Community Based Organizations (CBOs), Development Partners and the Academia (Universities and Research Institutions).

For the first time in the history of the Ghanaian Parliament, the Special Committee on Poverty Reduction was able to make an entry into the budget cycle earlier than the consideration stage of the Appropriation Bill. This became possible through support received from the UNDP to organise a stakeholder consultative workshop from 27th September to 1st October 2009 for selected MDAs as part of increasing citizens' engagement in pro-poor budgeting through their elected representatives in the Legislature. The main objective of the workshop was to engage the selected MDAs to ensure that their respective budgets for 2010 under preparation clearly define pro-poor and sustainable development programmes to address key pro-poor issues. In addition, the workshop sought to find out how the Medium Term Expenditure Framework (MTEF) and the 2010 annual budget integrate national priorities and MDG targets through clearly costed pro-poor policies and programmes as outlined in the GPRS II. The outcome of this engagement clearly influenced increased allocations by the Ministry of Finance for pro-poor expenditure.

3.4 Parliamentary Involvement in Approving the Budget, Financial Policies and enacting the Appropriation Law

In Ghana as in most countries, the National Constitution vests Parliaments with the authority to consider National Budgets and Financial Policy Statements by approving any imposition of taxes on citizens and corporate entities and to approve any government loans, grants and budgetary support from foreign or local sources.

As Legislators, Members of Parliament (MPs) must ensure that bills introduced in parliament by government and private members are consistent with the socio economic agenda detailed in the constitution and elaborated in national development plans such as the GPRS. In approving the budget, the Committee on Poverty Reduction must examine both revenue and expenditure sides of the budget in order to evaluate economic policies and their impact on the poor. The two sides of the budget must be made to work together so that what is given with one hand is not taken away with the other.

On the revenue side, Parliament must ensure that the tax system in particular is structured in such a way as to provide maximum sustainable social protection for the poor and vulnerable, reduce the social inequality gap but also promoting growth points and social cohesiveness. Questions must be asked about the likely effects and impacts of specific tax instruments contained in the budget on respective segments of the population.

On the expenditure side, it is important to check allocations for pro-poor sectors as well as growth producing points. Some indicators that could be checked at parliamentary committee level and during debates are: level of unemployment or job opportunities created through official channels; Social Protection Programmes and cash transfers, mode of targeting and distribution; allocations to the following pro-poor sectors: rural electrification, pro-poor agriculture, primary health care, basic education, feeder and farm access roads and rural drinking water.

For example this year, the committee examined pro-poor expenditures in the national budget over the past three years and noticed a continuous annual decline in pro-poor expenditures in percentage terms. Actual pro-poor expenditure decreased from 22.82% in 2007 to 22.30% at the end of December 2008. The Committee therefore requested the Ministry of Finance for explanation and corrective measures to be taken in the 2010 budget.

Parliaments must avoid rushing budget hearings and to provide enough time for scrutiny to ensure that MDA budgets meet the need of economic growth as well as protect the poor, vulnerable and the marginalized. During budget hearings important questions for the Committee on Poverty Reduction to be asked include whether physical and financial performance in pro-poor areas of each sector at the end of year measured up to targets. If there are shortfalls what are the reasons? Questions need to be asked about targets for the ensuing year, strategies for implementation, quality of projects and programs, composition of pro-poor planned expenditures and how these relate to the realization of the overall national social development goals contained in the GPRS.

Donor Aid, Grant Funds and Budget Support Funds usually contracted by Parliament need to be examined for their poverty focus. It is important that Parliament especially the Committee on Poverty Reduction, Finance and Rural Development scrutinize Donor Aid and ask the relevant questions as to who the intended targets are and how the loan or grant would result in improved social and economic development of the poor.

Ghana went HIPC in 2002 and it became important that HIPC funds be monitored especially for their poverty reduction programmes and projects to prevent the tendency of government to use such funds in other areas. It is therefore important for the Committee on Poverty Reduction to ask the relevant questions as to the composition and percentage of planned and actual expenditure on HIPC funds. Deficits and debts are not necessarily a burden on future generations provided that commensurate portions of the required government borrowing are invested, directly or indirectly in social development projects for women, children and the poor especially in rural areas. Some of these investments have direct economic returns and should be considered by Parliament as priority even in a budget deficit situation.

3.5 Consensus on Sector and MDA Financial Allocations to Pro-Poor Programmes

In Ghana we encounter difficulties regarding what should be the desired level of allocation to each sector or Ministry in percentage terms in order to promote effective socio-economic development and poverty reduction. The Declaration of the International Conference on Financing for Development held in Monterrey (Mexico) in 2002 pegs donor aid for least developed and developing countries at 0.7 per cent of Gross National Product (GNP) in order to meet the targets contained in the MDGs by 2015.

The Maputo Declaration of 2003 in Mozambique also states that countries in Africa need to allocate at least 10% of their national budgets to agriculture (crops, livestock and fisheries).

This is an area that the Ghanaian Parliament is yet to find answers to. Networking with Economic Experts and Development Partners may be required to formulate models that give such indication in the future.

3.6 Oversight Role of Parliament during Budget Implementation

Parliamentary Committees also plan and implement field visits to selected areas of the country in order to verify implementation of pro-poor programmes, compare amounts spent with levels of achievement and report to the Speaker and Parliament. The problem with this is the inadequacy of Parliamentary budget to run such field trips. Sometimes MDAs and District Assemblies offer to support financially but this has the tendency to result in conflict of interest.

In August 2009, the Parliamentary Committee on Poverty Reduction in Ghana undertook a field visit to District Assemblies in the mining areas of the country. The visit followed news reports from NGOs that mining activities were adversely affecting the livelihoods and standard of living of rural farmers and citizenry. During the visit, the social responsibility programmes of the mining companies were examined as well as their impact on creating alternative livelihoods for the people. Also examined were the programmes of mining companies to prevent spillage from cyanide recycling reservoirs, leakage from dumped tailings, noise levels from blasting activities and effect on housing structures in the vicinity as well as restoration of degraded mining areas. The use of mining royalties by the respective Assemblies and Traditional Authorities for development of their areas to reduce poverty was also scrutinized.

Such visits however need to be carefully planned before commencement with a well-defined Terms of Reference (TOR) that specify expected outcomes of the visit, areas of focus and questions to be asked. This is another area that network with expert institutions can help to provide professional TORs and maximize the resources deployed into the visit.

There are several ways in which Parliament can influence the budgeting and development process at District Assembly level. The first is the involvement of Parliament in the approval of the formula for sharing the National District Assembly Common Fund as well as the formula for disbursing monies to District Mutual Health Insurance Schemes in the country. The Ghanaian Parliament in collaboration with the Executive have fashioned a formula in such a way that amounts provided to Districts are inversely proportional to the number and quantity of social infrastructure facilities in each District. Again, Parliament has the opportunity to question the basis of the formula as well as the quality of pro-poor projects targeted under the formula. In 2008 when Parliament saw the need to increase the percentage of funds from tax revenue to the District Assembly Common Fund, it increased the percentage from 5.0% to 7.5% in order to make more funds available for District pro-poor progammes and projects.

It is important that Parliament through its members attend sittings of their respective District Assemblies in order to contribute to pro-poor budget development of the respective District Assemblies.

3.7 Capacity Building for Parliaments to Improve Pro-poor Budgeting

Capacity building for Parliamentarians is important if they should become active players in the pro-poor budgeting process. The following capacity building programs are proposed:

i. Funds for capacity building of parliaments be included as part of the national budget as well as donor budgets to cover training, consultative workshops and oversight field trips of Parliament. Donors can play a meaningful role in facilitating the development of capacity by ensuring that country programmes include support for capacity development of parliaments and parliamentarians.

ii. Capacity building is required in understanding the composition and justification of pro-poor expenditures done by the Ministries of Finance each year and for each sector in order that funds are not misused in the name of the poor.

iii. Capacity building is required in impact analysis or interpretation of impact data of projects on the poor. Such results based evidenced data is required particularly where subsequent project phases are being considered for approval in Parliament.

iv. An important aspect of the analysis that complements the discussion on the budget pertains to the cost effectiveness of various options needed to meet pro-poor related goals. The most expensive models of service delivery are not always the most effective at certain stages of economic and social development; hence, information on all possible options must be supplied for decision-making in Parliament. For example, studies show that for many young people, non-formal education may be least effective as formal education but considerably more affordable to deliver, so that more youth can benefit.

3.8 Conclusion

The Ghanaian Parliament is still in the process of improving its influence over the Executive on pro-poor policies and budgeting. There are several challenges for the process but these can be overcome if:

a) Adequate funding is provided for the work of Parliamentary Special Committees on pro-poor policies and budgeting.

b) Parliamentary Committee on Poverty Reduction increases networking with Development Partners, CSOs and NGOs for support in the provision of evidence based information to analyse and advocate pro-poor budgets and policy impacts.

c) In the absence of laws that state clearly the consultative mechanisms to be followed in the preparation of pro-poor policies and budgets, Parliament may by a review of its Standing Orders compel the Ministry of Finance to include a report in the National Economic Policy and Budget Statement the consultative mechanisms adopted for the preparation of the budget.

4. Domestic Resource Mobilization

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4.1 Introduction

Domestic resource mobilization may be defined as the generation of savings from domestic resources and their allocation to socially productive investments. In the broadest sense DRM encompasses the mobilization of human as well as financial resources for investment. Both the public and the private sector have important roles to play. The public sector mobilizes domestic resources through taxation and public revenue generation for investment in social services and infrastructure. The private sector mobilizes the savings of households and firms through financial intermediaries, which allocate these resources to investment in productive activities Thus, enhancing DRM in poor countries involves deepening the fiscal capacity of the state and improving the social rate of return to public investments. It must also involve deepening financial markets so that they are able to attract a growing proportion of domestic savings and allocate them to commercially productive uses (Culpeper, 2008, p.1).

The importance of DRM emanates from the fact that in low-income countries facing widespread poverty, mobilizing domestic resources is particularly challenging, which has led developing countries to rely on foreign aid, foreign direct investment, export earnings and other external resources. Nevertheless, there are compelling reasons to give much more emphasis to DRM (Culpeper, 2008).

First, the most fundamental reason for doing so is that greater reliance on DRM is vital to elevating economic growth, accelerating poverty reduction and underpinning sustained development. High-growth economies typically save 20-30 per cent or more of their income in order to finance public and private investment.

In addition, DRM is potentially more congruent with domestic ownership than external resources. Foreign aid invariably often has strings attached to it. FDI is primarily oriented to the commercial objectives of the investor, not the principal development priorities of the host country.

Second, DRM is more predictable and less volatile than aid, export earnings, or FDIs.

Third, DRM is critical to "domestic integration"—strengthening economic linkages between domestic sectors (e.g. agricultural – non-agricultural) and regions (e.g. rural – urban) — which is a pre-requisite for successful external integration into the global economy.

Finally, developing countries contemplating a market-based development strategy confront a problem of "missing markets"; for instance, bond and stock markets or markets for insurance, which either do not exist or are very thin. Public and private-sector DRM must create and populate these markets before external resources (e.g. foreign investors) can play any significant role.

As regards these factors, DRM is critical to the long-term sustainability of development efforts (e.g. achievement of the MDGs, which cannot be financed indefinitely by foreign aid). As a result, DRM is a critical "anchor" for country-led development strategies. Without a substantial effort on DRM, aid, trade and FDI may push developing countries in directions not necessarily consistent with their development priorities. In other words, financing from these other sources provide countries with opportunity costs and a more difficult balancing act to achieve national objectives.

Recent work has demonstrated that what will most certainly happen as the result of global financial crisis is a notable shift in the composition of resource flows toward multilateral contributions (as more funds are channeled through the International Monetary Fund (IMF) and the World Bank); and in this context there is a danger that most of the new resources will bypass the poorer and more vulnerable countries, and instead be destined to almost exclusively for the emerging markets and middle income countries, to reduce systemic risks (Mavrotas, 2009).

Nevertheless, crises also provide us with opportunities to look at other sources of development finance beyond aid flows, FDI and portofio flows. This is what takes us to the central issue of DRM, which has two dimensions. The first is building the domestic financial system (the banking and insurance sector as well as the market for equities and public and private debt). The second is increasing government revenue mobilization.

The process of mobilizing domestic resources faces many challenges. The two major ones are the challenge of generating and increasing stream of domestic resources and the challenge of efficiently channeling them to productive investment. To overcome these challenges requires an enabling environment in the form of sound macro-economic policies to underpin financial stability and to promote private savings and investment. These policies must include a full-scale liberalization of the financial sector, including allowing the capital and money markets to determine the prices of financial assets and other money market instruments. The fiscal authorities must also consolidate public finances and provide an effective mechanism for allocation of public expenditures while crowding in the private sector. Securing fiscal sustainability through medium term expenditure frameworks is vital for promoting the mobilization of domestic resources. Other supporting measures such as the rule of law, a sound legal system, security of person and property, transparency of governments and the popular participation in the process of governance become very important. In all these parliament has an important role to play.

The purpose of this paper is to examine the domestic resource mobilization with specific reference to Tanzania. Apart from the introduction, Section 2 discusses the performance of domestic resource mobilization. Section 3 briefly discusses the role of parliament and parliamentarians in domestic resource mobilization. Section 4 analyzes the binding constraints to domestic resource mobilization. Section 5 discusses the opportunities for improving domestic resource mobilization. Section 6 addresses the issues pertaining to the strategies for enhancing domestic resource mobilization. Section 7 concludes the paper and Section 8 gives a few recommendations.

4.2 Savings Mobilization Performance

To undertake proper analysis of domestic resource mobilization it is important to first provide an overview of the recent macroeconomic developments in Tanzania. It is these developments to which I now turn.

4.3 Recent Economic Developments

4.3.1 Macroeconomic and Fiscal Objectives

The government's macroeconomic and fiscal objectives are to achieve real GDP growth of 8 per cent by 2010, reduce inflation to 7 percent, and raise domestic revenue growth to at least 18.5 per cent in 2008/09 and 20 per cent by 2010/11. It wants to keep international reserves of at least 5 months of imports, and ensure resources to finance private sector development and major infrastructure investment (African Economic Outlook, 2009).

GDP growth

Tanzania's GDP grew by 7.1 per cent in 2007, up from 6.7 per cent in 2006. This is attributable to a good growth performance in services and construction as well as the recovery of the agricultural and industrial sectors. Owing to the global economic crisis, GDP growth in 2008 was estimated to be around 0.5 percentage points below the government's hoped for 7.3 per cent. The global crisis was projected to have more serious effects in 2009 as foreign capital and tourism arrivals fall short and export earnings decline. Tourism has already started to feel the pinch; some firms reported reductions in receipts of 7-18 per cent in the last quarter of 2008. Global prices for crops such as coffee, tea and sisal are falling. The sharp fall in global oil prices, combined with corrective domestic policies are expected to help avert a sharp reduction in growth however. At the moment, the 2009 projection for GDP growth is between 5.5 and 6.5 per cent. The growth rate is likely to recover to above 6.5 per cent, depending on global and domestic economic stimulus packages (African Economic Outlook, 2009).

4.3.2 Fiscal Policy

Government revenue

Public finances have improved significantly over the last decade. A good measure of revenue performance is revenue-to-GDP ratio. The ratio rose by 7.3 percentage points between 1990/00 and 2007/08. In fiscal year 2007/08 tax-to-GDP ratio was 15 per cent of GDP, up 2 percentage points compared to 2006/07 and up 6.1 percentage points compared to 1999/00 (Table 1). Total domestic revenue for 2007/08 was in line with the target for the year. In 2008/09 domestic revenue collection was estimated to reach 4.73 trillion Tanzanian shillings (TZS), 14.3 per cent of GDP (***see Table 1***).

Government expenditure

Government expenditure has recorded significant growth, contributed by higher volumes of official development assistance. Most of the extra assistance has been in the form of budget support for poverty reduction. In 2007/08 actual expenditure was 23.3 per cent of GDP, similar to the preceding year, but it fell short of the budgeted 27 per cent of GDP. However, it was up 8.1 percentage points compared to 1990/00 (***Table 1***).

Fiscal deficits

In 2007/08 the overall budget deficit was at its lowest in a decade at TZS 2 billion. About 44 per cent of realized expenditure (10.2 per cent of GDP) was financed from development aid including loans, grants and proceeds from debt relief. The government had targeted a reduction of donor dependence in its TZS 7.2 trillion budget for 2008/09 to 34 per cent. This was envisaged to require the raising of more domestic resources and spending restraint to ensure that from fiscal year 2008/09 recurrent expenditures would be fully covered from domestic resources. It was targeting zero net domestic financing for 2008/09 which, if achieved, could ensure continued sources of domestic financing for private sector investment, should foreign capital inflows decline. However, this objective was not achieved.

Table 1. Public Finances (percentage of GDP at current prices)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09(e)	2009/10(p)
Total revenue and grants*	**13.8**	**15.7**	**16.2**	**18.3**	**18.8**	**18.5**	**17.9**	**19.0**	**22.2**	**21.2**	**20.5**
Taxe revenue	8.9	10.6	10.6	11.0	11.7	10.8	11.5	13.0	15.0	14.3	14.1
Grants	3.6	3.8	4.3	6.2	6.1	6.6	5.4	4.9	7.0	5.7	5.2
Total expenditure and net lending*	**15.2**	**16.8**	**16.6**	**19.9**	**22.2**	**21.7**	**22.8**	**23.0**	**23.3**	**23.3**	**22.1**
Current expenditure	10.5	12.9	12.5	14.9	16.6	13.5	17.2	17.0	15.1	14.9	13.7
Excluding interest	8.9	11.3	10.2	13.9	15.7	12.5	15.9	15.8	14.0	13.9	12.8
Wages and salaries	3.7	4.1	4.2	4.0	4.0	3.7	3.9	5.0	5.1	4.7	4.5
Interest	1.7	1.6	2.3	1.0	0.9	1.0	1.3	1.1	1.2	1.0	0.9
Capital expenditure	4.7	3.7	3.9	5.0	5.6	8.2	5.6	6.1	8.1	8.3	8.3
Primary balance	**0.2**	**0.6**	**1.9**	**-0.6**	**-2.5**	**-2.3**	**-3.6**	**-2.9**	**1.2**	**-1.1**	**-0.7**
Overall balance	**-1.4**	**-1.1**	**-0.4**	**-1.6**	**-3.5**	**-3.2**	**-4.9**	**-4.0**	**0.0**	**-2.1**	**-1.5**

a. Only major items are reported
Source: Ministry of Finance and Economic Affairs

4.3.3 Monetary Policy

The inflation rate has gradually been rising since the beginning of 2006 and averaged 10.3 per cent in 2008. It reached 13.5 per cent in December 2008, the highest rate in a decade. Such a high rate of inflation was caused by the rise in world food and fuel prices and liquidity expansion caused by growing government spending.

During 2007/08 the Bank of Tanzania adopted a policy mix that combined greater sales of foreign exchange and reduced reliance on Treasury bills to control liquidity. The frequency of Treasury bill auctions was reduced from weekly to fortnightly. In June 2008 the average 12-monthTreasury bill rate was 7.8 per cent compared to 17.1 per cent in June 2007. The rate remained below 11 per cent throughout 2008. However, lending rates by commercial banks declined only marginally in this period, to 14.76 per cent in June

2008. The limited fall in lending rates is a reflection of the perception of the default risk by borrowers. Interest rates on local currency deposits also declined during the year, yielding negative real returns when combined with rising inflation (***see Table 2***).

During 2008 the Tanzanian shilling exchange rate fluctuated widely, depreciating in the second half of the year. The monthly average exchange rate of the US dollar (USD) against the shilling in the interbank foreign exchange market closed the year at an average of TZS 1 273.6 in December 2008 compared to TZS 1158.9 per dollar in December 2007. Based on annual averages, however, the shilling appreciated by 4 per cent in 2008 to 1196 TZS per dollar. The Bank of Tanzania planned to still use foreign exchange sales in 2008/09 to manage liquidity, though the size of the sales would be smaller (***Table 2***).

Table 2. GDP growth, Inflation, and Interest Rates

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP Growth	4.1	4.8	4.9	6.0	7.2	6.9	7.8	7.4	6.7	7.1	7.4
Inflation	12.8	7.9	5.9	5.1	4.6	3.5	4.2	6.0	6.2	8.8	10.3
Exchange rate (TZS/USD)	681.0	797.3	803.3	916.3	976.7	1063.6	1043.0	1165.5	1261.6	1132.1	1280.3
Lending rate		22.7	23.1	18.0	15.7	13.8	14.8	15.0	16.4	15.3	15.1
Time deposit rate		7.2	5.8	4.0	3.4	3.9	4.4	5.3	7.2	8.3	6.8
Savings deposit rate		7.1	4.7	3.6	2.7	2.5	2.6	2.6	2.6	2.7	2.7
Real Deposit rate		-0.8	-1.2	-1.6	-1.8	-1.0	-1.6	-3.4	-3.6	-6.1	-7.6
Interest rate spread		15.6	18.4	14.5	13.0	11.4	12.2	12.4	13.8	12.6	12.4
M3 to GDP ratio	13.2	14.9	16.3	18.0	21.0	22.9	25.3	32.6	37.3	42.2	30.0
M2 to GDP ratio	10.8	11.9	12.7	13.6	15.5	16.5	18.2	23.3	24.8	29.8	22.1

Source: Bank of Tanzania

Tanzania's financial soundness indicators continue to be favorable, and its financial sector is well capitalized and liquid. In 2008 the ratio of liquid assets to total assets was 41.3 per cent compared to 48.1 per cent in 2007 and the stock of non-performing loans to gross loans remained stable at 6.3 per cent. The Bank of Tanzania stated that the financial sector remains well protected from the international financial crisis but is looking for ways to mitigate the risk of any worsening of the crisis. Tanzania and the International Monetary Fund (IMF) jointly organized an international conference in March 2009 seeking to find ways to maintain development gains by Tanzania and other African countries in the face of the economic crisis (***African Economic Outlook, 2009, p. 22)***.

4.3.4 External Position

Tanzania's current account deficit widened by 50 per cent in nominal terms in 2007 and rose to 11 per cent of GDP from 8.2 per cent in 2006, and 4.6 percent in 2000 (Table 3). The deficit rise reflects a large increase in the trade deficit due to a rise in the value of imported goods, especially fuel, and larger imports of capital goods. The deficit continues to be financed by substantial donor inflows and foreign direct investment. The level of foreign exchange reserves grew in absolute terms reaching USD 2,648.5 million (4.4 months of imports of goods and services) in June 2008, 23 per cent higher than the level of reserves in June 2007. The current account deficit was estimated to reach 14.8 per cent of GDP in 2008 and is projected to improve to 9.7 per cent in 2009 due to lower oil prices (Table 2). The Bank of Tanzania wishes to increase foreign exchange reserves to 5 months of imports by June 2009 if official aid levels are not reduced (African Economic Outlook, 2009, p. 22).

Exports grew by 13 per cent in 2007, substantially lower than the 23 per cent growth rate in 2006. But their contribution to GDP reached 13.2 per cent compared to 13.4 per cent in 2006 and 6.5 percent in 2000. Service exports rose dramatically with receipts increasing by 34 per cent (Table 3). Growth in the value of merchandise exports was supported by increased exports of manufactured goods and higher volumes of traditional exports, especially cotton, tea and sisal. Because of higher gold prices, the value of mineral exports increased despite a reduction in the volume of mineral output during 2007. In the same period, imports rose 34.4 per cent, driven by increases in the value of intermediate and capital goods imports. For 2008 and 2009 import growth is expected to remain strong although the bill may be cushioned by falling costs of imported fuel.

Although export promotion measures continue to yield results, declines in world demand arising from global financial crisis could hit export growth. Efforts to promote Tanzania as a tourist destination are being intensified, especially in the Middle East and Far East. Strengthening cooperation with the East Africa Community (EAC) and the Southern Africa Development Cooperation (SADC) could boost the market for Tanzanian exports. Heads of state met in Kampala in 2008 to discuss an initiative to merge the EAC, SADC and the Common Market for Eastern and Southern Africa (COMESA) into one regional bloc. In the meantime the EAC is implementing a roads project to effectively connect all member countries and is stepping up plans to create an EAC common market and eventually monetary union. The conclusion and signing of the protocol for common market is set for April 2009 (African Economic Outlook, 2009, p. 23).

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008(e)**	**2009(p)**	**2010(p)**
Trade balance	**-6.9**	**-8.3**	**-6.2**	**-7.8**	**-7.8**	**-9.3**	**-13.6**	**-16**	**-19.2**	**-14.1**	**-15.9**
Exports of goods (f.o.b)	6.5	8.2	9.2	11	11.5	11.8	13.4	13.2	12.2	11.2	10.1
imports of goods (f.o.b)	13.4	16.5	15.5	18.8	19.4	21.2	27	28.9	31.4	25.3	26
Services	**-0.5**	**-0.1**	**-0.5**	**-0.8**	**1.2**	**0.4**	**1.9**	**1.5**	**1.5**	**1.7**	**3.1**
Factor income	-1	-0.9	-0.2	-0.4	-0.9	-0.8	-0.6	-0.5	-0.3	-0.5	-0.4
Current transfers	3.8	4.2	4.3	5.3	4.6	3.5	4.1	3.7	3.3	3.2	2.8
Current balance	-4.6	-5.1	-2.6	-3.7	-2.9	-6.2	-8.2	-11	-14.8	-9.7	-10.4

Source: Ministry of Finance and Economy data, AEO (2009) data; estimates (e) and projections (p) based on AEO (2009), Table 3, page 15.

4.3.5 Savings Performance

Sub-Saharan Africa has the lowest savings rate in the developing world. Invariably, figures do vary from country to country, gross domestic savings in the region averaged 17 percent in 2003. This compares to 23.1 percent for all low-income countries in 2003. Gross domestic savings in the region averaged about 18 percent of GDP in 2005, compared with 26 percent in South Asia and nearly 43 percent in East Asia and Pacific countries according to World Bank estimates. Another measure of savings, which takes account of the impact of the depreciation of fixed capital, is net national savings. Gross domestic savings as a percentage of GDP averaged around 16.

In some countries, those rates are even on the decline. South Africa alone accounts for almost 40 per cent of sub-Saharan Africa's total GDP. Yet in 2006 the country's gross domestic savings rate declined to 13 per cent, from 26.7 per cent in the early 1980s. "This downward trend has been persistent for over two decades," Elias Masilela, a board member of the South Africa Savings Institute, commented in June of that year.

In Uganda the savings rate is only 10 percent of GDP. Japheth Katto, the chief executive officer of the country's Capital Markets Authority, recently said the rate will not improve in the near future "unless concerted efforts are made to increase financial-sector outreach."

Although a handful of countries have achieved higher savings rates, the bottom line is that the region's savings rate "is not commensurable with the investment needs of 25 percent of GDP required to reduce poverty by 2015," argues Jean Thisen, a senior economic affairs officer with the UN Economic Commission for Africa (ECA), headquartered in Addis Ababa, Ethiopia.

In Tanzania, gross domestic savings rate has remained more or less constant over the 2000-2005 period at around 16 percent, averaging 16.3 percent. This is still far above the average for Eastern African countries which improved from 5.3 in 2000 to 7.5 in 2005, but slightly below that for sub-Saharan Africa of 17.6 percent in 2005. Gross domestic saving is a serious obstacle in reaching the goal of realizing high economic growth and significant poverty reduction, in the absence of increased external inflows. Although the rising share of gross domestic saving is encouraging in Tanzania, a lot needs to be done to stimulate savings to rise sharply.

Private Savings

Considering private savings in Tanzania, a similar development can be seen as the share of private savings has been more or less constant averaging 14.1 percent over the same period (Table 4). The share for Eastern African countries has been rising but remained below 10 percent of GDP far much below that of Mauritius, where private savings had exceeded 30 percent of GDP. Such high rates of private savings are imperative for economic transformation.

Table 4. Gross Domestic Savings and Private Savings (percentage of GDP)

	2000	2001	2002	2003	2004	2005
Gross Domestic Savings-to-GDP ratio	16.1	15.9	17.7	15.8	16.0	16.1
Private Savings-to-GDP ratio	14.1	13.7	15.6	13.6	13.8	14.0

Source: ECA, 2009, pp. 7-8, tables 6 and 8.

Public Savings

Total revenue and grants constituted 22.2 percent of GDP in 2007/08. Out of this, tax revenue was 15 percent of GDP, making the country depend on external budgetary assistance. In the same fiscal year grants constituted 7 percent of GDP. This was about one-third of total tax collection in that year. However, due to its unreliability in terms of disbursement, reliance on external budgetary assistance has often led to domestic borrowing. This explains also the high levels of domestic interest rates. In contrast to poor performance of government revenue, public expenditure has on average been rising steadily from 15 percent of GDP in 1999/00 to 23.3 percent in 2007/08. The primary balance has improved considerably from 0.2 percent in 1999/00 to 1.2 percent in 2007/08. In contrast the overall fiscal deficit has worsened; it grew from -1.4 percent of GDP in 1990/00 to 4.9 percent of GDP in 2005/06 and then improved to -4 percent in the following year (*Table 1*). This is an indication of very low public savings.

On revenue side, fiscal strategies adopted by the government of Tanzania have targeted raising revenues substantially as a percentage of GDP in order to finance part of public expenditures. Unfortunately, the country still suffers from tax collection capacity, and to improve tax mobilization, the country has focused on strengthening tax administration, and taking into consideration that there is almost no scope for raising existing tax rates without distorting resource allocation and undermining incentives for voluntary taxpayer compliance. The government has implemented reforms to strengthen the management of tax administrations, to improve their internal systems, to enhance training of personnel and to improve taxpayer compliance.

On expenditure side, fiscal strategies entail maintaining strict budgetary discipline in order to minimize government borrowing from the domestic banking system which could either be inflationary or crowd out private sector borrowing. This means that the government must restrict its total expenditures to less than the sum of domestic tax and non-tax revenues and net inflows of external donor finance.

4.4 The Role of Pension funds as an agent of DRM

Apart from the commercial banks, pension fund institutions constitute another source of savings and investment. In Tanzania, these institutions receive contributions from employees in the form of forced savings. They save and invest these contributions. In Tanzania there are four pension fund institutions: 1) Government Employees Provident Fund (GEPF); 2) Local Authorities Pensions Fund (LAPF); 3) National Social Security Fund (NSSF); and 4) Parastatal Pension Fund (PPF).

The PPF was established in 1978 to provide pensions and other allied benefits to its members, most of whom were employees in the parastatals. With the advent of the market economy, PPF expanded its services to private companies as well. By the end of 2002, PPF had 460 members, compared to 411 member companies. Benefits given by PPF include deposit administration, withdrawal, gratuity, monthly pension, commuted pensions, gratuity, death gratuity, and education. PPF investment portfolio includes fixed income assets (fixed deposits, treasury bills, treasury bonds, government stocks, corporate bonds, promissory notes, and term loans), investment in properties, and investment in equities (involves holding of or subscribing to shares in private and public companies).

NSSF mobilizes workers' contributions from employers in the private sector, Non Government Organizations (NGOs) parastatal organizations and other employers in the private sector. Members' funds are invested in various economic ventures including government securities, shares in companies and real estate with the objective of increasing the Fund's income, to enhance benefits to its members. Currently, benefits offered by NSSF include old age, invalidity, survivor, funeral, employment injury, health insurance, maternity, and withdrawal benefits.

GEPF invests in government securities, fixed deposits, corporate bonds, and equity.

For all these institutions, annual contribution collections far exceeded annual benefit payments. For example, in 2006, NSSF benefit payments were only 31.7 percent of members' contribution. PPF benefit payments were about 34 percent of employee' contribution for the same year. For GEPF it was only 14.2 percent. These figures are indicative of underpayment of the beneficiaries by the pension institutions, the worst being PPF.

4.5 The Role of the Parliament and Parliamentarians in DRM

The legislative 'power of the purse' is said to be fundamentally important for democratic government. Yet, even a cursory comparison of legislative arrangements for financial scrutiny has to conclude that legislatures differ widely in the way with which they exercise the 'power over the purse' (Wehner, 2005). The US Congress has broad constitutional powers in financial matters, makes budgetary decisions through a complex system of specialized committees in both houses, and has access to extensive analytical support in the Congressional Budget Office (CBO). The UK Parliament, by contrast, has abdicated the right to financial initiative to the executive, does not have a specialized budget committee, and has no parliamentary budget office to provide analytical support.

Given that the authorization of taxes and public expenditures is a primary function of the legislature in any democratic system, such an amount of variation among modern democracies is perplexing. In East African Parliaments the role of Parliaments is embedded on the UK model commonly referred to as the commonwealth parliament model. However, several modifications have been done on the commonwealth model in some cases; for instance, in Uganda the role of Parliament in public finances was enhanced by the Budget Act 2001 which empowered parliament to roles similar to US system. The Parliament of Uganda has powers in addition to making budgetary decisions but also in domestic resource mobilization. In addition to these powers, like the US system, it has access to technical analytical support in the Parliamentary Budget Office. The other parliaments in the region though have not modified their role in the budget and domestic resource mobilization signs are that they are in the process of adapting the Ugandan model. Indeed parliaments of Rwanda, Kenya and Southern Sudan are in different stages of reforming their roles. These powers provide an important role to parliament in domestic resource mobilization.

The Tanzanian Parliament has limited constitutional powers in financial matters. Tanzanian constitution is one of the weakest pertaining to financial and particularly in taxation matters. In the entire constitution, there are only two articles on taxation matters: Article 99 and 138. According to Article 99:

(1) Parliament will not involve itself in any of the matters relating to this paragraph except if the President has recommended that a particular matter be dealt with by

parliament, and if the President's recommendation has been submitted to Parliament by a Minister.

(2) Issues involved in this paragraph are as follows:-

a) A bill or any changes in a bill in respect of any of the following matters-

- Imposing taxes or modifying taxes in any other way other than reducing it;
- Ordering that expenditure or spending be done from the Treasury of the Government or any other Government Fund, or to change the ceiling in any way other than reducing it;
- To withdraw or cancel any loan owed to the Government of the Union;

b) A motion or any changes in a motion in respect of any of the things mentioned in sub-section (a) of this sub-paragraph.

(3) The conditions of this paragraph will not apply to a bill submitted to Parliament or any motion submitted to Parliament by a Minister or Deputy Minister.

According to Article 138(1) “No tax of any kind shall be imposed save in accordance with a law enacted by Parliament or pursuant to a procedure lawfully prescribed and having the force of law by virtue of a law enacted by Parliament”.

Such a weakness in the constitution limits the scope of the Parliament in contributing to domestic resource mobilization.In contrast the Brazilian and Ethiopian constitutions are rich in taxation and expenditure issues. They have more provisions on fiscal issues than most developing countries. Ugandan constitution comes next.

According to the Ugandan constitution article 152 on taxation, 'no tax shall be imposed except under the authority of an Act of parliament'. In addition, if a tax is waived under the same law the waiving authority is obliged by law to report back to parliament. In due regard, the executive annually presents the finance bill to parliament which signifies changes in tax policy/rates, tax bases and tax administration policy. With the guidance of technical analysis within parliament, the legislature is mandated to scrutinize these proposals and make necessary amendments and consequently pass them. Here parliament plays an important role in domestic tax mobilization. It can propose ways of improving tax mobilization, it can remove or introduce a new base, it can alter the rates imposed, and propose tax administration reforms. However, in Tanzania, Tax reforms are initiated by the executive.

The ultimate power for government to borrow rests with parliament. Indeed, Article 159 (2) of the Ugandan constitution states 'Government shall not borrow, guarantee, or raise a loan on behalf of itself or any public institution, authority or person except as authorized by or under an Act of Parliament. Under this law domestic loan mobilization powers are embedded within parliament. This is not the case in Tanzania.

In addition, any resources which are expended on the consolidated fund can only be done by an approval from Parliament. Here resources mobilized directly by government borrowing from the Central Bank fall into this category.

Under section 4 of the Budget Act 2001, the executive is obliged to submit to parliament a macro-economic plan and indicative framework (of which revenue estimates are included) for the upcoming budget. Under the macro-economic plan, domestic revenue mobilization from the monetary policy perspective is influenced. Parliament is expected to propose revisions and recommend alternatives in the executive submission. Again technical capacity notwithstanding, Parliament here can play an important role in the way government will mobilize resources from inflationary financing of the budget.

Parliament oversight role provides for a monitoring role and supervision of executive organs under which domestic revenue collecting functions fall. In due regard, parliament is expected to monitor the performance of government programs of which domestic resource mobilization is pertinent. Parliament of Uganda, for instance periodically receives reports on the performance of domestic revenues both taxes and non tax revenue. In so doing, Parliament can play a role in ensuring government entities perform better in domestic resource mobilization. Thus capacity notwithstanding parliament can recommend and influence the performance of domestic resource mobilization.

However, the role of Parliament hinges mainly on the level of separation of powers and respect for respective roles embedded in each arm of government by different players.To give the parliament and parliamentarians more power pertaining to DRM, their role should go well beyond specific constitutional provisions. For example, this could be done via setting up independent committees, oversight mechanisms for public expenditure and guidance on tax reforms. Parliamentarians should contribute to wider goals of broadening the tax base. This cannot be achieved through deliberation on the fiscal budget in the parliamentary sessions but going beyond that. The Parliament could set up a committee whose main function is to look into tax issues. But these again will depend upon whether the constitution would accommodate such schemes.

According to Article 99, a tax bill must come from the government and not from the private sector. This is reasonable but it reduces the power of the parliament in initiating a tax bill. For instance, exemptions are one of the major problems in taxation which has reduced the tax base of sub-Saharan Africa (SSA) countries, particularly Tanzania. A bill to reduce or abolish exemptions can only come from the government. A member of parliament cannot move a motion in the house to that effect since the Tanzanian constitution does not accommodate that. Thus at the moment, there is not much that the parliamentarians can do on exemption. However, the parliamentarians do much more on revenue management beyond what is taking place at present.

4.6 Binding Constraints to Savings Mobilization in Tanzania

Financial constraints

There are many reasons for Africa's low savings rates. These include: inadequate financial services; physical distance from banking institutions and high minimum deposit and balance requirements. All these factors make it difficult for the majority of the population to get access to banking services. As a result, only 20 per cent of African families have bank accounts (*Dovi, 2008, p.3*).

In East Africa, Ethiopia, Uganda and Tanzania each have less than one bank branch per every 100,000 people. The ratio is better for some Southern African countries. Namibia has more than four, Zimbabwe more than three and Botswana nearly four (*p. 3*).

Banks' minimum balance requirements and the cost of maintaining an account are too high for many people. Opening a bank account in Cameroon requires a $700 deposit, according to a 2007 World Bank policy research report. That is more than the annual income of many Cameroonians.

Many banks also insist on considerable documentation to open an account. Banks in Cameroon, Sierra Leone, Uganda, and Zambia require at least four documents, including an identity card or passport, recommendation letter, wage slip and proof of address. In a continent where many people work in the informal sector and more than 60 per cent live in rural areas, gathering such documentation can be a challenge.

Even when people have extra money, there may be little incentive to save. In Ghana the interest paid on savings is insignificant, while annual interest rates on loans range between 23 and 25 per cent. In Tanzania, the interest paid on savings is around 3 percent, while the annual interest rate on loans range from 12 to 26 percent.

The low level of formal savings deposits means that many banks have limited funds to lend out and comples them to charge high interest rates. As a result, the World Bank estimates firms in sub-Saharan Africa fund between one-half and three-quarters of their new investments from internal company savings. While such "self-investment" may be productive, industry experts say that retained earnings are normally not sufficient, and this constrains the operations of many businesses. In Tanzania the situation is different. Banks have excess liquidity and hence excess money to lend but they don't lend corresponding to the available funds. The source of excess liquidity emanates from a myriad of bank charges on account holders not from lending on one part. On one hand banks do not lend due to high default rate. On the other hand, they don't lend due to the high collateral requirement and high rejection rate of loan applications. In Kenya collateral requirement is high but rejection rate is low compared to Tanzania.

Access to credit be it private, public; informal, semiformal and formal is one of the major constraints to DRM in Tanzania and other SSA countries. From what we have seen, the issue of broadening access to credit has now become very political, in fact that is partly at the root of the global financial crisis with experiences such as Fannie Mae, Freddie Mae in the US. In SSA the situation is the opposite. Thus the steps to be taken to ease access to credit for low income, informal, semiformal segments are important. The parliamentarians can play a role here.

Fiscal constraints

Tax policies

Public revenue is low in Tanzania. Low incomes and poor growth performance are often given as reasons for low revenue. However, many countries will have great difficulty in having extreme income poverty by 2010 or reaching other MDG targets without mobilizing more domestic revenue. A large influx of Official Development Assistance (ODA) could help scale up public investment programs to attain the MDGs, but such assistance cannot supplant domestic resource mobilization over the long-run.

Despite conventional assumptions to the contrary, the domestic resource base of Tanzania is too small currently, not too big. A widespread 'small government ideology' has masked the reality that many governments do not command resources necessary to finance many essential public services. To put matters in perspective, for all developing countries, tax-to-GDP is only 18 percent. For Tanzania it is 15 percent, compared to 30 percent for industrial countries (Tanzi and Zee 2001). The revenue of many poor countries is below this average. It is therefore important for Tanzania to find ways to boost its revenue base towards 20 percent, if not towards 25 percent of DGDP over the long-term. Such a process will not be easy though. Although Tanzania has in recent years been successful in maintaining decent rates of economic growth, it has not been able to translate this success into a self-sustaining process of development. However, it would be mistaken to conclude that mobilizing more domestic revenue is an insurmountable task for many countries.

Monetary policy

Interest rates continue to be market determined. Policy efforts have been directed towards narrowing the spread between commercial banking lending and deposit rates as well as maintaining positive real interest rates. In line with rising demand for credit in the private sector, interest rates on local currency-denominated loans trended upwards, with the overall lending rate rising from 15.0 percent in December 2005 to 16.4 per cent in December 2006. Similarly, during the same period, the weighted-average interest rate on time deposits improved from 5.2 per cent in December 2005 to 7.2 per cent in December 2006 (BOT, 2007). However, the overall commercial bank lending rate has dropped to 15.09 percent down from 16.35 percent recorded in the corresponding quarter in 2007. The margin between overall lending and saving deposit rates remained at the same level of about 12.5 percent recorded during the quarter ending December 2007. The overall lending rates declined slightly from 15.25 percent registered during the quarter ending December 2007 to 15.09 in March 2008 (BOT, 2008: V). At any rate, interest rate spread is still very high, which is one of the major constraints to access to credit.

Financial policies

Financial policies are very much linked to monetary policies. Tight monetary policies usually raise real interest rates, which consequently directly affect the financial sector. However, financial policies including those that influence the mobilization of savings and the disbursement of credit have a scope far beyond monetary policies.

Financial policies play an important role in domestic savings mobilization. In addition, they are also important in channeling these savings as well as external private financing, into productive long-term investment. Whereas raising tax revenue can expand the 'fiscal space' of government to pursue more concerted public investment programs, mobilizing and deploying private domestic savings are essential to stimulating private investment. Economic prosperity results from running along both these tracks. In many countries that have attained rapid economic growth, the state has invariably played a crucial role not only in providing essential public investment, but also in ensuring that necessary and sufficient conditions are laid for self-sustaining capital accumulation—i.e. mobilizing domestic savings and capturing it for deployment in productive private (and public) investment.

The record of financial liberalization accordingly has not been cosmological. Its impact is at most been neither pro-growth nor pro-poor. In responding to liberalization, commercial banks in Tanzania have concentrated their activities in major urban areas. Although aggregate statistics of financial deepening indicate improvement, access to credit has become, if anything, more unequal. The rural population remains deprived of credit in Tanzania, and is likely worse off compared to the access to credit that state owned agricultural banks such as the old Cooperative and Rural Development Bank (CRDB) had previously provided.

One factor that has affected growth in Tanzania is limited access to long-term investment. Understandably, risk averse, particularly in conditions of economic stagnation, commercial banks focus more on short-term lending, such as consumer durables for high-income households, working capital for enterprises or purchase of short-term government securities. The risks are too high for banks to commit loans for long-term investment purposes. When they do so, they provide loans to the few large corporations in urban areas that they consider credit worthy, however at high interest rates.

Integrally connected to lack of credit in Tanzania is the high interest-rate spread between deposit and lending rates of interest, i.e., over 12 percentage points. The high spread in most countries including Tanzania indicates that loans are relatively expensive, particularly for long-term private investment. Such high spreads imply that commercial banks can make hefty profit rates on the loans they disburse but their volumes are still too low to make large profits. Instead they make profits from imposing multiple charges on their customers.

What are the other causes of low savings? Why are Africa's savings too low? There are various explanations. The first one is the demographic factors. Another common explanation is that when incomes are low, a very large portion of the total has to be devoted to "survival consumption". In other words, Africans are 'too poor' to save. Yet poor countries in other regions of the world, particularly in East Asia, have succeeded in saving, accumulating capital and developing. What is holding back Africa from doing so?

Another explanation is that Africa lacks financial institutions, namely institutions that can mobilize and monetize domestic savings. This could indeed be an important factor. As a ratio of GDP, banking sector credit was about 75 percent in 2003 in SSA, compared to about 45 percent for all low income countries. Of course the ratio for South Africa was about 158 percent, which weighs heavily in the aggregate for Africa. Lack of credit is not the only problem, however. Very little credit seems to be financing productive investment.

Yet another explanation for low savings is that there is a lack of investment opportunities in Africa. For some forms of investment, such as in land, for example, the act of investment is simultaneously an act of saving. There is also the Keynesian explanation that investment creates its own savings, through the 'multiplier-accelerator' model (Pollin, 2002). This approach emerged in opposition to Pre-Keynesian view that the savings rate is the main determinant of investment. However, the Keynesian model does not explain how the first burst of autonomous investment, which initiates the 'multiplier accelerator' process can be financed (*Pollin, 2002, p.4*).

When savings are low, it might be difficult to jumpstart the initial phase of self-sustaining capital accumulation. The state might have to intervene not to generate an initial pool of national savings, but also to direct it to long-term productive investment. This factor appears to be one of the explanations of the rapid economic progress of some East Asian economies. So neither the Neo-liberal position on savings (namely, that financial liberalization will surely amplify savings and savings, in turn, will be channeled to finance private investment) nor the Keynesian position on savings (namely, that investment will generate its own savings) is totally satisfactory for underdeveloped economies. Neither position presents an adequate theory of capital formation.

Part of the explanation of low savings in Africa may be relatively high inequality. The argument would be that a highly skewed income and wealth distribution leads to wistful elite consumption, instead of high savings (the latter being what conventional wisdom assumes).

An extension of this argument would be that the rich in Africa are involved in causing substantial capital flight. Some analysts have argued, for instance, that far from being heavily indebted, many sub-Saharan African countries are net creditors to the rest of the world (Boyce and Ndikumana, 2000). While the government of these countries might be net debtors, the countries themselves are net creditors because well-to-do Africans spirit much of their wealth out of the continent. Boyce and Ndikumana estimate, for example, that cumulative capital flight totaled about US$285 billion (including imputed interest earnings) for 25 SSA countries during 1970-1996. This was about 1.6 times their total stock of external debt. Capital flight is undoubtedly a significant factor in explaining the relatively low domestic savings rates in Africa.

4.7 Opportunities for Enhancing Savings Mobilization

Private Savings

In Africa, many economic activities are carried out in the informal sector. Although many households have notable savings, they are not being held in the non-financial form. Additionally, they are not being significantly channelled into productive investments (Dovi, 2008, p.4).

Many Tanzanians like most Africans still keep most of their savings in livestock, stockpiles of goods for trading, grain, jewellery or construction material. Data are limited, but some experts estimate that about 80 per cent of all household assets in rural Africa are in non-financial forms (p. 4).

To tap into such assets, it is necessary to "introduce new financial products or instruments that respond to the saving needs of households," says Mr. Gayi of UNCTAD. Savings products that "permit easy accessibility" and allow for "small transactions at frequent intervals" would encourage households to shift to the formal system, thereby making such assets available for productive investments, he says.

In Uganda, according to an extensive survey reported by the UN Capital Development Fund (UNCDF), people with access to formal bank accounts saved three times more in the 12 months studied than those who held their assets in the "semi-and informal sectors."

The UNCDF noted in its 2004 report that in Rwanda about half a million savings passbook accounts, with an average account size of $57, pulled almost $40 million into circulation in 2001. "Although this may not appear significant," argued the UNCDF, "proper circulation of these funds into credit products could have a significant multiplier effect in the Rwandan economy."

The role of financial intermediation is to provide the crucial link between savings and investment. Despite households' demand for adequate savings instruments and firms' need for credit, the financial sector in Tanzania performs poorly in terms of intermediation. The formal sector suffers from poor risk-management capacity. This translates to its activities being limited to meeting the needs of government and small number of formal sector reforms. Most commercial banks in Tanzania have excess liquidity. Unfortunately, banks' resources are dominated by short-term deposits that cannot be invested in long-term projects (ECA, 2009, p.10). How can these resources be used for long-term investments? There are opportunities for enhancing savings mobilization by improving financial intermediation.

The informal sector is known to succeed in mobilizing considerable resources from households and small business. However, its institutions do not make these resources available for further investment. To promote microfinance institutions in the semi-formal sector and enhance them with new information technologies that lower the cost of providing services to rural and poor areas would provide a good opportunity for enhancing savings mobilization.

Studies have indicated that workers' remittances represent a more important capital inflow than FDI, and some countries, than ODA inflows (UNECA, 2006). Remittances can have a positive impact on receiving country in a number of ways. First, as inflows of foreign capital, remittances improve the balance of payments situation of receiving country. Second, remittances directly reduce poverty and help households smooth their consumption patterns, thereby indirectly contributing to stabilizing the country's economic activity (UNDP, 2005). Finally, there is some evidence of remittances being increasingly used for investment purposes, mainly in financing small and medium-sized enterprises or small infrastructure projects (UNCTAD, 2007). With appropriate policies and institutions in place, they could be better harnessed as a development resource and channeled into productive investment, thereby contributing to employment and growth. This constitutes another opportunity for enhancing savings mobilization.

High risk and generally poor business environment are key determinants of low investments in Tanzania. Poor infrastructure discourages investment as it increases production costs. Countries in Eastern Africa, Tanzania inclusive are ranked low in the World Bank Report, "Doing Business 2009" and main barriers to private investment include: labor market constraints; low investment protection; high taxes and cumbersome tax system, lack of long-term credit for investment, etc. These barriers explain why the FDI is still low in many countries in the region.

Table 5. Workers' Remittances for 8 Countries in Eastern Africa, 2001-2005

	2001	2002	2003	2004	2005
Comoros	12	12	12	12	12
Ethiopia	18	33	46	134	174
Kenya	395	494	371	524	
Madagascar	11	17	16	11	11
Rwanda	8	7	9	10	21
Seycheles	5	7	11		
Tanzania	15	12	9	11	16
Uganda	342	421	306	368	450

Public savings

Informal sector and domestic resource mobilization

Structure of the informal economy

Seven key characteristics of informal sector activity include:

(i) low entry costs, and general ease of entry;

(ii) unregulated and competitive markets;

(iii) reliance on indigenous resources;

(iv) family ownership of enterprises; small scale operation;

(v) labour intensive and simple technology;

(vi) skills acquired outside formal schooling system.

Thus, the informal activities can take on various forms such as vending, hawking, petty trading, small and micro-scale enterprises, food manufacturing, carpentry, hairdressing, shoe repair, construction, but also selling agricultural crops outside the formal market systems and even informal networks of exchange such as bureaucratic favors, Patronage - and various forms of corruption.

The informal sector has often been viewed as marginal and backward part of the national economy. However, by considering the motives for certain actors to enter the sector it becomes evident that it is in fact a lucrative sector able to supply a sufficient outcome. Furthermore, it has also been discovered that the informal economy is in fact a largely important component of the national economy.

The size of the informal sector depends on the size of the formal sector. If the formal sector cannot supply jobs to absorb surplus labor and if real wages are too low, people will, according to them, seek employment within the informal sector. They seem to suggest that informal sector is thus the product of the failed economy and people seek entry into the sector due to poverty.

In Tanzania, informal sector activities peaked in the period 1980-87. Also according to /LO/JASPA survey in the 1980-88 employment creation in the informal sector in Tanzania increased by an average of 6.7 percent annually and that the informal sector employed twice as many workers as the formal sector.

However, the Tanzania Labour force survey of 2000/01 showed a clear rise from 1990-2000 in informal activities. The survey indicates that one out of the three households (62 percent) were active in the informal sector in 2000/01, as opposed to one out of four households (42 percent) in 1990/91.

It is really only in the last decade or so that actual measurements have been composed in order to assess the informal economy as a percent of GDP. Maliyamkono and Bagachwa (1990) Osoro (1995) were some of the first scholars in Tanzania to measure the size of the informal sector as a percentage of GDP. The significance of this is mainly to understand the importance of the informal sector to the national economy, and by this perhaps obtain a clear picture of the country's economic situation.

Maliyamkono and Bagachwa discovered that the informal economy constitutes more than half of the official GDP, figures ranging from 25 percent of real official GDP in 1969 to 51 percent in 1985. Osoro estimates indicate that the underground economy was 31 percent of GDP in 1990. Osoro (2009) estimates the underground economy at 48 percent for 2006. It is clear that the informal sector is of great importance to the national economy as opposed to previous thinking.

The current financial crisis has created financial difficulties for many developing countries, given the lack of liquidity on the international market, putting into question the robustness of their development process. In this regard, the informal sector, which constitutes a major portion of the economy in developing countries by and large, seems to be a potential source for funding and enlarging the tax base. Collecting taxes from the informal sector is undoubtedly a difficult task, but the potential gains justify thinking about incentive mechanisms that improve commitment to pay tax. Ultimately, long-term policies to bring the informal sector into the formal sector are inevitable and must be pursued. As a short-term measure, a more flexible and adaptive tax system, the integration of informal sector into the development process, and a better supply of public goods could encourage the informal sector to help fund productive public services (Drine, 2009).

Thus, the possible way to tax the sector is 'presumptive assessment' for this purpose as a transitory method, mainly because its imposition may in fact also help better accounting practices being adopted if assessment based on 'presumptive characteristics' is contested by the tax payer. In this case since the assessed would have to submit accounts that would be a desirable outcome (Drine, 2009)

The Tanzania Revenue Authority (TRA) carried out a study titled "Taxation of the Informal Sector in Tanzania". The study was completed in fiscal year 2001/2002, and was immediately followed by designing and levying presumptive taxes in the same year. The designed presumption tax structure was meant to bring the informal sector into the formal sector. Presumptive taxation has succeeded in this due to its simple structure. The taxation of the informal sector arises from the difficulty involved in assessing the tax base since by nature accounts, at least as per accepted standards, are not kept in the informal sector. The Indian tax reform in 2009/19 includes a policy initiative for "introducing a new package of presumptive taxation to encourage voluntary compliance by small business (Alagh, 2009).

The parliamentarians in this case, can play an important role in making the presumptive taxes work better by performing their civic responsibility in educating the electorate on the importance of paying tax. They can do these since they are closer to the people both in the rural and urban areas.

4.8 Strategies to Enhance Domestic Resource Mobilization

What role can aid donors play in facilitating greater DRM?

In general most donors do not seem to attach much importance to the objective of enhancing DRM per se. This is possibly because donors are hasty to assume that the aid relationship facilitates greater economic growth from which will automatically follow greater domestic savings, government tax generation, and higher levels of domestically-driven investment. Accordingly, donor's support to ostensibly growth-oriented macroeconomic policies can be seen as implicit facilitation of greater DRM. In addition, certainly, those donors may indirectly facilitate greater DRM through projects aimed at reforming tax policy or tax administration, or improving governance through reforms of the medium-term expenditure framework and the budgetary process. But in general, donors typically have other objectives in mind rather than DRM.

After all, donors may undermine DRM through support of other policies, for example, trade liberalization, which has been shown to undermine tariff revenues in the poorest countries, a key source for governments in low income countries. Likewise, favorable tax treatment and other incentives to attract FDI entail an opportunity cost in the form of foregone revenues. Other examples include the shift of aid toward budget support, which may have the unintended consequence of reducing the incentive of governments to levy and/or collect taxes from citizens. The Millennium Development Campaign provides a good example of how donor strategies may unwittingly undermine DRM. Ultimately, unless national authorities are able to shoulder the continuing investment and recurrent costs of these initiatives, they may prove unsustainable if aid flows are reduced.

For donors to play a more active and constructive role in facilitating DRM, they must first recognize it as an objective in its own right. Such an objective is entirely consistent with other objectives that are fundamental to donors' aid programs.

Finally, donors should conceptualize explicit support for DRM as part of an "exit strategy". In most cases, aid was never meant to represent an unending subsidy of transfer of resources from rich to poor countries. At the same time donors have hoped for, and should not, be time-dated, but more explicitly linked to DRM by recipient countries. Given growing "aid fatigue" and skepticism about the effectiveness of aid programs in donor countries, the recognition of the need to adopt exit strategies linked to greater autonomy and "self help" by recipient countries would likely be welcomed by taxpayers in donor countries. In a nutshell, donors support is crucial in facilitating and enhancing DRM initiatives.

There are a number of modes for financing public spending, each of which has important implication not only on efficiency, but also for poverty reduction and distributional outcome. The financing option include domestic resources, such as savings and tax revenues (from income, corporate, value added taxes, etc, and domestic non-tax revenues (such as user fees), and foreign sources such as foreign direct investment (FDI), borrowing, debt relief, and foreign aid (such as official development assistance, or ODA).

The most effective way to boost a country's resource mobilization effort is to improve its tax system. The tax-to-GDP ratio is 18% in developing countries, while it is 38% for industrial countries. An efficient tax system will finance the necessary level of public spending in the most efficient and equitable way. It increases revenue by eliminating exemptions, deductions, and loopholes and by effectively enforcing the tax laws. Nevertheless, in developing countries, it is a great challenge to establish such a system, due to the dominant agrarian structure of the economy (largely informal). Traditionally, tax reforms emphasize indirect taxes such as the value added tax (VAT), rather than more progressive direct taxes on income or wealth that would generate higher tax revenue. Nevertheless, no single taxing system is best: each system has to be designed to fit the county's economic, social, legal, and cultural context.

Some local governments also raise revenues by levying taxes on personal income and corporate profits, as well as customs and excise duties, non-agricultural wealth, and interstate trade. The management of these streams is usually divided between central governments and its state and municipal counterparts.

Decentralization of government powers has been shown to improve revenues because local authorities have better and more detailed knowledge of local conditions. There should be an incentive structure for the local governments to raise more revenues by receiving a certain percentage for local public provision and administration. For example, in China, sub-national entities have an incentive to raise more taxes because when they increase revenues they get a larger share of the pie.

Second, too much foreign aid can lead to other dangers. Scarce local human resources can be used up quickly servicing multiple development programs that simply serve individual donor interests. As a result, fewer people are employed in productive activities. Moreover, the danger always exists that governments will spend more time being accountable to donors than to their own people, thus spending less money and time addressing the needs of the rural poor. The Parliament of these countries can play a big role in reversing the situation, that is, making the government accountable to the people rather than to donors.

Finally, when policy design, analysis, and management skills are inadequate, development activities will continue to demand a high price tag, as countries resort to hiring expensive foreign expatriates or consultants to do the job. Many donors have moved their aid from project/program support to budget support. This is a good way to ensure that donor support will align with the priorities of the national development strategies. Again, national capacity in setting spending priorities is crucial to improving the effectiveness of budget support. Donors may need to earmark special funds to build up the long-term capacity for formulating and implementing national development strategies and public spending programs. Public–private partnership is another critical instrument for mobilizing private investment to promote economic growth and poverty reduction. The public sector is the dominant supplier of health, education, infrastructure, and technology services in many developing countries. Inefficiencies are widespread and arise from endemic problems with poor staff incentives and a lack of financial autonomy, accountability, and transparency.

Privatization can be an effective way to improve efficiency. Private firms have a stronger incentive to build and run infrastructure industries in cost-effective ways and to be more responsive to end-user needs, as long as privatization goes hand in hand with the development of market institutions and contracting mechanisms that exert competitive pressure on the private firms. The extent to which such institutions can be put in place will also vary with the types of services and infrastructure to be provided: for example, the ability to recover costs differs by the type of service or infrastructure. Privatization also encourages and facilitates the imposition of cost-covering tariffs or user fees, thus addressing the problems of under-pricing that have afflicted many publicly provided infrastructure services. Greater efficiency and cost recovery allow firms to make investments and provide services that might not otherwise have been possible. They simultaneously improve efficiency and the government's fiscal condition by making available the same quality and quantity of service with smaller budgetary subsidies. But privatization is not a panacea. Policymakers should consider both efficiency and equity implications when deciding what and how to privatize.

Revenue policies

Public revenue is low in Tanzania. Low incomes and poor growth performance are often given reasons for low revenue. However, many countries will have great difficulty in halving extreme income poverty by 2010 or reaching other MDG targets without mobilizing more domestic revenue. A large influx of Official Development Assistance (ODA) could help scale up public investment programs to attain the MDGs, but such assistance cannot displace domestic resource mobilization over the long-run.

Despite conventional assumptions to the contrary, the domestic resource base of Tanzania is too small currently, not too big. A widespread 'small government ideology' has masked the reality that many governments do not command resources necessary to finance many essential public services. To put matters in perspective, for all developing countries, tax-to-GDP is only 18 percent. For Tanzania it is 15 percent, compared to 30 percent for industrial countries (Tanzi and Zee, 2001). The revenue of many poor countries is below this average. It is therefore important for Tanzania to find ways to boost its revenue base towards 20 percent, if not towards 25 percent of GDP over the long-term. Such a process will not be easy though. Although Tanzania has in recent years been successful in maintaining decent rates of economic growth, it has not been able to translate this success into a self-sustaining process of development. However, it would be mistaken to conclude that mobilizing more domestic revenue is an insuperable task for many countries.

A big part of such mobilization efforts should concentrate on making tax systems more efficient—starting with better administration of consumption taxes and eliminating exemptions and loopholes on income taxes. However, making the tax system more equitable, would also help augment revenue. For example, tax exemptions as a percentage of total tax revenue in Tanzania averaged over 32 percent during the fiscal year 2006/07, which is close to 5 percent of GDP. Annual tax exemption figures as a percentage of total taxes were 27.6 percent, 38.6 percent, and 31.8 percent in fiscal years 2004/05, 2005/06, and 2006/07 respectively (Mugoya, 2009). Direct taxes on income and wealth tend to be more progressive than indirect taxes, such as the Value Added Tax (VAT), but tax reforms often emphasize indirect taxes over direct taxes. This weakens 'vertical equity', namely obliging those with greater ability to pay taxes to contribute a larger share of their income or wealth.

Even with progressive tax system, the rich often benefit from myriads of loopholes, exemptions, and deductions. Apart from this, they benefit from poor enforcement of tax laws.

Furthermore, the tax system often allows 'powerful vested interests' to escape progressive taxes because conventional wisdom regards such taxes as an efficient means to redistribute income. This has led to widespread efforts to lower the top marginal tax rates on personal and corporate incomes. As a result, for example, taxes on corporate incomes have been in marked decline in Tanzania, though in the past have contributed, on average more revenue than personal income taxes.

Another indication of the trend towards less vertical equity is the negligible taxation of wealth. Taxes on property are rarely a significant component of tax system even though they have a substantial untapped potential to contribute to revenue. Residential and commercial real estate are often largely left untaxed. Taxes on property are very difficult to collect probably because big property owners are the big shots in the government. Furthermore, little effort has been undertaken over the years to register and properly value such properties in Tanzania as in many African countries. As market value of real estate rises, revenue could rise substantially. Property value is a big tax base potential which must be harnessed. As short-term measure, the government has been employing presumptive taxation. The parliament can play a key role in pushing the taxation of property.

Value Added Tax, the modern version of consumption tax, is often regarded as the main workhouse of the typical tax system of a developing country. One reason is that such a tax is assumed to be more efficient than direct forms of taxation. The standard recommendation to tax reforms in developing countries is to replace trade taxes—which are big sources of revenue for many poor countries with a VAT. However, trade liberalization has significantly reduced trade taxes in many countries; nevertheless, VAT has failed to recoup the losses (Weeks and Roy, 2004). Part of the reason is the demands that such a tax places administration capacity. Also such taxes can often be regressive because the poor consume on more of their income than the rich. Hence, even if the tax rate were the same for all, it would be a heavier blow, relatively, on the consumption of the poor.

An IMF study on VAT taxation and trade liberalization (Baunsgaard and Keen, 2004), finds that the VAT has been successful in compensating for the loss of trade taxes only in high income countries. Middle income countries have been able to compensate for only 45-60 percent of the revenue lost from trade liberalization. The most troubling finding, however, is that the VAT in low income countries has recovered, at most only about 30 percent of the revenue lost from trade liberalization. Thus the perverse result is that poor countries are the most likely to suffer absolute losses of revenue from modern tax reforms.

This means that more care should be taken in carrying out trade liberalization and more effort devoted to making the VAT more efficient. A smooth transition from trade taxes to domestic consumption taxes cannot be taken for granted. Also a big priority for progressive tax reform is to re-asset vertical equity as a basic principle of taxation. This would involve tilting the consumption taxes away from heavy reliance on regressive consumption taxes towards progressive income and wealth taxes. In industrial countries, the ratio of income to consumption taxes is more than double that of developing countries (Tanzi and Zee, 2001). Approximating the ratio of industrial countries should be used as long-term benchmark for reforming the tax system in Tanzania.

In Tanzania like most SSA countries, the difficulties in strengthening the tax system are, of course, daunting. Income taxes have only limited coverage since the formal sector workforce is small. Even consumption taxes, such as VAT, have limited impact since Tanzania has a sizeable and largely unrecorded informal sector. Improving tax administration, which is still weak, can increase tax collection for both income taxes and VAT. In addition, the VAT should be supplemented by other indirect taxes such as excises, essentially on non-essential, luxury items. Exclusive reliance on VAT could be a mistake.

In sub-Saharan Africa, grants accounted for 19 percent of government revenue in 2003. This is, of course, mainly Official Development Assistance (ODA). Aid represented 6 percent of gross national income (GNI) in sub-Saharan Africa in 2003 (World Bank 2005, p. 38, Table 6.10). Thus doubling ODA could open 'fiscal space' for government but the danger is that such infusion might supplement the concerted efforts needed to raise domestic revenue.

On revenue side, fiscal strategies adopted by the government of Tanzania have targeted raising revenues substantially as a percentage of GDP in order to finance part of public expenditures. Unfortunately, the country still suffers from tax collection capacity, and to improve tax mobilization, the country has focused on strengthening tax administration, and taking into consideration that there is almost no scope for raising existing tax rates without distorting resource allocation and undermining incentives for voluntary taxpayer compliance. The government has implemented reforms to strengthen the management of tax administrations, to improve their internal systems, to enhance training of personnel and to improve taxpayer compliance.

On expenditure side, fiscal strategies entail maintaining strict budgetary discipline in order to minimize government borrowing from the domestic banking system which could either be inflationary or crowd out private sector borrowing. This means that the government must restrict its total expenditures to less than the sum of domestic tax and non-tax revenues and net inflows of external donor finance. This could best be achieved if the parliament is made to oversee it.

4.9. Conclusion

Most Sub-Saharan Afrian countries are currently facing both low private and public savings. Considering the current global financial crisis and other developments in the global economy, foreign sources of finance cannot be relied upon for development purposes of our countries. In this regard, domestic resource mobilization is indispensable for development. However, there are several constraints to domestic resource mobilization such as access to credit , scarcity of bank services, low deposit interest rates, high collateral requirement, few investment opportunities, narrow tax base, weak tax administration, to mention a few. At the same time there are opportunities for DRM. The informal sector and properties constitute big revenue potential. Thus there is need to bring the informal sector into the tax net and tax properties. Most of the constitutions of SSA have only a few provisions on the financial or tax matters. This is an impediment to the ability of the parliament and parliamentarians to contributing to domestic resource mobilization.

4.10 Recommendations

a) Although the financial sector has been liberalized, there is a need for the government to intervene in order to reduce the high lending rates existing in most countries to reduce the interest rate spread. Reduction of the spread can boost savings and investment.

b) In view of the problem of access to credit, there is a need for the government to encourage banks to ease borrowing conditions by reducing both the collateral requirement and rejection rates.

c) The government should also encourage banks to diversify their services to rural areas.

d) The banks should be encouraged to make it easier to open bank accounts than what it is at present.

e) Increasing reliance on direct taxes should be encouraged relative to indirect taxes.

f) The national constitutions should be amended to accommodate more provisions pertaining to financial and tax matters. This would empower parliament and parliamentarians to effectively contribute to DRM.

g) The governments should facilitate establishment of strong and effective private financial market development.

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5. Parliament and the Role of Domestic Resource Mobilization in Poverty Reduction

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5.1 Introduction

The budget is the projection of aggregate revenue and spending plans over a specific time period usually, one year. It is the means by which political manifestos of political parties and policies of the ruling government are translated into actionable projects with resource envelop attached. So important is the budget that many constitutions have prescribed how and when they should be done. The constitutions and standing orders of parliament also stipulate when the budget should be presented with the Legislation and passage of the appropriations act giving the budget a special place in the legislative calendar of many countries. For example the longest session of the Parliament of the National Assembly of the United Republic of Tanzania is the budget session which lasts about 45 days.

Parliamentary review of the budget often take the macro projections as given, concentrating on resource allocation (distribution) with emphasis on the needs of constituents leading to the passage of the appropriation act. In many countries very little attention is devoted to the revenue side of the budget when the legislative review of the budget is done. However, the revenue side is the most important component of the budget because without adequate revenue governments are unable to deliver on the expenditure side of the budget which is often the subject of lobbying and negotiation by bureaucrats in sector ministries, sector ministers at cabinet levels and members of parliament during the legislative review. Without adequate revenue the expenditure outweighs revenue leading to search for means of funding the revenue-expenditure gap. However, some of the means of funding such gaps can be very difficult for government and macroeconomic management. The implications of such funding mechanisms such as search for grants from external sources, raising of additional taxes and printing of money can present difficult tradeoffs to governments and citizens.

The extent of the revenue expenditure gap led to high public debt burden for many developing country economies culminating, in the highly indebted poor countries debt relief initiative to avoid the destabilization of many of these economies in the late 1990s and early part of the new millennium. The interest cost of debt servicing is said to be returning to the high levels that occasioned the HIPC initiative in many of the countries who benefitted from the initiative.

When financing is not effectively managed the government can be saddled with debt which can pose a difficult challenge for economic management. The gap between revenue and expenditure is often the main trigger of inflation in many developing countries. Excess of government spending over revenue leads to budget deficits which when financed through money printing can lead to excess of cash not backed by goods and services. If, on the other hand, the excess is financed by government borrowing, resources are diverted from funding private sector activity. Private sector businesses need to increase the price they pay to owners of loanable resources increasing the cost of production (i.e., cost induced inflation).

The use of external grants and loans to cover the gap between expenditure and revenue often suffers from predictability as often foreign governments deliver resources based on their own ability to raise revenue but more significantly their own political agendas. Grant administrators have to convince their principals to approve of grants and loans. There may be misalignment of financial years, making it difficult to synchronize resource delivery and allocation. In such situations governments do not receive maximum return from the use of such untimely delivered resources. Beyond the timely delivery of resources it is common knowledge that many grants and loans are often tied aid making it difficult for government to use such resources freely. It is important to observe that with increasing subscription to the general budget support the situation of tied aid is declining but timing of delivery remains problematic.

As most grant making governments and institutions contribute to general budget support they have also emphasized the value of domestic resource mobilization. In a full accounting model "domestic resources" mobilization would include effective organization and deployment of human capital, social capital, and natural and financial resources accruing within national boundaries. However, in this paper we shall limit the scope of domestic resource mobilization to mean "fiscal and financial resources accruing within the domestic economy" in order to draw the contrast with external resource. Thus, enhancing domestic resource mobilization would involve a number of actions including, increased savings mobilization that may take the form of increased private or corporate and household savings mobilization and/or increased public savings. Closely linked to savings mobilization is increased investment levels, more efficient intermediation of savings into investment, and greater productivity of investment. But more important is the increased and improved public sector (non-debt domestic) revenue mobilization (ideally through direct taxes) and more efficient public investment and recurrent expenditures.

Mobilization of additional resources by way of taxation has its own limitations. Theoretically, it is impossible to raise additional revenue – Laffer curve, a theoretical construct showing the relationship between tax rates and government revenue suggests that as tax rates increase from fairly low levels, tax revenue received by the government would also increase. However, there comes an optimum tax rate where people would not regard it as worth working so hard. This lack of incentives would lead to a fall in income and therefore a fall in tax revenue. As far as administration of revenue collection is concerned the cost of collecting revenue at the margin may be higher than the additional revenue raked in with such efforts – efficiency of collection may not be up to the scratch.

Perhaps more significant is the political economy implications of raising additional revenue which may cause the popularity of government. Indeed as far as the political economy considerations are concerned governments have to give enough attention to revenue mobilization to ensure adequate sources of funding for important antipoverty programmes, improved distribution of income and wealth, promotion of economic growth that can benefit all classes of citizens and enhanced government transparency and accountability.

The remainder of this paper is organized as follows: Section 2 highlights the little attention devoted to legislating the revenue side of the budget. Section 3 discusses sources of government revenue while section 4 focuses on the points of tax impact in the circular flow of and the implications for efficiency and equity. Section 5 outlines what to look out for in a tax policy framework leading to conclusions and recommendations in section 6 and 7 respectively.

5.2 Legislating Revenue Side

The main activity during the review of the revenue side of the budget in Parliament is the passage of new tax legislations and or amendments to existing tax schedules. The review of the revenue tariffs is often left to the Budget or Finance Committee as the case may be which often makes recommendations to the house for debate and adoption. This approach is often contingent on the conjecture that tax work is complex and difficult to comprehend.

Even though tax debates are sometimes perceived as technical they can become heated and even volatile, leading to mass mobilizations of people to protest against the action taken by the government in respect of tax reform. Clearly, political economy considerations motivate some of the mass actions that are embarked upon. Losers of tax reform are amenable to mass actions called for by political opponents or civil society organizations to oppose proposed tax reform of the government that is likely to worsen their economic conditions. Such mobilization can also prompt government to react by withdrawing their own proposals.

A case in point is the introduction of the value added tax in Ghana in 1995. The hot debate that characterised the introduction of the Act in Parliament resulted in mass action on the streets of Accra. The VAT was eventually withdrawn, repackaged and re-introduced to parliament in 1998 at a lower rate of 10% compared to the 17.5% when it was first introduced. Since 1998 the VAT rate has increased to 15% following a more measured introduction of rate increases to raise earmarked revenues for the higher education fund and the national health insurance fund.

5.3 Sources of Government Revenue

Government receipts refer to total inflow of financial resources to government that form the basis of financing governments spending plan. These may take the form of taxes, charges and borrowing. Taxes and charges are compulsory levies on the private sector operators namely business firms and households that do not require government to provide any direct goods and services in return for the appropriations. Taxes are generally levied on all citizens who satisfy a certain criterion such as being income earners or undertaking particular kinds of economic activities. Other criteria may include the consumption of specific commodities and or services as the case may be. On the other hand, charges often refer to levies paid by private sector operators for the use of particular services provided by the state. In all cases taxes and charges do not burden government with any liability to the payee.

However, borrowing takes the form of withdrawal from the private sector with a promise to pay back with interest. Though government has the legal authority to levy taxes and charges, it may not always be feasible to raise all the resources it requires through taxes and charges hence its decisions to resort to borrowing as an alternative. It is also a fact that whilst government may not be able to tax private sector operators outside its own borders such private sector operators are willing to loan their idle resources to governments. Indeed, many private sector operators will lend money to governments outside their own countries because they are aware that all governments have the power to levy taxes on their citizens in order to pay back their debts. However, with the development of the capital markets government no longer enjoy the traditional blanket guarantee they had for being a large and safe borrower. Government will therefore have to work on their own credit rating to be able to raise money in the global capital market. However, most financial institutions are happy to purchase debt because they regard them as assets on their balance sheets.

A common characteristic of charges and borrowing is that they involve voluntary transactions between government and the private sector parties involved and the terms are well defined in law or in the money or capital market as the case may be.

Thus, government revenue is the proceeds into government accounts from taxes, sales of government goods and services, grants from friendly governments and multilateral agencies and borrowing. For example, in Ghana the 2009 Budget shows Ghana Government revenue sources as made up of tax revenue which is in turn made up of direct taxes such as personal taxes, taxes paid by the self employed, company taxes; Indirect taxes such as value added tax on domestic and imported goods and services, petroleum and excise taxes; Government receipts also come from international trade taxes, the national health insurance levy as well as other revenue measures; In addition, government received some grants what is classified as other receipts (***see Table 1***).

Table 1: Estimated Government Receipts

Total Receipts	**9,793,131,406**
Total revenue & grants	**7,237,057,462**
Total revenue	**5,935,117,462**
Tax revenue	**5,117,108,436**
Direct taxes	**1,554,542,500**
Personal	662,714,000
Self employed	82,480,000
Companies	677,075,000
Other direct taxes	132,273,500
Indirect taxes	**1,917,425,579**
Value Added Tax	1,418,531,416
Domestic	593,831,416
Imports	824,700,000
Petroleum	436,200,000
Excise	62,694,163
International trade taxes	**922,508,941**
Import duties	875,500,000

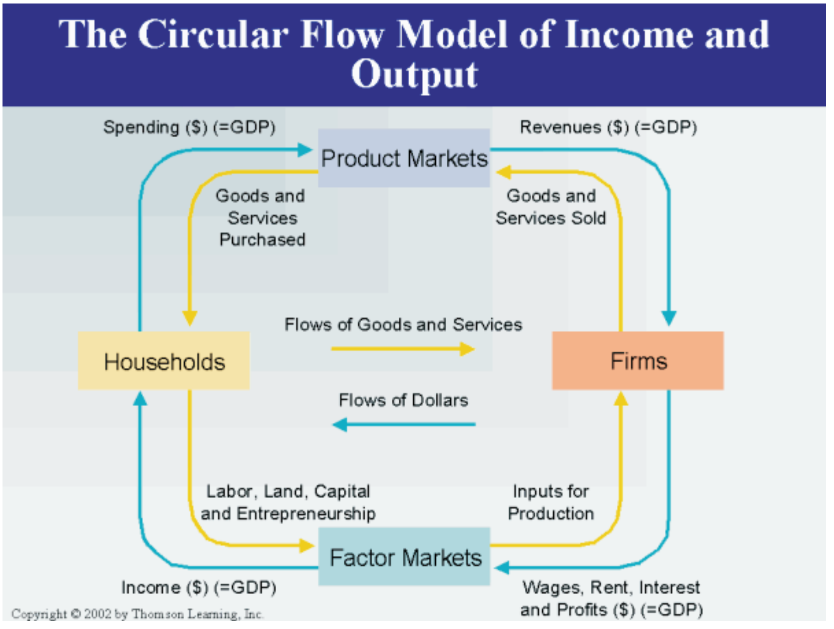
Export duty	47,008,941
National Health Insurance Levy	**375,209,162**
CEPS Collection	159,000,000
VATS Collection	98,831,416
SSNIT Contribution	117,377,746
Other Revenue Measures	**109,780,000**
Import Exemptions	**464,800,000**
Non-tax revenue	**590,851,280**
Other revenue	**0**
Grants	**1,301,940,000**
Project	683,085,000
Programme	395,550,000
HIPC Assistance	130,035,000
Multilateral Debt Relief Initiative (MDRI)	93,270,000
International Monetary Fund	0
World Bank	83,850,000
African Development Bank	9,420,000
Other receipts	**2,556,073,945**
Loans	1,029,180,000
Project loans	792,480,000
Programme loans	236,700,000
Divestiture receipts	0
Exceptional financing	134,700,000
External arrears	0
Clearance	0
Current (accumulation)	0
Financing gap	0
Traditional debt rescheduling	0
HIPC Relief (Cologne terms)	134,700,000
Domestic Financing (Borrowing)	**1,392,193,945**

Source: Budgets Statement for 2009

Despite the diverse sources of government receipts in Table 1 above in modern economies taxes are the most important source of governmental revenue. Taxes differ from other sources of revenue in that they are compulsory levies and are unrequited i.e., they are generally not paid in exchange for some specific thing, such as a particular public service, the sale of public property, or the issuance of bonds or promissory notes, etc. In the remainder of this paper we shall focus on the Tax Revenue Component of Government Receipt.

5.4 Points of Tax Impact in the Circular Flow of Income

The different taxes collected by the government are collected at different stages in the production cycle and these have different implications for the performance of the economy. The point is illustrated using a simple circular flow diagram which shows the income received and payments made by each sector of the economy. This simplified model of the economy is divided into the household sector and the business (firm) sector. All factors of production are owned by the households who supply the firms to produce goods and services which firms in turn supply to households. Thus at the core of the economy is the real flow of factors of production and goods and services. There is the reverse (outer) flow of financial payments in the form of factor income to households and payments for goods and services procured by households from business firms. Indeed all household expenditure must go somewhere and every transaction must have two sides. Thus government may choose to tax households when they receive factor incomes or wait until households spend the incomes on goods and services with built in expenditure (indirect) taxes. On the other hand government may decide to levy the tax on the sales revenue of firms or tax any income that accrues to the firms.



The essence of this paper is to help parliamentarians to identify where the different tax proposals brought to parliament are impacting the different groups they represent and how they can work to minimize the impact on their constituents without disrupting the revenue raising agenda of government. The expectations are that parliament will help government maximize revenue inflows whist minimizing the impact or the incidence of taxes on the people they represent.

Tax revenue in the context of the circular flow of income constitutes a leakage from the system that flows to government (the other source of leakage is the payment for goods and services procured from the rest of the world) Taxes are compulsory transfer from individuals and businesses to the government. These may be direct tax or income tax if it is levied on earnings of individuals or businesses directly to government. In the circular flow of income diagram these are levied on the wages, rent, interest and profits. Direct taxes can also be levied on the revenue flowing to firms. On the other hand indirect taxes are levied on goods and services consumed by individuals and businesses. The point of impact in the circular flow diagram is the aggregate spending by households and firms. It is important to underscore the fact that the different points of impact produce different incentives for employment and growth of the economy.

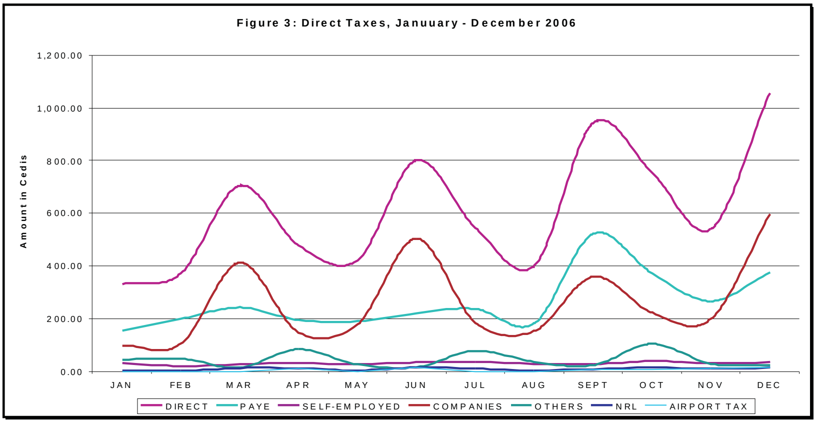
In practice direct taxes collection is a function of the effective tax rates defined as actual tax liability (or a reasonable estimate thereof) expressed as a percentage of a pre-tax income base rather than as a percentage of taxable income, i.e. tax rates that take into account not only the statutory or nominal tax rate, but also other aspects of the tax system (e.g. allowable deductions), which determine the tax liability. For example in Ghana, direct taxes derived from four main sources namely, personal income tax, taxes on self-employed individuals, company income taxes and taxes from miscellaneous sources such as property tax, interest, royalties, management and consultancy fees, rents, commission (other than that paid by the employer to his employees) and public entertainment fees. However, a number of conditions such as tax avoidance, tax evasion, tax concessions, seasonality in payment of taxes, etc. adversely affect the effective tax rate.

Box 1: The Ruptured Income Tax Net

- *Currently out of a pool of 5 million potential taxpayers only 1 million are paying income tax.*
- *Apart from employees on government payroll, only about 350,000 employees in the private formal sector pay taxes.*

Source: Budget Statement for 2007

The cyclical trend in direct tax collection in Ghana is illustrated in Figure 3 below which details monthly direct tax collection in 2006. The figure shows that the collection peaks at the end of the quarter. The peaks are driven by company taxes, which incidentally is the largest source of direct taxes. The figure also shows that collection from pay-as-you-earn is to some extent dependent on the trend exhibited by company taxes. The peak in PAYE in September also reflected the salary increases and arrears paid to health sector workers across the length and breadth of the country in 2007. Total collection from self-employed individuals and other sources including property tax, taxes on rent income, interest, and royalties is pitifully low. Figure 3 also shows that no direct taxes in the miscellaneous category were collected during the months of February, March and April.



Data Source: Revenue Agencies Governing Board, Ghana

If we define the direct tax deficit as the unmeasured gap between actual direct taxes collected by IRS and the potential taxes that could be collected the size of this is not exactly known. The Revenue Agencies Governing Board is in the process of estimating the magnitude of the potential tax revenue that could be collected from the different revenue sources in Ghana. In theory, the sources of this deficit are varied and diverse but the principal contributory factor is the number of individuals operating cash-based businesses. Many small businesses fit this description. This group reports only a fraction of their income to the Internal Revenue Service (IRS). In addition, whilst incomes are currently taxed at minimum rate of 5 percent, the self-employed cash-based businesses are made to pay a quarterly tax stamp ranging between ¢50,000 and ¢150,000.

Box 2: Direct Tax Rates

- *Corporate Tax rates – 25 %*
- *Personal Income Tax Bands*
  - Tax free threshold - ¢ 2.4 million per anum
  - Next ¢ 2.4 million – 5.0 %
  - Next ¢ 12.0 million – 10.0 %
  - Next ¢ 79.2 million – 17.5 %
  - Above ¢ 96.0 million – 25.0 %
- *Witholding Tax on Rent – 8 %*
- *Witholding Tax on Dividend Paid – 8 %*
- *Witholding Tax on Management and Technical Services – 15 %*
- *Capital Gain Tax – 5%*

Source: Various Budget Statements

Another important source of the deficit is the notorious trio of tax avoidance, tax evasion and corruption. Many companies and service providers including professionals such as legal experts, management consultants, marketing and media consultants, etc. deliberately manipulate invoices to minimize the amount of tax liabilities that fall on their operations. Known tax minimization strategies span transfer pricing to the creation of special purpose vehicles or nominal transfers to headquarters by trans-national corporations, under-reporting, bribery of tax officials, outright refusal to pay, and lobbying of government to reduce tax liability or effective incidence of tax.

Another element is the use of tax incentives as a bate for foreign direct investment which turn to make countries compete with each other to progressively lower corporate tax rates and give generous tax holidays.

Box 3: Typical Concession to Attract Investment

- The 5-Year full exemption from corporate income tax, dividend tax and capital gains tax for eligible venture capital finance companies is now extended to 10 years.
- The 100 per cent chargeable income deduction granted to financial institutions investing in venture capital finance companies is now expanded to include all corporate and individual investors who invest in venture capital financing companies.
- Distributions of interest, dividends and capital gains to investors in venture capital finance companies shall be tax exempt.
- Losses from disposal of the shares of a venture investment may be carried forward for a period of up to 5 years after disposal.

Source: Budget Statement for 2007

Direct Taxes and Equity

A key principle in taxation is equity consideration that holds that similarly situated taxpayers should face a similar tax treatment or tax burden, i.e. taxpayers earning the same amount of income or capital should be accorded equal treatment. Vertical equity is the doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions – i.e. taxpayers with more income and/or capital should pay more tax. Beyond the doctrine of equity the tax system is to ensure that taxes do not become disincentive to work. The system must also answer such questions as what is the income level at which one starts to owe income tax, and whether the threshold income is high enough to exempt low income families? Also do features of the income tax result in biases against women?

Indirect taxes on spending in the circular flow of income diagram may take the form of sales tax i.e. taxes on the sale of goods and services included as part of the final price paid by the customer, excise duties i.e. taxes on the manufacture or sale of certain domestic or imported products such as alcoholic beverages, tobacco, petroleum, etc. often levied on a specific basis (a set charge per item) or on an ad valorem basis (a charge based on a percentage of the value of the item). These taxes are most efficient at raising revenue when they are targeted on a narrow base of "inelastic" goods—that is, goods for which changes in price do not significantly affect demand. Also indirect taxes on aggregate spending may be collected as Value Added Tax (VAT), collected at different stages corresponding to points at which value is added during the manufacturing and distribution processes. Despite being collected in stages, the VAT (like the sales tax) is paid by the final consumer, because the intermediate actors who manufacture and distribute the goods or services are able to recoup the VAT they paid.

VAT supporters believe that, when properly implemented, a VAT can raise significant revenue without "distorting" economic decisions as much as other taxes. As a consumption tax, however, the VAT typically imposes a significant burden on the poor. Consequently, Parliament must be wary of such policies as expanding the list of commodities and services covered by VAT and other spending or consumption based taxes as over reliance on these category of taxes may signal that the poor are facing a greater tax burden?

Whilst many governments are subscribing to the use of VAT because of the convenience of collection it is important to observe that a well-designed exemption list can be adopted to reduce the tax burdens on the poor. It is also important to note that despite the theoretical elegance of VAT which has made the tax popular with tax administrators and governments VAT has not functioned as smoothly in practice as many businesses often complain about the administrative burden of complying with the VAT regime.

5.5. Policy Framework

As explained above taxation is the most practical means of raising revenue to finance government spending. It is one source of government receipt with fewer strings attached. However, due to the different constraints observed in this paper there is the need for careful planning to ensure that the yield is consistent with the tax effort. It is said that an ideal tax system should be fair (equitable), efficient and raise adequate revenue without discouraging economic activity and without deviating too much from tax systems in other countries. In other words a good tax system must have such objectives as:

- accelerating sustainable growth, investment and job creation,
- reinforcing country's attractiveness as an investment destination,
- lowering the cost of doing business, and
- initiating social security and retirement reforms that increase savings and reduce household vulnerability.

Thus whatever the proposal before the legislature the criteria for assessment must seek to find out whether the proposals target the broadening of the tax base and improving tax efforts. Where appropriate the framework proposal must improve the equity of the tax system (balancing the choice of direct taxes and indirect taxes). At the same time, policy design must aim to minimise the distortionary impact that taxes could have on economic growth and employment creation. Thus the treatment of such subjects as income tax relief, retirement fund tax and reforms to dividend taxes, introduction of enabling and equitable laws must be balanced with administrative improvements in the revenue agencies.

5.6. Conclusion

To conclude, sufficient domestic revenue mobilisation is essential for improved fiscal performance. Improved direct tax yield will minimise the dependence on consumption taxes such as VAT which penalizes the poor relative to rich consumers. Successful domestic revenue mobilization is a necessary condition for the development of a fully-functioning state with flourishing systems of political representation and an economy that reflects national preferences particularly with reference to inequality and poverty reduction.

Accordingly, Parliaments must effectively scrutinise revenue proposals and their implementation to ensure that they are consistent with the canons of taxation namely, adequate revenue yield, equitable distribution of the tax burden, minimum disruption of efficient market outcomes, conducive to fiscal policy objectives of stabilization and growth, comprehensive, fair and less arbitrariness in tax administration and low administrative and compliance costs.

5.7. Recommendations

To minimize the leakages in mobilisation of tax revenue and thereby maximise yield, it is recommended to strengthen the tax investigations (intelligence) unit and the research, monitoring and evaluation department of the Revenue Agencies to provide information on the strategies devised by businesses to minimise tax incidence/burden. This will require that logistic and human capacity of these outfits be augmented to help them function effectively; currently, many tax investigation units are poorly staffed and without adequate logistics. In effect Parliament must assess the tax proposals relative to the human and logistic support required to raise such taxes.

Self-employed individuals and small businesses must be educated and compelled to submit regular tax returns to the Revenue Agencies. But these may require a lot of work including the simplification of tax return forms due to the low level of literacy among the population. Education may be combined with special tax incentives for small businesses such inducement to register and tax holidays ranging between 3-5 years after registration.

It is also important to pay sufficient attention to quality assurance in the Revenue Agencies to ensure that operational staff is sensitive to the burden of paper work and effective tax rate on self-employed individual and small businesses. Quality assurance in the revenue agencies must be developed to help minimize the complicity of tax officials in the tax avoidance and evasion schemes of companies and individual households.

Parliamentary scrutiny of tax proposals should endeavour to streamline arbitrariness and discretion in the granting of tax reliefs and thereby reduce the level of leakages in tax revenue mobilization.

6. Parliament and the Role of Monitoring and Evaluation in the Budget Process

Mr. Issifu Lampo, Parliamentary Centre

Why Monitoring & Evaluation?

"The only man who behaves sensibly is my tailor, he takes my measurement anew every time he sees me, while all the rest go on with their old measurements and expect me to fit them"

George Bernard Shaw

"True genius resides in the capacity for evaluation of uncertain, hazardous, and conflicting information"

Winston Churchill

6.1 Introduction

Governments and organizations all over the world are grappling with internal and external demands and pressures for improvements and reforms in public management. These demands come from a variety of sources including multilateral development Institutions: donor governments, parliaments, the private sector, NGOs, citizens' groups and civil society and the media.

Whether it calls for greater accountability and transparency, enhanced effectiveness of development programs in exchange for foreign aid, or real results of political promise made, governments and organizations must be increasingly responsive to internal and external stakeholders to demonstrate results. The quest for value for money in government activities has brought monitoring and evaluation (M&E) to the fore of development management. Within this realm of development management, M&E provides all stakeholders of development a better means of learning from past experience, particularly as it relates to improving service delivery, as well as planning and allocation of resources.

Public sector managers generally use M&E for quite a number of purposes including management and accountability. The extent to which parliament exercises its oversight mandate serves as an important barometer in ensuring accountability and efficient service delivery to the citizenry. Parliamentary oversight entails monitoring the actions and activities of the executive branch of government to ensure transparency and accountability. Members of Parliament have a responsibility to conduct oversight over executive branch agencies, including government ministries, to ensure that funds appropriated by the parliament are used legally and efficiently. MPs also have a responsibility to ensure that legislation passed by Parliament is implemented as intended.

In recent years, results-based management has become the vision for many governments in the developing countries[1] . Shifting the emphasis from processes to results should in turn make policies more responsive to citizens' demands and facilitate tracking of outcomes. Results-based monitoring and evaluation (M&E) is a powerful public management tool that can be used to help policy makers and decision makers track progress and demonstrate the impact of a given project, program, or policy.

1. Multilateral organizations are now supporting results-based management initiatives in a variety of countries. The Cross Cultural, Language and Academic Development (CLAD) itself has defined this key topic of its agenda, reflecting the importance of this topic for the international community.

As stated by a World Bank report, 'The clamour for greater government effectiveness has reached crisis proportions in many developing countries where the State has failed to deliver even such fundamental public goods as property rights, roads, and basic health and education' (World Bank 1997:2)

The OECD (2000a) defines monitoring and evaluation as follows:

Monitoring is a continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. (p.27)

Evaluation is the systematic and objective assessment of an ongoing or completed project, program, or policy, including its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact, and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision making process of both recipients and donors (p.21).

Types of evaluation are: Ex-Ante Evaluations, On-going Evaluation, Terminal Evaluation, and Ex-Post Evaluation.

Monitoring gives information on where a policy, program, or project is at any given time (and over time) relative to the respective targets and outcomes. It is descriptive in intent. Evaluation gives evidence of why targets and outcomes are or are not being achieved. It seeks to address issues of causality.

Complementary Roles of Results-Based Monitoring and Evaluation

Monitoring	Evaluation
• Clarifies program objectives	Analyzes why intended results were not achieved
• Links activities and their resources to objective	Assesses specific casual contributions of activities to results
• Translates objectives into Performance indicators	Examines implementation process
• Routinely collects data on these indicators, compares actual results with targets	Explores unintended results
• Reports progress to managers	Provides lessons.

Evaluation is a complement of monitoring in that the monitoring system sends signals that the efforts are going off track (for example, that the target population is not making use of the services, that the costs are accelerating, that there is real resistance to adopting an innovation and so forth) then good evaluative information can help clarify realities and trends noted with the monitoring system. For example, "if annual performance information is presented by itself (in isolation) without the context and the benefit of program evaluation, there is the danger of program managers, legislators, … and others drawing incorrect conclusions regarding the cause of improvements or declines in certain measures ... Simply looking at trend data usually cannot tell us how effective our government program interventions were" (Channah Sorah 2003, p. 7). We stress the need for good evaluative information throughout the life cycle of an initiative – not just at the end - to try to determine causality.

Budget Monitoring and Evaluation serves several purposes:

- Facilitates the identification and resolution of problems;
- Enhances budget performances and ensures congruence with the overall government policy criteria;
- Provides the basis for technical and financial accountability;
- Builds local capacity to implement and manage projects successfully; and
- Promotes the identification and dissemination of lessons learned which is then applied in the implementation of successive budget/projects

6.2 Budgeting for Results

Results-based monitoring and evaluation (M&E) is a powerful public management tool that can be used to help policymakers and decision makers track progress and demonstrate the impact of a given project, programs, or policy. Results-based M&E differs from traditional implementation-focused M&E in that it moves beyond an emphasis on inputs and outputs to a greater focus on outcomes and impacts. Stakeholders are no longer interested in organizational activities and outputs; they are now more than ever interested in actual outcomes. The focus is on whether policies, programs, and projects have led to the desired results or outcomes? How do we know we are on the right track? How do we know if there are problems along the way? How can we correct them at any given point in time? How do we measure progress? How can we tell success from failure? These are the kinds of concerns and questions being raised by internal and external stakeholders, and governments everywhere are struggling with ways of addressing and answering them.

Developed countries, particularly those of the Organization for European Co-operation and Development (OECD), have had as many years as 20 or more years of experience in M&E, while many developing countries are just beginning to use this key public management tool. The experiences of the developed countries are instructive, and can provide important lessons for developing countries.

Developed countries have chosen a variety of starting points for implementing results-based M&E systems, including whole-of-government, enclave, or mixed approaches-that may also be applicable to developing countries.

Adopting a results-based management approach requires some information in the form of government actors and their behaviors, how organizations are structured, and the way incentives are designed. This results in a radical shift in focus including the necessary definition of outputs and outcomes and their translation into objectives and goals, the establishment of performance indicators for monitoring progress and evaluating results - including financial information, the architecture of the institutional mechanism for the implementation of monitoring and evaluation schemes, the capacity building of relevant actors, and the integration of diverse sources of information for the effective-functioning of the system.

Rather than focusing on processes, managing by results requires a strong emphasis on outcomes and the necessary outputs to achieve them. For this to happen, a clear vision needs to be established and objectives and goals need to be defined with precision. For this methodology to work, agencies need to create ownership among a wide variety of stakeholders, both internal and external. Services can better be designed and delivered when taking into account the opinions of potential beneficiaries and users.

The Power of Measuring Results

- If you do not measure results, you cannot tell success from failure.
- If you cannot see success, you cannot reward it.
- If you cannot reward success, you are probably rewarding failure.
- If you cannot see success, you cannot learn from it.
- If you cannot recognize failure, you cannot correct it.
- If you can demonstrate results, you can win public support

Source: Adapted from the Osborne & Gaebler 1992

6.3 Defining Performance Indicators

Managing by results can only be achieved if a 'planning by results' approach is in place. In addition to defining outcomes and outputs the definition of performance indicators is critical. This will not only help orient activities to the achievement of concrete set of goals but also will allow for the monitoring and evaluation of key aspects of the program.

As stated by Kusek and Rist, 'Outcome indicators help answer two fundamental questions: 'How will we know success or achievement when we see it? Are we moving toward achieving our desired results? (2004:65). In other words, if defining outcomes is the key to establishing the best route to get where we want to go, having a good system of performance indicators provides us with the compass to navigate that route.

A performance indicator defines the measurement of a piece of important and useful information about the performance of a program expressed as a percentage, index, rate or other comparison which is monitored at regular intervals and is compared to one or more criteria. Whereas a results statement identifies what we hope to accomplish, indicators tell us specifically what measure to determine whether the objective has been achieved. Indicators are usually quantitative measures but may also be qualitative observations. They define how performance will be measured along a scale or dimension, without specifying a particular level of achievement.

For example, if your objectives are to train people so that they are able to gain employment then one performance indicator can be the proportion of trainees that gain employment after training is completed. If one of the objectives is to refer people to services appropriate to their needs then one performance indicator could be the proportion of people who contacted you that considered the referred service relevant to themselves and their needs. Additionally, if the objective is to improve the parenting skills of parents then one performance indicator could be the proportion of parents who feel they are coping better with parenting their children at the end of the program (Than they were at the beginning).

6.4 Steps in Selecting/Developing Performance Indicators

Good performance indicators start with good results statements that people can understand and agree on. It is also important to carefully consider the results that are being aimed at. There is the need to review the precise wording and intention of the strategic support objective, special objective, intermediate result, critical assumption, or results supported by partners of key stakeholders. Avoiding overly broad results statements is critical. Sometimes objective and results are so broadly stated that it is difficult to identify the right performance indicators; instead, specify those aspects believed to make the greatest difference to improved performance. For example, rather than using a broad results statement like 'improved capacity' of a host country institution, clarify those aspects that program activities emphasize. For example, improved personnel recruitment process, or improved management skill.

Be clear about what type of change is implied. What is expected to change-a situation, a condition, the level of knowledge, an attitude, behavior? For example, changing a country's law about voting is very different from changing citizens' awareness of their right to vote, which again is different from their voting behavoiur. Each type of change is measured by different types of indicators.

Also there is the need to clarify whether the change being sought is an absolute change, relative change, or no change. Absolute changes involve the creation or introduction of something new. Relative changes involve increases, decreases, improvements, strengthening or weakening in something that currently exists, but at a higher or lower level than is considered optimum. No change involves the maintenance, protection or preservation of something that is considered fine as it is. And be clear about where change should appear. Is change expected to occur among individuals, families, groups, communities, regions? Clearly, a change in the savings rate for an entire nation will be quite different than for a particular sector of the business community. This is known as 'identifying unit' of analysis for the performance indicator.

Citizens in general and beneficiaries of programs and users of services can play a fundamental role in defining these indicators. They are well positioned to identify a set of criteria, or the key elements value in a particular service based on which performance indicators can be defined.

6.5 Building the Necessary Institutional Architecture

Shifting the focus from processes to results also requires building a new architecture for public organizations. This includes changing a number of administrative procedures, the alignment of the incentives system - both within the organization and its interaction with other government actors, the re-mapping of areas and structures, and the promotion of a different type of organizational culture. Building the appropriate institutional architecture is fundamental when planning integrated monitoring and evaluation systems. In this regard, on-the-job training type of programs needs to be developed to enhance capacity of staff. As reported by Baker, 'A range of skills is needed in evaluation work. The quality and eventual utility of the impact evaluation can be greatly enhanced with coordination between team members and policy-makers from the outset' (2000: 25).

Illustrative Logic Model for One National Development Goal

Goal	Reduce mortality rates for children under 5 years old
Outcome	Improved use of ORT for managing children diarrhoea
Outputs	15 media campaigns completed
	100 health professionals trained
	Increased maternal knowledge of ORT services
	Increased access to ORT
Activities	Launch media campaign to educate mothers
	Train health professionals in ORT
Inputs	Trainers
	ORT supplies
	Funds
	Participants
Source:	Binnendijk 2000
Note:	ORT= Oral Rehydration Therapy

Source: *Office of the Governor. (2005, January 5). The FY 2005-06 executive budget. Columbia, SC: Author, p. 23*

6.6 Integrating Information

The existence of so many different sources of information provides opportunity for enriching results-based management systems in general, and monitoring and evaluation mechanisms in particular. Clearly integrating all these different sources can be challenging and frustrating, since different actors have different agendas, strengths and weaknesses. For example, while government actors may have access to rich volume of information, many times the public does not 'fully believe' official reports. On the other hand, civil society actors may have a larger public credibility but face capacity scale, and sustainability problems. University think-tanks have the capacity to produce reliable information but often lack the necessary institutional links with state apparatus, so their information cannot be used. Finally, interest groups may have capacity to produce relevant information but they are often driven by their own political agendas.

Governments around the world differ in their approaches to adopting results-based M&E systems. There are essentially three approaches. The first is the whole-of-government approach that was adopted in some of the early M&E pioneer countries. The whole-of-government approach involves a broad, comprehensive establishment of M&E across the government. With the adoption of the MDGs, many developing countries are looking to design and implement comprehensive results-based M&E systems across many sectors and policies.

Often different ministries are at different stages in their ability to take on the establishment of an M&E system. The whole-of-government strategy may not be able to move all ministries in developing these systems.

The second approach is more limited or enclave-focused one. Many countries - especially developing countries - may not yet be in a position to adopt sweeping changes in a comprehensive fashion.

Other, more targeted approaches are available, such as beginning with the local, state, or regional governmental levels, or piloting M&E systems in a few key ministries or agencies.

Australia's Whole-of-Government Model

Australia was one of the early pioneers in developing M&E systems, starting in 1987. The country had intrinsic advantages conducive to building a sound evaluative culture and structure:

- Strong human, institutional, and management capacity in the public sector
- Public service known for integrity, honesty, and professionalism
- Well-developed financial, budgetary, and accounting systems
- A tradition of accountability and transparency
- Credible, legitimate political leaders

A variety of factors contributed to Australia's success in building strong M&E system. Initially, budgetary constraints prompted the government to look at ways of achieving better value for money. Australia also had two important institutional champions for evaluation – the Department of Finance and the Australian National Audit Office.

Australia chose to adopt a whole-of-government strategy. Such a strategy aims to bring all ministries on board – both the leading and the reluctant. The effort also had the support of cabinet members and key ministries who placed importance on using evaluation findings to better inform decision making.

Australia's evaluation system evolved from one of tight, central controls imposed by the Department of Finance to more voluntary and devolutionary principles-based approach. The latter approach helped to increase evaluation commitment and ownership at the program level.

Many developing countries have made progress toward instituting M&E, keeping in mind the many challenges facing developing countries, Boxes 3 & 4. Consider two examples: Malaysia and Uganda. Both countries have introduced new – albeit different- measures to the budgetary process to make it more transparent, accountable, and results focused.

Box 3: Malaysia Outcome-Based Budgeting, Nation Building, and Global Competitiveness

Among developing countries, Malaysia has been at the forefront of public administration reforms, especially in the area of budget finance. These reforms were initiated in the 1960s as part of an effort by the government to strategically develop the country. The public sector was seen as the main vehicle of development; consequently, the need to strengthen the civil service through administrative reform was emphasized.

Budgetary reform focused on greater accountability and financial discipline among the various government agencies entrusted to carry out the socioeconomic development plans for the country. In addition to greater public sector accountability and improved budgetary system performance, the government undertook a number of additional reforms including improved budgetary system of performance, improved financial compliance, quality management, productivity efficiency in governmental operations, and management of national developmental efforts.

Most recently, Malaysia's budget reform efforts have been closely linked with the efforts at nation building and global competitiveness associated with Vision 2020 – a program aimed at making Malaysia a fully developed country by the year 2020.

With respect to budgetary reform, Malaysia adopted the Program Performance Budgetary System (PPBS) in 1969 and continued to utilize it until the 1990s. The PPBS replaced the line-item budgeting with outcome based budgeting system. While agencies used the program-activity structure, in practice implementation still resembled the line item budgeting and an incremental approach.

Box 4: Uganda and Poverty Reduction-Impetus toward M&E

"The government of Uganda has committed itself to effective public service delivery in support of its poverty-reduction priorities. The recognition of service delivery effectiveness as an imperative of national development management is strong evidence of commitment to results, which is also evident in several of the public management priorities and activities that are currently ongoing" (Hague 2001, p. 16).

Over the past decade, Uganda has undergone comprehensive economic reform and has achieved macroeconomic stabilization. Uganda developed a Poverty Eradication Action Plan (PEAP) in response to the Comprehensive Development Framework, and it is now incorporated into the Poverty Reduction Strategy Paper. The PEAP calls for a reduction in the absolute poverty rate from 44 percent (as of the late 1990s) to 10 percent by the year 2017.

Uganda was the first country to be declared eligible and to benefit from Highly Indebted Poor Country (HIPC) measures. Most recently, Uganda qualified for enhanced HIPC relief in recognition of the effectiveness of its poverty reduction strategy, consultative process involving civil society, and the government's continuing commitment to macroeconomic stability.

Uganda has introduced new measures to make the budget process more open and transparent to internal and external stakeholders. The government is modernizing its fiscal systems, and embarking on a decentralization program of planning, resource management, and service delivery to localities. The Ministry of Finance, Economic Planning and Development (MFPED) is also introducing output-oriented budgeting. In addition, government institutions will be strengthened and made more accountable to the public.

6.7 Tools for Parliamentary Oversight

As the body that represents the people, parliament is called upon to see to it that the administration of public policy reflects and meets the people's needs. Parliament is also called upon to ensure that agreed policy is properly implemented and delivered to target citizens. This is the role of parliamentary oversight. Parliamentary oversight can be defined as: "review, monitoring and supervision of government and public agencies, including the implementation of policy and legislation". This definition focuses on the purpose and nature of the oversight activities rather than on the procedural stages in which they take place. It covers the work of parliamentary committees and plenary sittings, as well as hearings during the parliamentary stage of bills and the budgetary cycle. The key functions of parliamentary oversight arising from this definition can be described as follows:

- To detect and prevent abuse, arbitrary behavior, or illegal and unconstitutional conduct on the part of the government and public agencies. At the core of this function is the protection of the rights and liberties of citizens;
- To hold the government to account in respect of how the taxpayers' money is used; it detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations;
- To ensure that policies announced by the government and authorized by parliament are actually delivered. This function includes monitoring the achievement of goals set by legislation and the government's own programmes; and
- To improve the transparency of government operations and enhance public trust in the government, which is itself a condition of effective policy delivery.

To perform these functions, parliaments use various tools. Some of these tools are stipulated in the text of a country's constitution, but more commonly they are part of the rule that govern parliamentary procedures (such set of rules are often called standing orders).

These tools are different in nature and they include the following:

- Parliament can simply ask the government for information
- Parliament can ask the government for public clarification of policy (appellations)
- Parliament can obtain information from sources outside the government
- Parliament can express its view about the government and the public.

Increasingly, attention is being focused on the roles of **Parliamentary Committees**, notably their oversight role, whereas formerly discussion tended to focus on the legislative output of committees. Some parliaments have permanent committees which are involved in both law-making and oversight; others do not. The powers of parliamentary committees also differ. Some parliaments make use of the ad hoc committees of inquiry than others.

Oversight Committees of Parliaments play a critical oversight role in ensuring public officials and government minister's account for the use of public funds. For instance, Public Accounts Committee (PAC). The role of Parliament in demanding accountability for public expenditure is performed by the PAC. It is where the Government is called upon to account for the management of public expenditure along with the reports of the Auditor-General.

The Auditor-General plays a critical role in supporting use of evaluation in Parliament. The Auditor-General is the constitutional machine to assist the Parliament to have control over the Executive and its directives. The Auditor-General is empowered by National constitutions to audit the accounts of all departments of government, ministries and so forth. The Auditor-General (AG). mandate is not only to audit the financial statements, but also to look into accountability and performance. Sectoral Committees/ Thematic Working Groups are also mandated to oversee the activities of various actors who disburse public funds on behalf of citizens.

Review of Annual Progress Reports: Given their links to constituencies, legislators are in a position to see the impact of programs in their districts. The annual progress report may provide a useful occasion to review government, a useful occasion to review government progress to ensure domestic accountability for project implementation.

Reports of Parliamentary committees are the primary vehicle for formulating recommendations to the government. When a Committee has finished its deliberations on the issues that have been referred to it or which it has chosen to consider, it produces a report summarizing the study or investigation it has carried out and expressing its conclusions. Generally, a simple majority of members is required to approve a committee report. When it is submitted to the parent chamber, this report forms the basis of discussion and debated in the plenary. It will be the basis of future activities of the committee on the same issue or related issues. Moreover, it can be consulted by other parliamentary committees and parliamentarians who are not members of the committee. Committees, study reports can also be directed to the government and the general public to inform them about the committee's work and to provoke governmental action.

Committees are also entry points for citizens' involvement in parliamentary business. Committees can invite interested parties to hearings or invite members of the public to give evidence. Public hearings held by the parliamentary committee have the potential to be a vehicle for informing the public on policy issues and the parliament's work on those issues. The Public Accounts Committee of Ghana organizes public hearings on Financial Audit as well as Performance Audit reports submitted by the Auditor-General to parliament. Even though civil society organizations can play a role in monitoring priority poverty expenditures, CSOs require channels to feed the results of these monitoring exercises into the political/policy making process. Oversight hearings provide one such mechanism.

Committees also offer a setting which facilitates detailed scrutiny of draft legislation, oversight of government activities and interaction with public and external actors.

The plenary chamber, meanwhile, remains a key forum for oversight of the executive. There is a wide range of tools that can be used in the chamber, where parliament can hear ministers and government and discuss the whole gamut of government policy regular and effective use of classic tools such as parliamentary questions and debates can hold the government to account. They enable focused discussion and the clarification of the government's policy.

In some parliaments, parliamentary political groups, which usually have links with political parties outside the parliament, may also initiate oversight procedures. As a matter of fact, whether or not political parties are formally allowed to initiate the use of the procedural tools, they affect the way in which the tools available to parliamentarians are used. On the one hand, parliamentary political groups can coordinate the individual tools to put pressure on the government. On the other hand, leadership of the parties in government can discourage the effective use of oversight tools by their member parliamentarians.

Constituent Complaints: Information from constituents can provide a useful source of information about problems in project implementation.

6.8 Ghana Case Study

The Parliament of Ghana uses most of the tools listed above to hold the executive accountable. The tools used in the Parliament of Ghana include among others, Questions to ministers, Interpellations (formal calling to account of cabinet minister or minster by a legislative body) Committees of Inquiry, and Committee Hearings.

Mid-year review on the implementation of the national budget is held. This affords Parliament the opportunity to make the corrections before things get out of hand. During the mid-year review of the budget, the executive informs the legislative body whether government intends to introduce a Supplementary Budget and the justification for it.

Parliamentary Committees undertake field visits to selected areas of the country with a view to verify the implementation of pro-poor programmes, where members compare the amounts spent with the levels of results achieved. Their findings are then reported to the Speaker and Parliament. In the specific case of Ghana, this type of monitoring is fraught with challenges; for example, budget constraints to undertake extensive field visits. Sometimes the Ministries, Departments and Agencies (MDAs) as well as District Assemblies (DAs) who are being monitored provide financial support. This gives rise to a conflict of interest situation.

In August 2009, the Parliamentary Committee on Poverty Reduction of the Ghanaian Parliament undertook a field visit to District Assemblies in the mining areas of the country. The visit followed news reports from NGOs that mining activities adversely affected the livelihoods and standard of living of rural farmers and the citizenry in those communities. During the visit, the parliamentary committee members examined the social responsibility programmes of the mining companies and assessed their impact in creating alternative livelihoods for the people. The team also undertook environmental assessment of the activities of the mining companies, they looked at the programmes of the mining companies aimed at preventing the spillage of cyanide from recycling reservoirs, leakages from dumped tailings, noise levels from blasting activities and effect these have on housing structures in the immediate vicinity and restoration of degraded mining sites. They also examined how the mining royalties by the respective Assemblies and Traditional Authorities for poverty reduction and livelihood enhancement purposes have been utilized. The findings of the field visit were reported to the Speaker and Parliament.

6.9 Citizen participation in committees

Oversight of the programmes of the administrative branch includes the assessment of the effectiveness of service delivery. When that effectiveness depends on the attitude of the citizens involved, committees' outreach activities can help enhance people's awareness and contribute to better delivery of policy. While ministerial statements and periodical reports are essential source of information, parliamentary committees often need to obtain first-hand knowledge from people who are engaged in the implementation of specific programmes and/or directly responsible for service delivery. Citizens' involvement in committee procedures such as public hearings can thus help parliamentary committees to obtain valuable information. Opening committee hearings to the public is good opportunity for a parliamentary committee to inform people about its work.

6.10 Written Submissions

As well as giving oral evidence before committees, interest groups and citizens can submit written opinions to parliamentary committees. In the Romanian Chamber of Deputies, 'The representatives of non-governmental organizations and experts may present their opinions on matters that are under discussion in the Committee, or may hand over documents regarding the matters under discussion to the Committee President'. There are rules on whether such submissions should be public or not. In the House of Representatives of Cyprus, the chairman of the committee must make it clear to those wishing to submit information to the committee that evidence and information submitted will be made public, unless they themselves request that the said evidence and information be considered as confidential.

6.11 Interactive meetings

Another tool at the disposal of parliamentary committees is interactive meetings. For example, Committees in the Namibian Parliament can 'organize meetings between citizens, community groups, sectoral organizations, Members of Parliament, and representatives of offices/ministries, as may be necessary to facilitate an exchange of views regarding the operation of government agencies and offices/ministries, and their effects on communities and groups in the society'. Public hearings are usually conducted in many of the regions as the budget allows and are generally informed.

6.12 Conclusion

Monitoring and evaluation is an integral part of the budget process, an effective M&E framework within the context of the budget cycle is a necessary condition in ensuring efficient and effective budget outcomes. Critical to this is the preeminent role MPs play in ensuring the executive branch of government accounts for the resources it is entrusted to deliver goods and services to the generality of the citizenry. The extent to which parliament conducts its monitoring and evaluation role effectively and efficiently depends to a large degree on the set of tools and resources MPs have at their disposal.

Performance budgeting or budgeting by results is a results-oriented approach which requires indicators to measure results with specific targets and milestone. This is widely practiced in advanced democracies, encouragingly; some countries in Africa such as Uganda are beginning to adopt aspects of results-oriented budgeting.

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IPU, PARLINE module on Parliamentary Oversight

7. Engendering Collaboration between Parliament and Civil Society at the National and Local Levels

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7.1 Development of Civil Society in Africa

Although the existence of civil society organisations (CSOs) in Africa can be traced back at least to political movements that rallied against the colonial powers for independence, it was not until the past 20 years that CSOs have been able to participate visibly in political and development processes.[i] Countries have had different and varying degrees of CSO engagement and development.

In the pre-independence era, civil society groups began by advancing arguments for the economic well-being of their members. Most were simply tribal associations acting as social and economic safety nets. This contributed to the development and emergence of what can be called Africa's first middle class in the colonies.

Thus drawing on the popular discontent of the people, this middle class in turn exerted pressure on the colonial administrators, and it was reflected in most African countries during the struggle for independence.The period immediately after independence was one in which the distinction between civil society and the state was somewhat blurred, but relations generally good.

The scenario was CSOs; especially trade and student unions, bar associations, and religious leaders, to one side, and African governments, on another side. This relationship however could not be sustained. But as the new élites assumed power, they soon fortified themselves with the same powers and privileges accorded the former colonialists, thereby excluding the citizens who felt they had fought for freedom and as such could not be ignored in political processes.

7.2 Sharing Countries' Experiences[ii]

The development and engagement of CSOs in Ethiopia and Algeria is unimpressive; in 25 years, Ethiopia has seen the end of centuries old monarchy followed by civil war, a Marxist-Leninist regime and the establishment, in 1991, of the present government. As a result, civil society is a recent development in Ethiopia. CSOs remain weak, with little cohesion and occupy little space within the national discourse on policy matters.

> *"The relationship between civil society and states in Africa seems to have some of the basic characteristics of a fortified city.*
>
> *In the fortified city, communicationbetween thoseinsideand those outside is severely restricted by the nature of the fort itself. So there are naturally outsiders and insiders. The thicknessof the wall, its height, its impenetrability, are what make it a respectable fort ... These characteristics are supposed to inspire awe and intimidation in the minds of observers ... The result, of course, is that the fortified city is a barricade, a siege: those inside cannot come out and those outside cannot go in ... When civil society feels completely locked out it begins to seek relevance by resorting to such alternatives as migration (exile), informal economic activities, sorcery, witchcraft, cults, genocide, forced relocations, intra- and inter-ethnic, communal or religious violence, ethnic cleansing, etc."*
>
> ***M. H Kukah[iii] describing CSO-Government relationships.***

In the case of Algeria, civil society has continually experienced intermittent periods of repression and freedom. The 1980s radically altered the dynamic in which the people of Algeria accepted central control in return for economic security by shifting some of the initiatives away from the state toward civil society. Subsequently, "associations of a political character" were legalised and allowed to organise, recruit and demonstrate. Recent years however, have seen the steady, if slow, expansion of room for civil society engagement in Algeria.

Ghana has a rich civil history, one that played a key role in the struggle for independence amongst others as part of Kwame Nkrumah and his Convention People's Party for "self-government now". Civil associations continue to play a critical role in Ghana's political, social and economic development, and Ghanaians' thirst for free association and participation in public affairs has not been quenched by nine successful coups, culminating in the restoration of democracy in 1992.

Though their training is based on the French tradition, Senegal's functionaries and political élites have shown a strong preference for a unitary state and distrust of power sharing. Yet, associational life is a natural phenomenon and despite successive attempts after independence to suppress civil society, the authorities have had to concede to the pressure, especially during the economic crisis of the 1970s, allowing the beginning of greater leniency in their accommodation of free expression of association.

In Kenya and Nigeria, CSOs played critical roles in the demise of their respective repressive regimes. Although President Jomo Kenyatta established the harambee self-help movement that supported community development through government support, and provided the impetus for subsequent growth, it is his successor in 1978, Daniel Arap Moi, who is credited for the proliferation of civil society groups in Kenya. He was also, however, perceived as fiercely undermining and violently suppressing CSOs growth and engagement during the latter years of his presidency.

CSOs such as the trade unions, the Federation of Nigerian Women's Societies and Zikist movement were at the forefront of the independence struggle in Nigeria. Subsequently, relationship between the nationalist parties and civil society groups did not last after independence and civil groups soon turned into forces of opposition. Following the 1966 coup d'état, the years that followed saw fierce confrontation between civil society and the successive military regimes (such as that of Ibrahim Babangida) that governed the country as well as manipulation of the former by the latter. At the end of the Sanni Abacha military dictatorship, Nigeria's civil society was activated and mobilised becoming vibrant and confident, and has been tested in the most trying periods of Nigeria's recent political experience. It also became a civil society that was bruised by the arrest and detention of its leaders, by the banning and repression of some of its organisations, by scant resources and low capacity, and by the creeping division in vision and strategy. This legacy continues to hamper the inherent dynamism of Nigerian civil society even under civilian rule.

In apartheid South Africa, the state used all means, including violence, to repress civil society, but it was the massive mobilisation of civil society across all sectors of its population, started in the early 1970s, that forced negotiations and eventually the emergence of an ANC government in South Africa some two decades later. For the first decade since negotiations started in 1990, South African civil society enjoyed excellent state-society relations, perceived to be somewhat starting to tarnish in recent times; time will tell whether the cordial relations between CSOs and the ANC government will be sustained.

Despite CSOs vibrancy in pre-independence Uganda, civil society has been severely weakened by the regime years of the Milton Obote and Iddi Amin dictatorships; a period from which it has made some recovery under the much more benign leadership of President Yoweri Museveni. Consequently, in the post-1986 period, the country has witnessed a rapid proliferation of CSOs, particularly in the form of NGOs.

Thus while civil society groups in Ghana, Senegal, Uganda, Nigeria, Kenya and Algeria have passed through various phases of political development, the situation in Ethiopia appears the least vibrant and civil society there remains young and fragile. CSOs in especially Nigeria and Kenya withstood the trials of violent regimes and with fortitude transformed such autocratic regimes into democratic ones.

But in all of these countries, which are a microcosm of the situation in Africa, civil society groups have become more politically aware and willing to engage the state.

7.3 CSOs-Legislature linkages

Entry points were also consolidated following from the trail of numerous transitions to multiparty systems from the 1990s in many African countries; positively CSOs were afforded a larger platform and accorded more legitimacy by ruling governments that found popular participation a way to justify alternative politics. As well, at around the same period, particularly from the late 1990s, the Poverty Reduction Strategies Programs, including the HIPC Initiatives processes that most sub-Saharan African countries had to develop as a condition for debt relief pushed for broad-based participation, including civil society.

Although international pressure influenced these transitions, the main catalysts of change as can be evidenced were the citizens themselves. Professional associations, labour unions, churches, and human rights activists spearheaded many Africa's democratic movements, while panoply of local organizations, social networks, and market channels served to undermine the legitimacy and power of authoritarian incumbents.[iv]

This was thus the environment that made it possible for CSOs to blossom and start participating in policy processes at a number of different levels.[v]

- √ The African (Banjul) Charter on Human and Peoples' Rights, 1981;
- √ The Treaty Establishing the Africa Economic Community of 1991;
- √ Re-launching Africa's Economic and Social Development: the Cairo Agenda for Action, 1995;
- √ The Solemn Declaration on the Conference for Security, Stability, Development and Cooperation in Africa (CSSDCA), 2000;
- √ The Constitutive Act of the African Union, 2000;
- √ The Protocol to the Treaty Establishing the African Economic Community Relating to the Pan-African Parliament, 2001.

Most of these CSOs used their subject-specific expertise and experiences working with grassroots organisations in outreach and service provision activities to inform their policy advocacy activities. More recently, other CSOs in the form of think-tanks and NGOs with think-tank-like functions (i.e. the fusion of policy research with policy advice and policy influencing) have emerged and sought a more formalised and routine space at the political dialogue table.

African heads of state and government have only recently begun to discuss "civil society engagement" within the African Union framework resulting from a series of OAU/AU-Civil Society Conferences since 2001 and drafting of the Statutes for the Economic Social and Cultural Council (ECOSOCC) of the African Union. However, more long-standing commitments to the related concepts of "popular participation" and "political pluralism" are contained in numerous OAU/ AU documents.

There are multiple understandings for civil society. The definition of Larry Diamond is most insightful:

"[Civil society is] the realm of organised social life that is voluntary, self generating, self supporting, autonomous from the state, and bound by the legal order or set of shared rules … it involves citizens acting collectively in a public sphere to express their interests, passions, and ideas, exchange ideas, exchange information, achieve mutual goals, make demands on the state, and hold state officials accountable. It is an intermediary entity, standing between the private sphere and the state."

According to this definition, civil society includes a wide array of organisations such as community groups or community-based organisations; non-governmental organisations (NGOs); labour unions; student and youth organisations; social movements; women's organisations; traditional leadership; charitable

Organisations; *faith-based organisations; professional associations; and the media.*

For some however, the concept of civil society in Africa may consequently be used in a meaningful way when it is seen as being in embryo in a rural situation, and as a struggling entity consisting partly of a variety of NGOs and more or less spontaneous social movements and relatively weak permanent institutions and organisations in urban areas.

In Africa there are varying degrees of development and engagement of CSOs with government and particularly with Parliaments. CSO engagement with Parliament is a novelty and is still at the very early stages of development. This is because as can be gleaned from their development in Africa, most of the relationship with governments has been at the Executive level when CSOs demand accountability.

However, the new forward looking process is to include Parliament since as 'the voice of the people' they are more representative and will influence policy better for change. Thus at the PAP level recommendations submitted include:

1. Support the vision of deeper political and economic continental integration underpinned by the principles of democracy and rights based governance
2. A commitment to inform their National Assemblies and convene public consultations before the July Summit
3. Prioritisation in the work of the Pan African Parliament committees, the national implementation of continental legal instruments and policies;
4. A proposal to the Heads of States in July for clear consultation mechanisms for African citizens prior to all of the decision-making stages of the Continental Government;
5. A clear call to the Heads of States to immediately abolish visas for Africans travelling within Africa, as a precursor to the lifting of all restrictions on African men and women to reside, work and trade throughout Africa;
6. A further call for a clear domestic financing strategy for the proposed new functions, which may include the options of taxing air flights and other creative ways of raising revenue for the Union Government and lastly;
7. The need for increased speed in rationalising the regional economic communities so that they can become effective building blocs for continental integration.

While institutional renewal and consultation within the African Union and its Specialised Organs is important, the immense political will needed to realise political and economic integration will only be sustained if our peoples are informed and supportive of such efforts. A public mandate is necessary for Continental Government to succeed.

7.4 Defining Civil Society

Development needs to become a people-centric and people-driven process. As long as it remains a process fuelled by external forces, designed from the outside with people at its periphery, the chances of its success are remote. There is a growing consensus that it is essential to involve people in the design and implementation of public policies and programmes if desired outcomes are to be achieved.

Civil Society is one of the key actors in governance; a pro-active Civil Society is a key instrument for securing good governance

vi

> Historically, in almost all African countries, people's movements, faith-based formations and various constellations of civil society have supported political liberation extensively. There was a close link between civil society and political society, and people-based power was recognised as a major driving force in nation building. But this has changed.

Civil society is thus an assistance mechanism that provides a full spectrum of the work MPs have to undertake to effectively legislate. CSOs work with Parliaments on a myriad of issues.

Some have the challenge of meeting requirements for assessment, strategy formulation, activity design, and program implementation. Parliaments have the challenge of establishing legal frameworks to protect and promote civil society.

In recent times, most governments appear to have developed a dislike for civil society organisations. The sector is perceived to be a base for state opposition and in response; some countries have adopted laws to discourage civil society processes. In countries such as Ethiopia, Uganda and Zimbabwe there are laws which regulate the amount of funding local civil society movements can receive from international funders. In these countries the government has a direct influence on how civil society operates.[vii]

While there are instances where Parliaments and civil society work together constructively, the relationship is often characterized by mutual suspicion and in some cases antagonism. Parliaments validly criticize civil society for not being transparent, and for not always offering tangible solutions when it is critical of policy or practices.

On its part civil society has often had to fight to be included in processes, and has on many instances been included in a superficial manner not intended to give it an opportunity for substantive input. In some cases, Parliaments bluntly accuse CSOs of trying to usurp their 'decision making' role by preaching capacity building with the intent of coercing or influencing their role.

Though CSOs also have an important role to play in influencing policies and practices to make them pro-poor; more and more CSOs are recognising the need to understand policy processes better and use evidence to engage with Parliament more effectively and discuss the opportunities and challenges they face when they try to inform policy and share experiences about what works and doesn't work, learn about the latest worldwide research and practice in this area, and identify gaps for future work.

CSOs therefore give practical training, information about policy options from other countries, and help to establish policy fora and networks (local and international).

To curb suspicion, a sure way is developing a binding agreement on the way in which these Parliaments and CSOs can engage with each other in a constructive manner, address these problems, and contribute to creating a healthy and beneficial working relationship.

Thus a Parliament/CSO relations and the existence or formulation of a policy, partnership regulation or legislation conducive to participation in decision making, can help with the credibility of CSOs, to deliver guidance on good governance including accountability and transparency.

Capacity Building; Infrastructure; Information and Communication Technologies (ICT;) Agriculture and Food Security; Trade and Market Access; Human Development; Education; Health; Environment & Tourism; Environment Science and Technology; Governance and Public Administration; National Development Plans; Domestic Resources Mobilization; Civil Society and Gender; United Nations Millennium Development Goal; Integration;

However, there are African countries like Mali and South Africa that recognise the impact of civil society in effecting change and promoting citizen participation in decision-making.

Based on research conducted in the early 2000s, the civil society sector globally appoints more than 35-million people across 35 countries. It is the seventh-biggest economy in the world with profits amounting to $1.3-trillion.

7.5 Why PC Collaborates with Parliament

In practice parliaments in many developing countries are ineffective; "In terms of enacting laws, debating national issues, checking the activities of the government and in general promoting the welfare of the people, these duties and obligations are rarely performed with efficiency and effectiveness in many African parliaments"[viii]

Through our work, we have established that there are various reasons for poor parliamentary performance. Often, parliamentarians lack the knowledge and skills to do their jobs effectively; some are more concerned with retaining their seat than with holding the executive to account, or – if they do seek to vigorously hold the executive to account – may find that they lose their seat before long. And parliaments themselves lack the institutional capacity and resources which they need. Fundamentally, parliaments receive insufficient finance to be effective.

Parliamentary performance is also shaped by context. Political systems, including electoral rules, constitutions and the nature of political parties may not facilitate strong parliaments, whilst in many countries parliaments can find themselves dominated and marginalized by the executive. The wider social and cultural environment, including citizens' expectations of their representatives, may not foster effective parliaments. And donors' aid relationships with developing countries – conducted on an executive-executive basis – can also serve to marginalize parliaments. Parliamentary strengthening must take account of these various reasons for poor parliamentary performance.

Parliamentary Centre approaches parliamentary strengthening in various ways; some of the Programs are focused on the parliamentarians themselves; parliament as an institution, on parliamentary staff and parliament in the wider political system within which parliaments operate.

7.6 Our Methodology

√ We respond to demand: Our Parliamentary strengthening is demand-led, and responsive to local needs, rather than externally-driven, thus although we originally were working from outside the continent, we have adapted to working in context and share best practices relevant to improving the status quo in our areas of work. Thus we begin by providing orientation to Parliament, etc.

√ We address the causes rather than addressing solely the symptoms.

√ We take full account of the local context – including the political context – within which parliaments function.

√ We involve the recipients viz, a range of local organizations, and interest groups, including opposition MPs and parties as well as members of the government.

√ We use particular issues such as budget oversight, anti-corruption, HIV/AIDS and poverty reduction, conflict prevention, management, resolution and peace building as vehicles to improve parliamentary performance, rather than focusing solely on parliamentary procedures.

- √ We coordinate and deliver appropriate activities; supporting study visits, trainings and seminars for MPs and their staff.
- √ We provide long-term sustainable support to the MPs, Parliament as an institution and staff.

The challenges are myriad in developing countries; parliamentarians themselves lack the skills, experience, education or occupational background to play an effective role in legislation, oversight and representation.

- √ Parliamentarians may also find themselves poorly paid, and without adequate incentives to perform their roles effectively. And, even when MPs are paid well, this is no guarantee that they will be motivated to play an active role in holding the executive to account; instead, their primary concern might be to hold onto their seat and access to resources. Or, if they do seek to hold the executive to account, they may find that they lose their seat before too long.[ix]
- √ Lack formal powers and agreed clear Procedures
- √ Lack institutional capacity
- √ Structures to encourage MPs and staff to exercise their roles & responsibilities
- √ What comes after elections; hyped expectations-Financial; Social; Negotiator; Mediator
- √ Time management
- √ Insufficient consideration to long-term development needs of parliament/undue focus on legislative responsibilities
- √ Sidelined on National dialogue on security issues; Creation of new institutions ; Parliaments not given space/lack expertise
- √ Party Whip; Majority and Minority dynamics

√ Implementing accords; protocols; treaties, relating to peace and security

√ Defining their absorptive capacity vis-à-vis other state organs

√ High turnover among legislative committee members pose a challenge for accumulating security sector expertise.

Ideally, we approach capacity building in oversight that ranks with internationally accepted democratic norms on transparency and accountability.

Parliaments themselves often lack the institutional capacity to perform their roles effectively.[x] Parliamentary rules and procedures may be poorly developed, parliamentary committees may be weak or non-existent[xi] and there may be more basic infrastructural problems. Such problems may include inadequate or non-existent accommodation, a lack of access to information, information technology, and library facilities, a lack of parliamentary staff to assist in the administration of parliamentary affairs and in particular in carrying out the research which is needed for parliaments to hold the executive to account.

Parliaments are an important component of national governance systems. The key functions of parliaments are legislation, oversight and representation. By playing these roles effectively, parliaments can contribute to the elements of effective governance:

Parliaments may also face serious questions about their legitimacy[xii] and – with funding largely dependent on the executive – are likely to lack the financial resources that they need.

Parliamentary performance is also shaped by the formal political system which a parliament is part of. In some countries, the constitution may establish a clear role and powers for parliaments. And even when this fundamental building block is in place, the reality may be that parliament is very weak compared to the executive.[xiii]

In many developing countries, particularly in Africa, this weakness on the part of parliament is mostly seen in presidential systems, where the executive is overwhelmingly dominant.[xiv] In such contexts, the legislature is likely to lack the power to hold the executive to account. Only one-third of African legislatures is perceived as being largely free from subordination to external agencies in all major areas of legislation, while two-thirds are under various degrees of subordination to external agencies in all major areas of legislation.[xv] Namibia, South Africa and Ghana are perceived as least subordinate, while Swaziland and Ethiopia ranked as the most subordinate.[xvi]

In addition to executive dominance, there are other aspects of a political system which can hinder parliamentary performance. These include a very dominant ruling party, the lack of an effective opposition (or even the idea of an opposition), electoral systems which hinder accountability, and either overly-strict party discipline which constrains MPs' actions, or an absence of political parties based around different political ideologies with the result that voters' choices are constrained.

PC recommends that in ensuring buy-in and sustainability for measures to prevent terrorism and build state capacity, whilst African CSOs have long contributed to efforts to combat the illicit trade in SALWs and other counterterrorism related issues, they only recently began taking a lead role working with states to improve preventive counterterrorism measures and building state capacity.

As well, civil society institution and activities that have attracted the interest of analysts and donors not only for their potential to make the state more accountable and transparent, but also for their role as development institutions, and also being political agents, many have assumed a self-help development role by designing their own projects and negotiating the funds they require for their function.

CSOs and parliamentarians can continue to collaborate in order to enhance the quality of policymaking:

- √ Providing expert inputs;
- √ Promoting policy reforms through the profiling of civil society viewpoints in parliamentary hearings;
- √ Coordinating outreach activities to enhance grassroots participation in policy dialogues; and
- √ Securing longer-term agreements through alliances with political parties and/or securing a quota of seats in the legislature. (This latter mechanism does, however, raise important issues about CSO independence.)

CSOs may also succeed in securing more formal representation in the legislature, as is the case with trade union groups in both South Africa and Uganda. In the South African case, the Congress of South African Trade Unions (COSATU) was able to shape the policy agenda, thanks to the close ties it enjoyed with the African National Congress party and broad legitimacy among key policy actors based on their solid support base and technical capacity (Robinson and Friedman, 2005). In Uganda, trade unions have direct political representation in the national parliament through five seats allocated to workers' representatives under the aegis of the National Organisation of Trade Unions (NOTU), the trade union federation. However, Robinson and Friedman (ibid) argue that CSOs employing such strategies to seek influence in parliament risk a loss of autonomy and the danger of being co-opted by a powerful executive.

PC notes that, many CSOs in the region have limited technical capacities (in research design, research management and policy analysis) to serve as effective knowledge providers and translators. Moreover, there is an urgent need to address leadership challenges within CSOs themselves (such as the 'founder syndrome', whereby CSOs' influence is based on the identity of their founder rather than on the basis of issue expertise, and limited accountability to constituents) in order to improve their credibility in the eyes of legislators. One recommendation that emerged to strengthen CSO legitimacy was for CSOs to work through umbrella organisations, rather than on a piecemeal basis, which is the tendency in our case study countries other than Zambia.

Finally, as highlighted by the ongoing work of the Parliamentary Centre in Africa, there is also a growing recognition that capacity building support is required to increase the ability of parliamentarians to critically assess research findings, especially given the demands of the global knowledge economy.

More specific challenges that need to be tackled in order to enhance CSO–parliamentary linkages include:

1) *Strengthening CSO understanding of the workings of parliament, its role in the policy process and the party political imperatives that underlie much of the decision-making process and behaviour of parliamentarians*

2) *Adapting to high MP turnover;*

3) *Being aware of executive pressure on parliamentarians;*

4) *Overcoming donor bias in promoting engagement with the executive rather than the legislative branch of government*

5) *Improving the quality and duration of funding to parliamentary strengthening initiatives*

Other lessons learnt include:

- √ Persistence, patience and competence are key to convincing government to collaborate
- √ Transparency and sharing of information (communication) is important in establishing trust and sustaining collaborations
- √ Regular Reviews and Joint Monitoring to facilitate effective and efficient collaborations
- √ Attitude Change and Better Mutual understanding are important in developing and sustaining relationships
- √ Build the capacity of Parliamentarians to effectively scrutinize the budget and exercise oversight responsibilities
- √ Provide the requisite oversight tools to conduct outreach and oversight activities
- √ Provide a platform for experience sharing among Parliamentarians of different countries and regions as well as networking

In Africa, there is a need for a greater role and involvement of parliaments in policy making and monitoring (Millennium Development Goals, Africa Partnership Forum, African Peer Review Mechanism, New Partnership for Africa's Development, Poverty Reduction Strategy Papers), as well as a need for capacity building and institutional strengthening. All this will be most effective when Parliamentarians play their full constitutional role in relation to the executive.

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