

**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF EDUCATION AND CULTURE**



**MAKING SERVICES WORK FOR THE POOR PEOPLE
MODES OF FINANCING: THE TANZANIA EXPERIENCE**

By

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*Paper presented at the Making Services Work for Poor People Workshop
Held in Berlin, Germany from 8th July – 9th July 2002*

MAKING SERVICES WORK FOR THE POOR PEOPLE

MODES OF FINANCING EDUCATION: THE TANZANIA EXPERIENCE

1.0 Introduction

Education development in Tanzania has been guided by both macro-economic and sectoral policies. The Education and Training Policy (ETP) was the starting point for the development of education in contemporary Tanzania. However, ETP was boosted by two macro-economic policies which were formulated later in the late 1990s namely the Poverty Reduction Strategy Paper and The Tanzania Development Vision 2025. The Vision has clearly defined the role of education in the long term development Strategy in the following words:

Education should be treated as a strategic agent for mind set transformation and for the creation of a well education nation, sufficiently equipped with knowledge needed to competently and competitively solve the development challenges which face the nation. In this light the education system should be restructured and transformed qualitatively with a focus on promoting creativity and problem solving.

Apart from such policy statements and intents the Government has forged a head by giving education top priority in resource allocation. The education sector is currently receiving 25 per cent of the Government's recurrent budget as opposed to less than 20 percent in the 1990s. The challenge the education sector is facing is how to ensure effective utilisation and accountability of increasing funding for provision of quality education.

In recent years (1999 – 2001) in Tanzania, a number of annual studies have been undertaken along the lines of Public Financial management Reforms. These studies have been sector specific and have taken the line of Public Expenditure Reviews [PER]. More emphasis, however, has been placed in the assessment of sector resource allocation and efficient utilisation of the same. These studies had identified a wide range of budget formulation, execution and accounting problems which not only serve to undermine the services provided by the Education Sector but also good governance and stability.

Currently, the Government of Tanzania with the support of the donor community has developed initiatives to overcome the problems encountered by implementing a number of reforms at both macro and micro [institutional] levels designed to improve the management of public finance, namely improved overall economic management, strengthening of the Controller and Auditor General's Department, strengthening of the budget process, strengthening of the government accounting framework and reform of tax administration.

For the purpose of this discussion however, the focus will be on **modes of financing the education sector.**

2.0 Role of Education in Socio-Economic Development

Education plays a major role in strengthening human capabilities and reducing poverty. Investment in human capital and provision of education have been recognized as central to the attainment of quality life. Furthermore, education could lead to:

- improved health and nutrition status, lower petty crimes, moderation of population growth resulting from low fertility rates, child spacing and smaller family sizes;
- improved quality of social needs i.e quality education. Clean water, better health services, human friendly environmental conditions, good governance and greater democratic participation in civic life;
- an educated work force of commendable size is necessary though not sufficient condition for economic development;
- at micro levels, education does not only increase skills and knowledge but also changes values, raises broader awareness, develops emotional sensitivities, forms new relationships, reduces bigotry, reinforces national identity and unity, strengthens communities, revitalises religious organisations and raises political awareness [such as safeguarding human rights and promotion of democracy].

In light of the above perspective it is crystal clear that the education sector is recognised as one of the pro-poor top priority sectors which requires to be adequately and appropriately financed.

3.0 Modes of Financing the Education Sector in Tanzania

The education sector has been financed through a number of approaches or modalities. The major financing modalities have included Government Budget, Budget Support, Project Approach Pooled Funding, Community Funding and District Education Trust Funds. These different financing arrangements have had adverse effects in the planning, financing and management of the whole

sector. The approaches have caused complications in the management and strategic allocation of sector resources.

3.1 Government budget

This is the largest source of education financing in Tanzania. Direct Government financing accounts for nearly 100 of all recurrent expenditure in education. Again, about 20% of development expenditure on education is derived from Government's own budget resources.

3.2 Budget Support Approach

The Budget Support Mode of financing calls for all financial resources from various stakeholders to assist the Education Sector be channeled through the Government budget. The idea behind is to enable the Government realise a predictable Government budget [Finances] and subsequently have a strong unitary accounting and payment system.

This mode of financing enables the Government to establish finance tracking and audit system within the centre and in the subsidiaries. It is in that direction the Government [Ministry of Finance] in Tanzania, has established a system that will deal with the analysis of the effectiveness of budget control at central, sectoral and district levels; and the identification of factors behind leakages in the expenditure system. The system has two components, namely the Platinum and the Commitment Expenditure system.

The Platinum system is equipped with a full range of finance models covering all aspects of accounting, management,

monitoring and tracking of funds through an Internet system. Commitment Expenditure system on the other hand is a measure deliberately taken by the Government (Ministry of Finance) whereby all funds must be committed before expenditure is effected. Once commitment is done, one cannot spend the funds for other uses.

Parallel to this system, the Government is developing a modern computerised audit system. The aim of the initiative is to modernise the present audit system to be able to match with the computerised accounting and payment system in place.

3.3 The Project Approach

The project approach to education financing has precipitated numerous problems. First, it is difficult to predict how much resources would be allocated to the education sector because the disbursement of such funds does not go through the normal Government budget. Secondly, it is difficult to manage and account for such funds through the Government finance management system.

The project approach mode of financing calls for each project to have a unique management [administrative and financial] and reporting system. In a district or community where there are many stand-alone projects, the leadership is overburdened by numerous consultations and various finance report and accounting modalities.

The project mode of financing greatly complicates the coordination of different stakeholders finances in the education system. The mode further complicates efforts to integrate the various project finances into a coherent government financial management procedures for effective financing of the education sector.

3.4 Basket Funding or Pooled Funding

The Basket-Funding and/or Pooled Funding arrangement is regarded as an interim measure towards the budget support. We regard this as an interim measure because it is an indication of mutual understanding among the development partners to manage their resources collectively but outside the Government budget management system. This approach though better than the project financing approach, causes a lot of stress in Government because the same is forced to have two parallel finance management systems. The pooled funding approach is also an indication of reluctance or lack of faith on the Government finance management system. Although it is never openly expressed so by the development partners, one is inclined to believe so otherwise the solution would have been to go budget support. On the other hand this financing arrangement is an indicator that the donor Governments have not fully reformed their financing policies to go fully into budget support. Currently, the Pooled Fund Partners who have signed the MOU under the **Primary Education Development Programme [PEDP]** which is now being implemented are the Royal Netherlands, the Royal Norwegian Embassy, Canadian High Commission, the Embassy of Ireland, the European Union and the

Government of Tanzania represented by the PO-RALG and MoEC.

This mode of financing though being transparent but is also time consuming due to the fact that it involves a lot of consultations in order to get the approval of spending the funds. In addition, this mode of financing denies the Accounting Officer the power to decide on specific expenditures to be made.

3.5 The Community Funding

The Community mode of education financing calls for effective involvement and participation of the communities.

When communities are sensitized and are clear about their obligations as owners of primary schools, they can contribute, either **in cash or in kind**, towards the school's development.

The secret behind continued and improved community contributions is accountability and transparency in the use of funds.

With proper laid out system of funds collection, use and reporting, even District councils are encouraged to disburse money from the Council coffers to assist the weak and poorer communities.

With the Community mode of financing there is always room for better off communities to contribute more in order to

assist the relatively poor ones. This should be encouraged aiming at building up collective responsibility in education development.

3.6 The Education Fund

The Education Fund has been purposefully established by the Government in order to provide more monies to the Education Sector. Following the Education Fund Act of 2001, the monies collected as education fund shall be used for the purposes of improvement of the quality, access to and equality of education at all education levels.

Finances for the Education Fund is expected to come from the Government (funds not exceeding 2.0% of the annual Government recurrent budget, less the amount payable in defraying the national budget) and funds coming in by the way of grants, loans or bequests.

This mode of financing is however quite new and it is anticipated that it will be in operation when all matters of management are well set.

For the effective operation of the fund, an Authority known as the Tanzania Education Authority which consist of the Board, its Committees and all operating directorates has been established. The Authority shall keep accounts and records and these annual accounts shall be audited by a competent and qualified auditor registered under the Auditors and Accounts (Registration) Act 1972. Issues of annual report(s) stating categorically financial statements

performance indicators and other related information and a report on the operation of the Authority at the end of each financial year shall be taken care of by the Board.

3.7 The District Education Trust Fund (DETF)

This is a very recent education financing modality which has been initiated by Local Government Authorities to try to broaden the financial base of basic education (primary and secondary education). The measure was taken to arrest the problem of shortage of funds from Government source of financing that level of education. While the demand for basic education has greatly increased, the traditional way of financing the same is unable to cope with the current demand. Similarly, communities now demand for high quality education. In order to meet these demands, councils had to find innovative approaches to financing basic education outside the normal local government budget. The fund has been established from contributions by individuals, organisations, associations and councils themselves from development levies. Initially, the idea of an education trust fund started with a very small number of pioneer councils. Through time, the idea has been adopted by more than 50 percent of the councils. Even the remaining councils are at various stages of getting the fund established.

The district Education Trust Fund (DETF) has been used to support academically able children from poor households, construction of community secondary schools, award of scholarships to outstanding performers in national, regional or district examinations.

4.0 Strategic resource allocation in education financing

We have so far seen the various modes of financing education in Tanzania. If we stopped at merely describing the modes, the whole exercise would sound rather abstract and academic. It is therefore important to go down to the level of resource allocation and utilisation. Education development as already stated has been guided by both macro and sectoral policies. The macro-economic policy on decentralisation by devolution at all levels government has guided the education sector in the development of the Primary Education Development Plan (PEDP). The most important features in the implementation of PEDP which are pertinent to the theme of this paper are the devolution of powers and funds right down school level.

In the implementation of PEDP, communities have been empowered through appropriate legislation, regulations and resources (financial) to manage the same. Apart from funds for capacity building at all levels, monitoring and evaluation, procurement of textbooks and for teachers salaries, all funds have been disbursed to primary school level. Schools have received all development funds for classroom construction and sixty percent of capitation grant money. It suffices to say that about 85 percent of PEDP money has been disbursed to primary schools. This is certainly a big revolution in decentralisation in education management in the endeavour to give more powers to local communities in the planning, management and administration of primary schools.

Despite such achievements, there are however three major challenges which the education sector is facing. These include:

1. The issue of ascertaining accountability at school level
2. The issue of capacity to manage such huge resources by the school
3. The issue of monitoring and evaluation to ensure effective utilisation of such funds and other resources by all the 12,065 primary schools in Tanzania.

The ministry of Education has not found the solutions to these challenges, but has already started to address them in collaboration with all stakeholders in education. This forum will probably be one of the sources of inspiration in tackling such challenges in the delivery and development of basic education in Tanzania.

5.0 Conclusion

It is evident therefore that if one has to make services work for the poor people, appropriate and correct mode of financing is of importance. It is the expectation of the Government through the budget support and with the accomplishment of the various initiatives undertaken, the donor community will develop confidence in the accounting and payment system of the Government. It is expected that through the budget support, the donor community will avoid the present parallel system of funding and pass through the government exchequer payment, accounting and auditing system for the benefit of the poor people.