



ANSAF

Agricultural Non State Actors Forum

**AGRICULTURAL PRE-BUDGET ANALYSIS FOR
2022/23 BUDGET**

21st April 2022

ANSAF

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1. Background

Agriculture Sector Contribution

- Between 2016 and 2019, agriculture sector has grown by an annual average of 5.1%, accounted for an average of 27.7% to GDP, 24.1% to export earnings and 65% of total employment (FYDP III, 2021).
- Over one decade agriculture share to the national budget has been below the rate of at least 10% committed under CAADP. During 2021/22 agriculture sector received TZS 630.3 equivalent to 1.7% share while 10% would be TZS 3.8 trillion
- Increased inflation rate up to 3.6% in March. 2022 compares to 3.2% same month last year ([NBS, 2022](#)). This is highly contributed by increased food price as food accounts for 59.9% of the Tanzania consumption pattern (Household Budget Survey, 2019)
- The national growth rate increased up to 4.9% in 2021 from 4.8% in 2020 while that of agriculture declined from 4.9% in 2020 to 3.2% in 2021 ([NBS, 2022](#))

Recent fiscal reforms (2015 -2021)

- Increased budget allocation to the agriculture sector and strategic investment areas such as seeds, research and cooperatives
- Fees and levies of more that 105 which includes
 - Continue granting duty remission at a duty rate of 0% instead of 25% for one year on
 - Other packing containers of milk
 - Packaging materials for seeds used by local producers of agricultural seed
 - Raw materials used to manufacture different types of fertilizers for fertilizer manufacturers
 - Sacks and bags of polymers of ethylene as inputs used by domestic processors of cashew nuts

2. Challenges

- Low budget allocation and disbursement - below 10% Malabo commitment
- Decline and low agricultural growth rate - below 6% Malabo target
- Low achievement of collection target for some areas
- Inadequate access to extension services – less than 10% Households (HHs) receive extension services
- Inadequate access to quality legal land rights
- Low agriculture share to the total loans - below 10%
- Low compliance on government guidelines regarding WYPDF and LGAs re-investment to agriculture
- Unfavourable taxes that creates unattractive business environment
- Low production, productivity, processing and trade

3. Agriculture Sector Overview within EAC

Agriculture Investment and Performance within Eastern African Countries, 2020 - 2021

	Items	Tanzania	Kenya	Uganda	Rwanda	Benchmark
Country's Score of Investment Finance in Agriculture, 2021	Investment Finance in Agriculture	1.65	4.48	3.99	6.86	7.5
	Public Expenditures to Agriculture	5.2	5.13	3.48	7.58	10
	Domestic Private Sector Investment in Agriculture	0.03	1.41	6.14	1.59	5
	Foreign Private Sector Investment in Agriculture	0.02	2.5	0.54	9.39	5
	Access to finance	1.36	8.9	5.78	8.9	10
	Overall score	6.14	5.62	5.89	7.43	7.28
	GDP share	26.74	23.05	23.93	26.25	
	Agriculture, 2020 Growth rate	4.9	4.77	4.82		

Only Rwanda is on-track to meet the goals and targets of Malabo by 2025, with Tanzania being not on track but making progress ([African Union, 2022](#)). Agriculture contributes quarter of the national economy with a growth rate of less than 5% within all the selected EAC countries ([World Bank, 2022](#))

Recommendation

Government to honour its commitment on the 2014 Malabo declaration

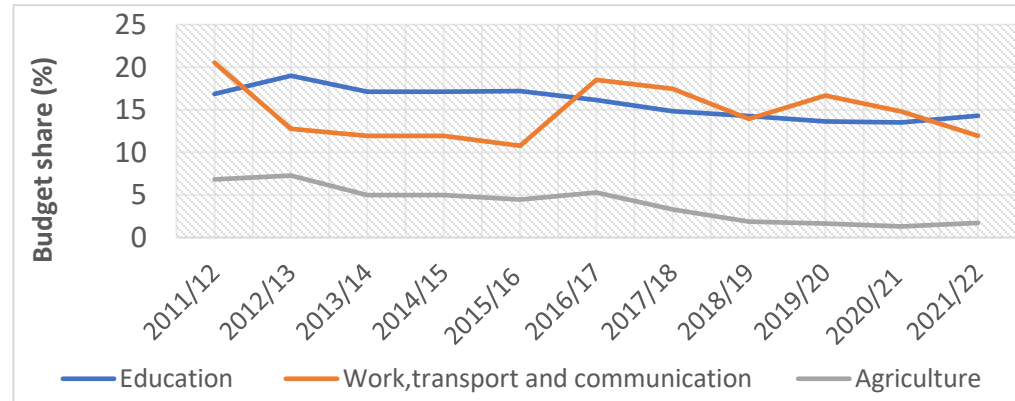
Source: 3rd BRR, 2022; World bank, 2021

Note: Red means not on track, green means on track

4. National Budget Overview

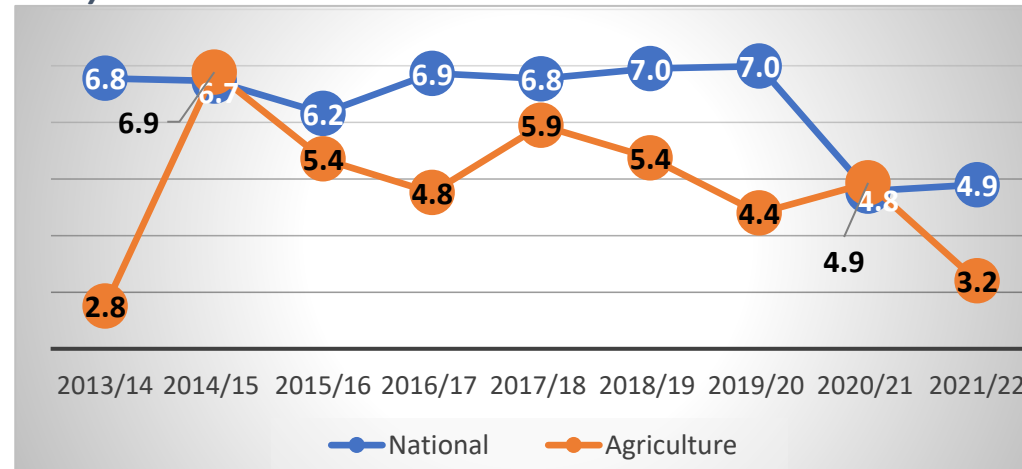
- 8.92% increase national budget from TZS 34.88 trillion in 2020/21 to TZS 37.98 trillion in 2021/22
- Less prioritization of agriculture sector (far below 10% CAADP commitment) compare to other sectors hence declined growth rate
 - 2011/12–2021/22 subsector’s budget share
 - Agriculture - 3.97%,
 - Education - 15.83%
 - Transport and com. - 12.80%

The Trend of Sector’s Budget Share, 2011/12 – 2021/22



Source: MoFP-Citizen Budgets

The Trend of Agricultural Growth Rate vs National (%), 2013/14 – 2021/22



Source: NBS, 2022

Recommendations

- Gov. to prioritize agriculture given its economic contribution
- Gov. to honour its commitment on national and regional programs such as Malabo declaration

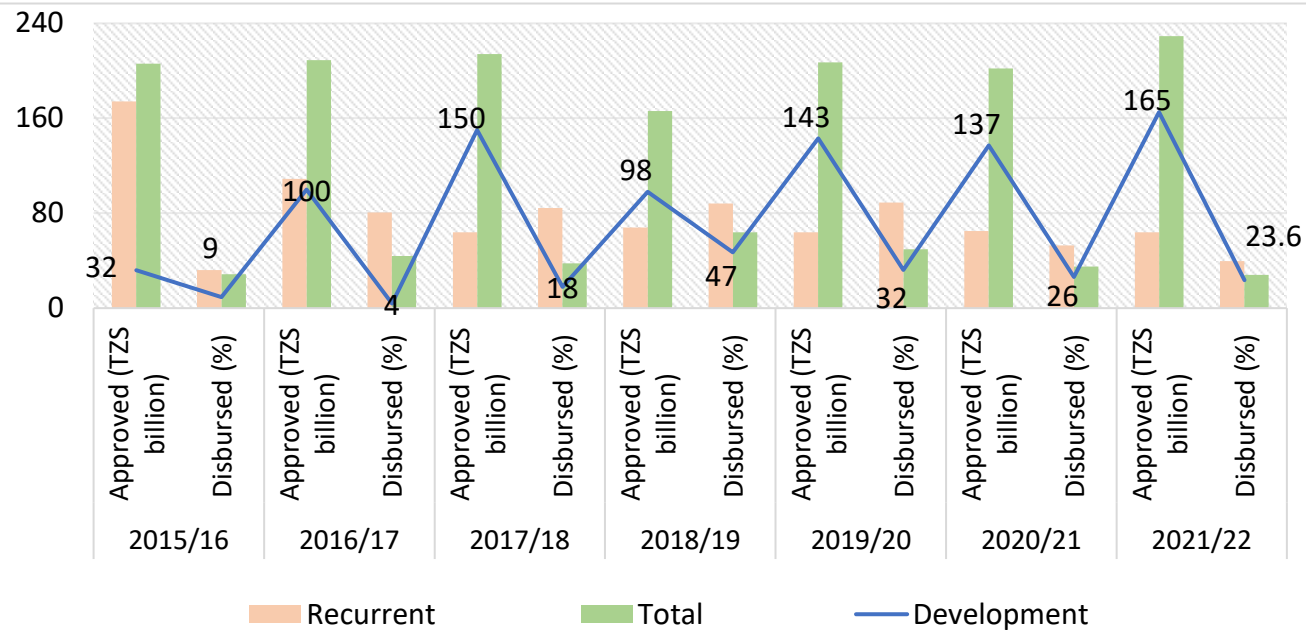
4A. Ministry of Agriculture

Note:

- ❖ The MoA budget covers 46.5% of the agriculture budget share in 2021/22
- ❖ Low budget allocation to support ASDP II program except for the first year

i. Agriculture - Crop (Vote 43)

The Trend of crop subsector budget allocation vs. disbursement, 2015/16 – 2021/22

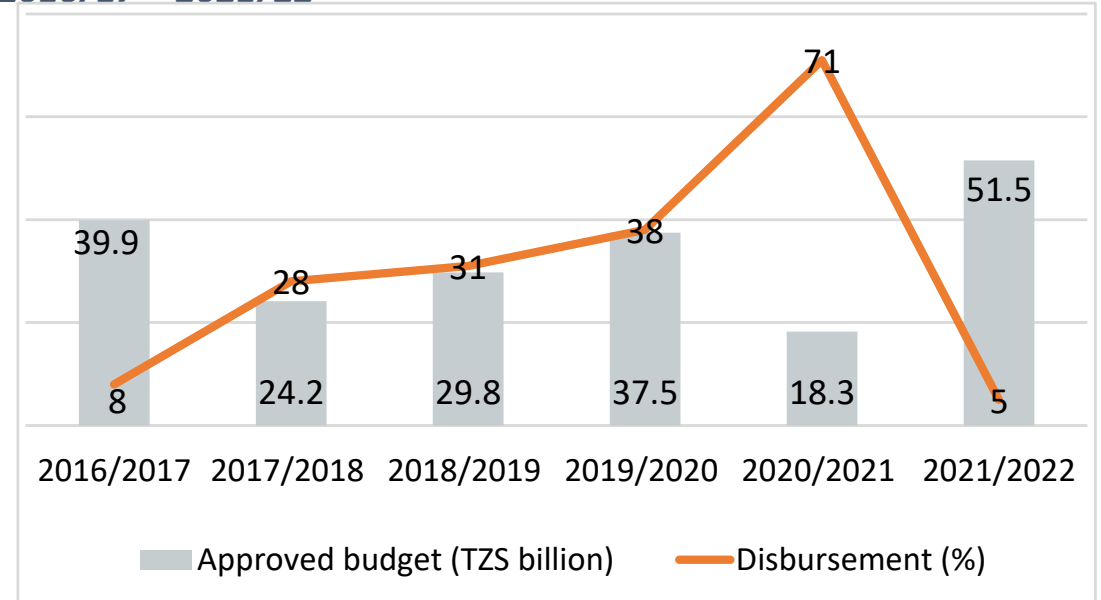


Source: MoA, 2022
 Note: 2021/22 disbursement figures are up to Dec. 2021

- By dec. 2021, 63.7% (TZS 2.9 billion) of its 2021/22 collections target (TZS 4.5 billion) was achieved

ii. Irrigation (vote 05)

The Trend of Irrigation budget allocation vs. disbursement, 2016/17 – 2021/22



Source: MoA, 2022
 Note: 2021/22 figures are up to Dec. 2021

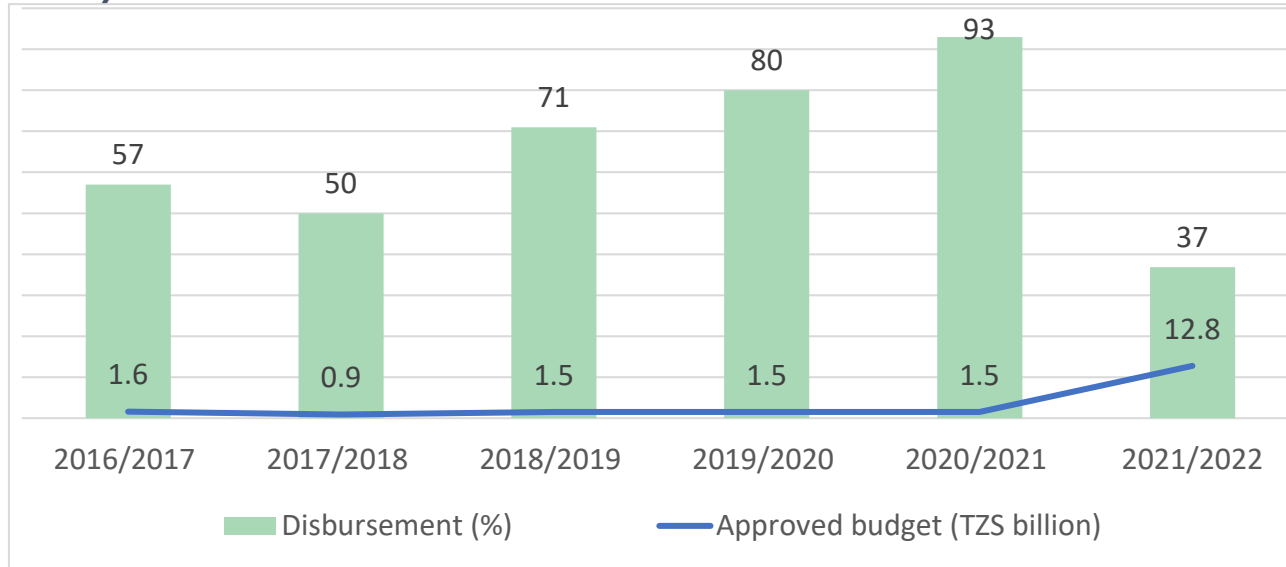
- Low annual budget allocation as per the World Bank (WB) estimates of at least 1trillion ([WB, 2016](#))
- Only 2.36% (695,045 ha) of available 29.4 million ha is under irrigation by 2020
- As of 2020, only 5% of the total 2,418 irrigation schemes are fully operational with some basic irrigation infrastructures ([NIC, 2020](#))
- Only 1.2% (TZS 367.6 million) of 2021/22 collections target (TZS 30 billion) was achieved by dec. 2021 (MoA, 2022)



4A. Ministry of Agriculture *cont.....*

iii. Cooperatives (Vote 24)

The Trend of cooperative budget allocation vs. disbursement, 2016/17 – 2021/22



Source: MoA, 2022

Note: 2021/22 disbursement figures are up to Dec. 2021

- By 2019 only 20.8% (2,423) of the registered cooperatives (11,626) were agricultural with lots of governance and managerial challenges
- For several years cooperatives budget has been covering only recurrent while there developmental goals to be achieved under FYDP III
- By Dec. 2021, cooperatives achieved 41.4% (TZS 2.4 billion) of its 2021/22 collections target (TZS 5.9 billion) (MoA, 2022)

Recommendations

- Increase budget allocation and timely disbursement up to 100%
- Gov. to continue reform taxes on strategic value chains for enhanced production, productivity, processing and trade

Irrigation

- Irrigation dev. effort linked with capacity, skills and market
- 1.2 mil ha target in sink with recourse allocation
- Use of friendly technology
- Subsidies irrigation equipment's
- Increase budget allocation and disbursement to incomplete irrigation schemes
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% or 10% for one year on manufacture Glass Reinforced Plastic pipes

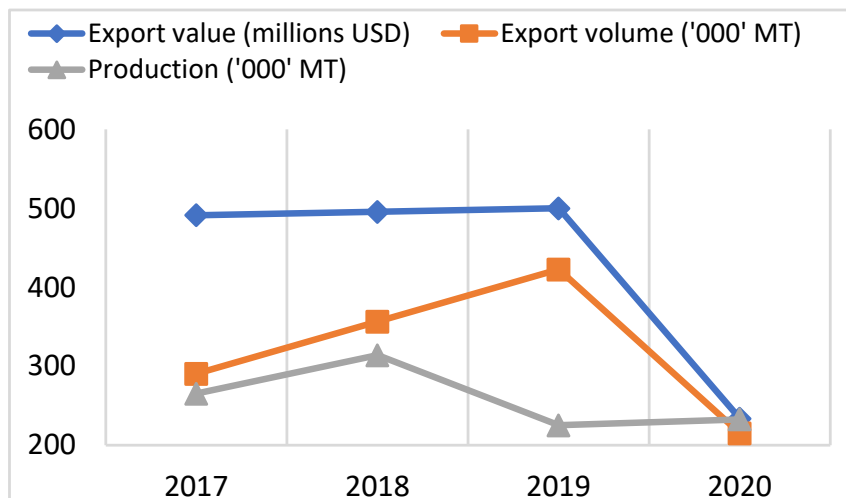
Cooperatives

- Government to fulfil national programme targets like in FYDP III and allocate budget to support cooperative developmental goals
- Allocate more budget to support capacity building to cooperative leaders and citizen while promoting naturing and developing private sector for fair competition
- Support cooperatives to operate within seven cooperatives principles

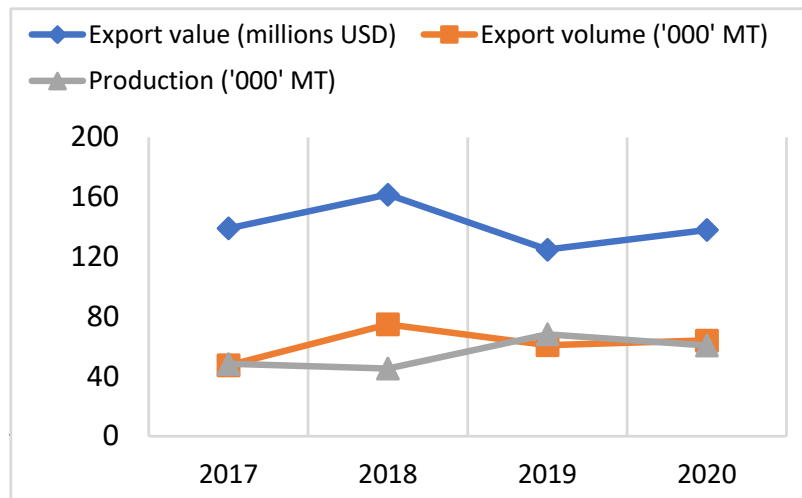
4A. Ministry of Agriculture *cont.....*

iv. Strategic Value Chains

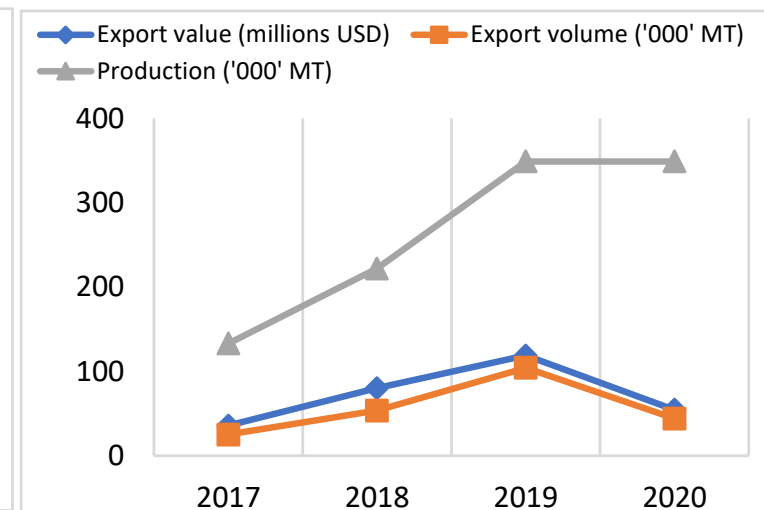
The Trend of Cashew Production and Trade, 2017-2020



The Trend of Coffee Production and Trade, 2017-2020



The Trend of Cotton Production and Trade, 2017-2020



Source: MoA, 2021: BoT 2021

Recommendations

- Reinstate Voluntary Input Fund for effective input supply
- Maintain duty remission for cashew packaging materials for local cashew nut processing factories
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% for Sacks and bags of polymers of ethylene as inputs used by domestic processors of cashew nuts
- Enhance good governance and transparency to AMCOs

Recommendations

- Strengthen TMX and improve Warehouse Receipt System (governance & transparent)
- Maintain stay of application of 25% and charge import duty of 35% for the imported coffee
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% for packaging materials for processed coffee
- Maintain stay of application of EAC CET rate of 35% instead of 25% on coffee

Recommendations

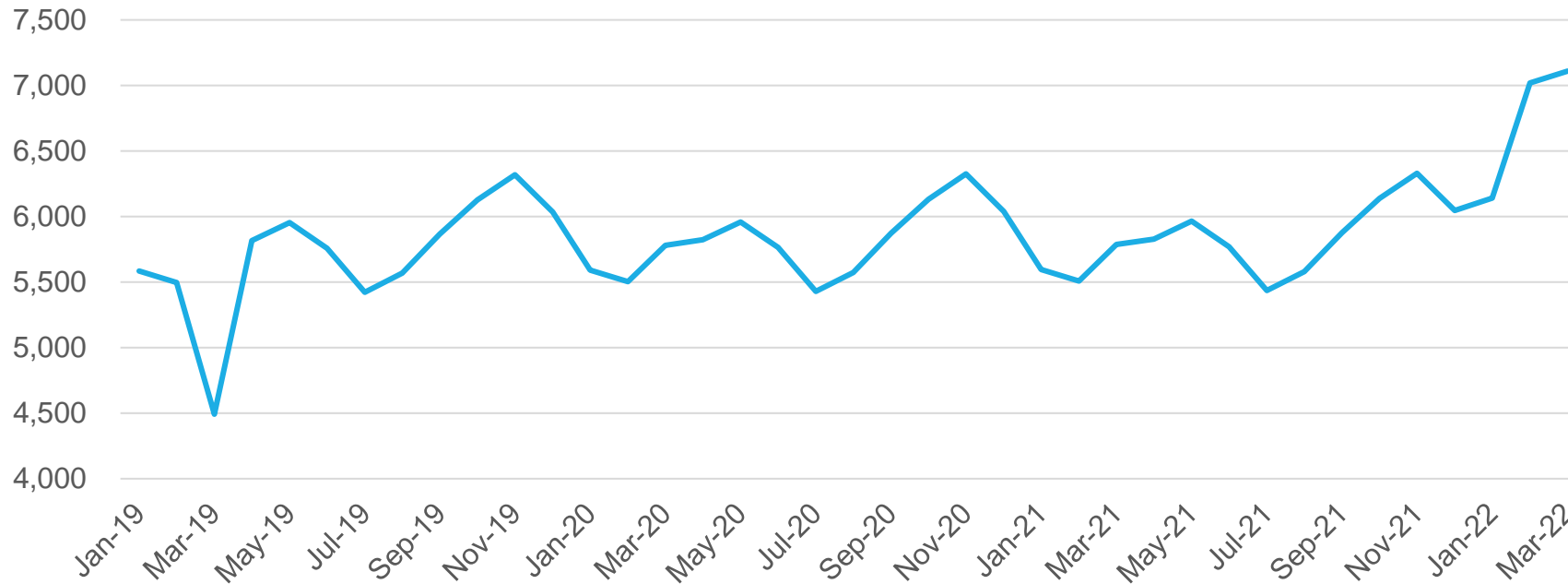
- Strengthen cotton board
- Reduce tax
- Enhance processing capacity
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% for inputs used by domestic processors of cotton lint

Strategic Value Chains *cont....*

Edible Oil

- In 2019 Tanzania imported around 68% (390,000 MT) of its annual demand for edible oil (570,000 MT) ([TIC, 2019](#))
- Annual import bill reported to reach \$250 million ([ANSAF et al., 2019](#)).
- EAC market opportunity of 2.5 million MT per year to feed around 300 million population ([BBC, 2022](#))
- Prices increased due to climate variability and COVID with Russia Ukraine war amplifying it as the countries covers about 72.7% of the edible oil global trade share
- Prices in Tanzania increases by almost 22.8% between March 2022 (TZS 7,108/kg) and March 2021 (TZS 5,786 /kg) (MIT, 2022)

The Trend of Edible Oil Retail Prices in Tanzania, 2019 - 2022



Source: MIT, 2022

Recommendations

- Government to increase investment in production and processing of edible oil including sunflower seeds and palm
- Maintain stay of application of EAC CET rate of 25% instead of 10% on Crude vegetable oils, and 35% instead of 10% or 25% on semirefined and refined vegetable oils.

Strategic Value Chains *cont...*

Seeds

SHPs cover 99.6% (1.5 million ha) of total seed area production where only 22% used improved varieties by 2019/20 ([NSCA, 2021](#))

Recommendations

- Increase gov. budget on breeding strategic commodities
- Attract private sector investments through tax and regulatory reforms
- Increase awareness among farmers
- Strengthen linkage between public research institutions and private sector for enhanced uptake of new breed

Fertilizer

Tanzania imports about 90% of its fertilizer (TFRA, 2021).

- Tanzania undergone several unsuccessful reforms aiming at enhancing SHPs access to fertiliser including subsidies, Bulk Procurement System, and Free Market
- Only 20.1% (2.8 million ha) of the cultivated area applied fertiliser in 2019/20 ([NSCA, 2021](#))
- In Tanzania fertilizer prices almost doubled this year season
- Russian Ukraine war has amplified fertilizer prices
- Kenya responded by subsidisation while Tanzania put indicative prices which are almost twice those of last year's season
- There are significant number of counterfeits which reduce farmers income up to 60 to 90% (Kadigi, et al. 2021).

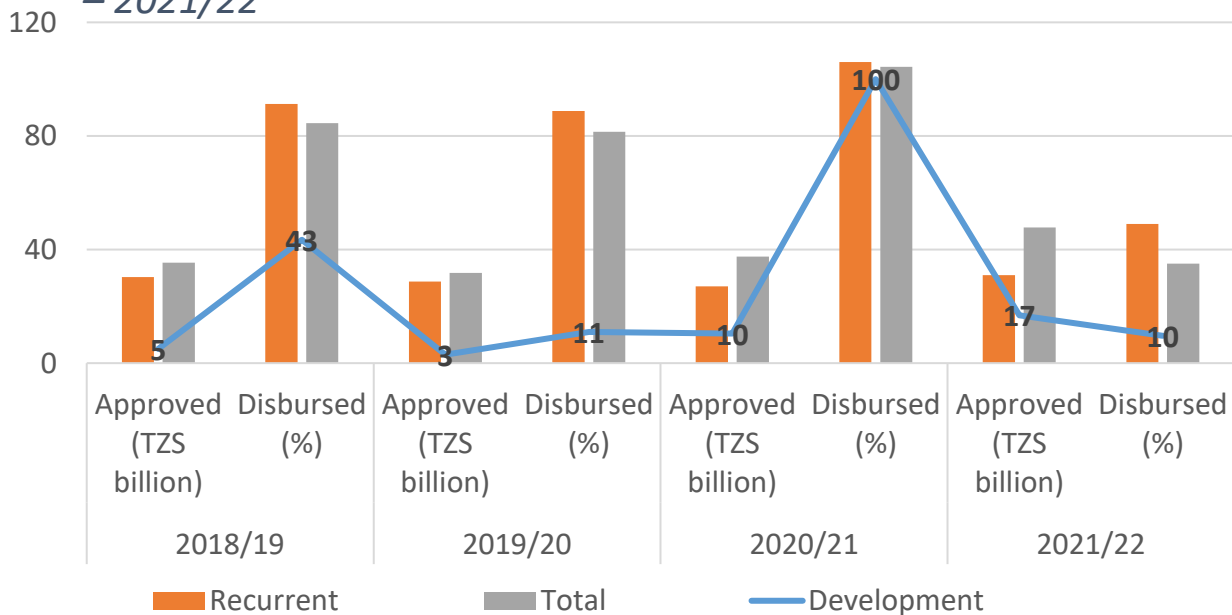
Recommendations

- Promote and facilitate investment on local production of fertilizer.
 - Maintain stay of duty remission at a duty rate of 0% instead of 25% or 10% for one year on manufacture different types of fertilizers for fertilizer manufacturers and
- Promote and facilitate availability of soil test kits.
- Subsidies fertiliser

4Bi. Livestock Subsector (Vote 99)

- Development budget is less prioritised in terms of budget allocation and disbursement.
 - In 2021/22 allocation for development budget was only 35% (TZS 16.9 billion) with disbursement of only 10% (TZS 1.6 billion) by December 2021
- Achieved only 27.8% (TZS 13.9 billion) of the 2021/22 collections target (TZS 50 billion) by dec. 2021
- Strategic areas like production and marketing received no disbursement by dec. 2021 despite its 24% contribution on revenue.

The Trend of Livestock Budget Allocation vs. Disbursement, 2018/19 – 2021/22



Source: MoLF, 2022



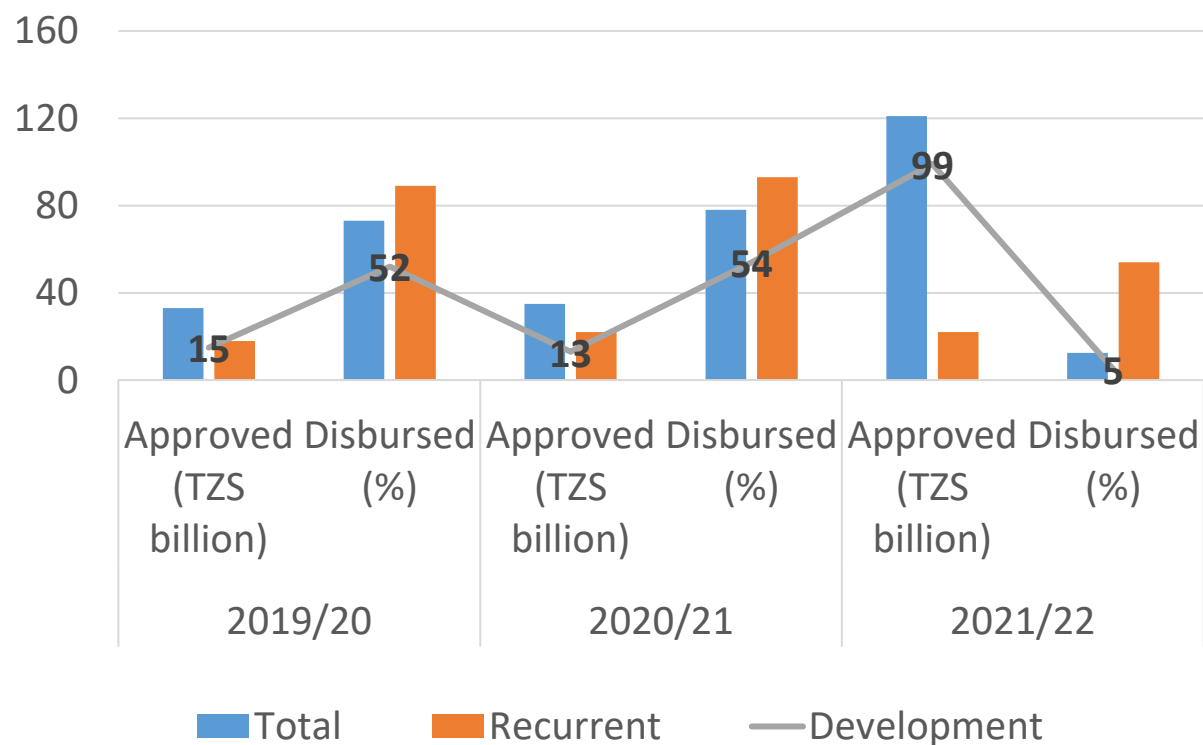
Recommendations

- Increase share of development budget
- Increase budget allocation and disbursement while prioritizing the following areas
 - Veterinary services, including genetic improvement
 - Promotion of an extensive artificial insemination, synchronisation, multiple ovulation and embryo transfer to increase the improved breeds and milk production through strengthening of the national and zonal artificial insemination centers
 - Research and development and veterinary capacity building
 - Construction and completion of modern abattoirs in high density livestock production areas
 - Enhance supply chains and beef industries to strengthen local processors.
- Reduce chain of institutions that interrelate in responsibilities
- Exempt VAT on cold rooms for livestock subsector
- Maintain stay of application of the EAC CET rate of 25% and application of a duty rate of 0% for one year on Milk cans
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% or 10% for one year on raw material used in leather processing
- Maintain stay of application of duty remission at a duty rate of 0% instead of 25% for other packing containers used by domestic manufacturers of UHT milk
- Maintain stay of application of EAC CET rate of 35% instead of 25% on meat and edible meat offal;

4Bii. Fisheries Subsector (Vote 64)

- Tanzania meets only 46% to 54% of its annual fish demand at 700,000 MT ([MoLF, 2019](#))
- 50.3% (TZS 19.9 billion) of 2021/22 collections target was collected by dec. 2021

The Trend of Fisheries Budget Allocation vs. Disbursement, 2019/20 – 2021/22



Source: MLF, 2022

Recommendations

- Increase budget and disbursement
- Exempt of VAT on fisheries insurance
- Exempt VAT on cold rooms for fisheries subsector
- Implement the following reforms
 - Enhance government policies to ensure fishermen and government benefits from fish maw
 - Reduce cost of obtaining permits for fish cage farming to enhance involvement of SHPs
 - Enhance investment on Strategic Environmental Impact Assessment in order to promote local investors to engage in fish cages
 - Establish one stop center for obtaining all permits at the district level to reduce cost
 - Establish a control body for fish subsector to enhance quality of services such as fish feeds
 - Strengthen capacity of extension advisory services
 - Enhance availability of locally produced fingerlings and quality feeds

4Ci. Women and Youth

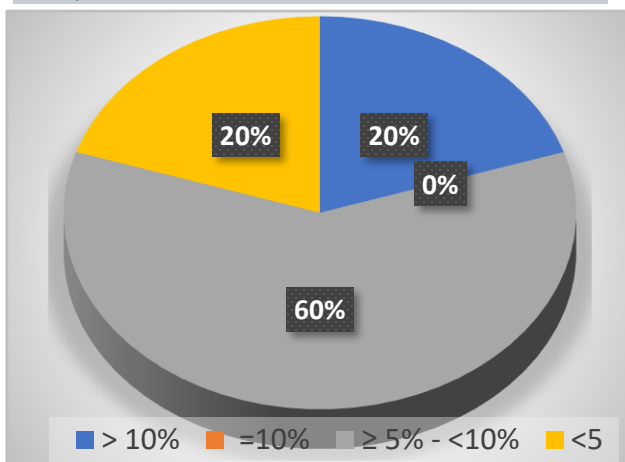
In 2021/22 Government through PORALG estimated LGAs to provide a total loan of TZS 67.7 billion through WYPDF but only 13% (TZS 8.8 billion) were disbursed by December 2021

Non compliance on operationalisation of WYPDF (CAG, 2022)

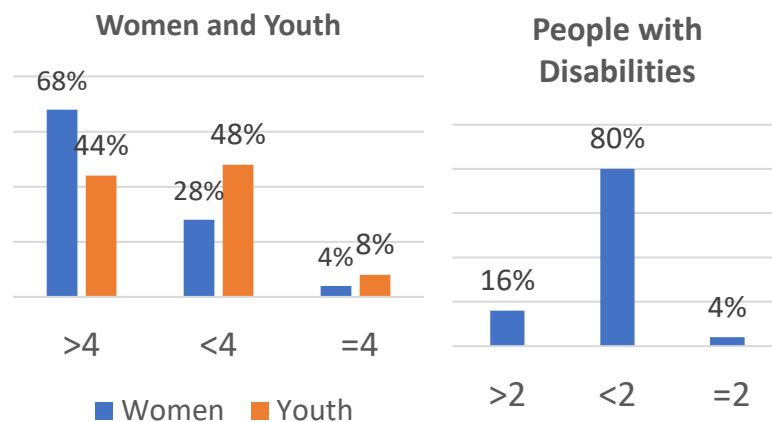
- 155 out of 185 LGAs failed to collect TZS 47.01 billion repayment of loans
- 11 LGAs did not transfer TZS 1.24 billion from deposit accounts to WYPD special accounts
- TZS 156.23 million of WYPD fund were found in LGAs business bank accounts for more than a year without being issued to beneficiaries with no logical reasons
- 17 LGAs released TZS 3.26 billion Loans Without Considering ratios of issuing loans (4, 4, 2)

ANSAF rapid survey, 2022

LGAs compliance with 10% Allocations, 2020/21



LGAs compliance with 4,4,2, 2020/21



Source: Author calculations from LGAs data

NB: Data were gathered from 25 LGAs in 15 regions of Tanzania mainland

Recommendations

- Enforce loan return and LGAs compliance with 4, 4, 2
- Strengthen regulations on the delivery and management of WYPDF lending procedures and timing for loan issuance
- Increase M&E budget
- Enhance allocation and disbursement of budget to WYPDF
- Prioritise entrepreneurship skills and credit management
- Increase awareness of WYPDF and another exiting national empowerment
- Reduce political interference
- Invest on postharvest technologies and establish recovery plans
- Allocate budget to support curricula and education system **reforms** to include agriculture

4Cii. LGAs Compliance with Budget Guidelines and Plans

LGAs Own Source Revenue Collection and Disbursement, 2018/19 – 2020/21

SN	Location	Sector Items	Estimates		Actual	
			Collection (TZS million)	Disbursement (%)	Collection (TZS million)	Disbursement (%)
1	Iringa MC	Crop	813	17	642	9
		Total	2,434	100	2,168	100
2	Gairo DC	Crop	404	20	186	4
		Total	689	100	560	87
3	Mbarali DC	Crop	2,003	4	3,502	3
		Total	3,586	57	3,993	87
4	Mbinga DC	Crop	1,168	18	1,273	16
		Total	2,328	100	2,271	101
5	Nyasa DC	Crop	375	8	271	8
		Total	1,294	100	1,236	68
6	Songea DC	Crop	851	16	833	2
		Total	1,188	98	1,194	98
7	Average	Crop	936	14	1,118	7
		Total	1,920	92	1,904	90

Source: LGAs, 2021

Recommendation
Amend Local Government Finance Act and add clause to enforce the 20%, 15% and 5% reinvestment to crop, livestock and fisheries subsectors respectively

5. Cross Cutting

Research and Development

- Low allocation and disbursement.
- For example during 2021/22
 - Livestock allocated 6.28% (TZS 3 billion) and disbursed 23.1% (TZS 691.6 million) by dec.2021
 - Fisheries allocated 1.9% (TZS 2.4 billion) and disbursed 34% (TZS 800 million)

Recommendations

- Increase allocation and disbursement as per Malabo and ASDP II
- Allocate budget on market research
- Enhance link between research and extension
- Enhance research on climate resilience seeds

Resilience to Climate Variability

The National Environmental Trust Fund (NETF) is yet to be fully operationalised due to reasons such as lack of funds

Recommendations

- To operationalize National Environmental Trust Fund and expand its source of monies (ANSAF, 2020)
 - Emissions from Vehicles (TZS 3,000 per vehicle), Electronic waste fee (1% of the product value), tourism and hospitality industry (USD 0.5 per tourist), and drinks served on plastic bottles (TZS 0.5 shillings per bottle).
- Allocate budget to support climate smart agriculture and community crop insurance schemes to address droughts and floods
- Invest in an efficient irrigation equipment's
- Government to increase budget allocation and disbursement to incomplete irrigation schemes
- Increase awareness on the link between climate change and agricultural practices

5. Cross Cutting *cont....*

Post-Harvest Losses

- High allocation with low disbursement
- 2020/21 budget - TZS 67 billion, only 16.6% was disbursed by March 2021
- 2021/22 budget - TZS 49.7 billion is allocated - local sources 16.4% (TZS 8.0 billion), external 83.9% (TZS 41.7 billion).
- High post harvest losses impacting food security, nutrition and trade
- High taxes affecting adoption and investment of post harvest technologies

Recommendations

- Invest in storage capacity enhancement and full implementation of National Post Harvest Management Strategy
- Remove 18% VAT on hermetic storage technologies

Extension services

- Only 32.89% (7,361) extension target of 22,388 were achieved by 2019/2020 (FYDP III, 2021)
- Inadequate quality of extension service delivery
- Significant decline of HHs receiving extension services
 - Crop -from 67% in 2007/08 to 7% in 2019/20
 - Livestock keepers – from 555 in 2007/08 to 9.1% in 2019/20 (NSCA, 2021)

Recommendations

Enhance investment on extension services

- Revive Ward Agriculture Resource Centers linking with ICT
- Provide refresher training to extension agents

5. Cross Cutting *cont.....*

Access to Finance

- Up to 2021 agriculture share to the total loan is still less than 10%
- Continue existence of stingy regulations (i.e., need for non-movable assets as collateral)
- Bureaucratic lending procedures

Recommendations

- Simplify lending procedures
- Fast track collateral registry
- Allocate budget to support finalization and operationalization of National Agriculture Insurance Scheme

Access to Land

- There are only 55 land district councils out of 184 required
- Fewer land courts stationed at the regional level
- Placement of the land dispute resolution system under the government axis instead of judiciary

Recommendations

- Allocate more budget to support District Land and Housing Tribunals.
 - Accelerate reduction of land disputes
 - Enhance transparency and anti-corruption systems
- Land Tribunal Housing to be under judiciary
- Each district to have certified land survey equipped with necessary equipment
- Allocate land for agro-processing industries
- Encourage survey of farms and issuance of Certificate Customary Right of Occupancy (CCROs). *CCROs enhance access to capital*
- Fast track development of the agricultural law for enhanced protection of the agricultural land

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