# Analysis of Agriculture Budget Trends and Outcomes in Tanzania

# FINAL REPORT

**December 2012**

# EXECUTIVE SUMMARY

**Background and objectives**

1. Several countries in Africa including Tanzania have committed to live to Maputo Declaration that requires AU member states to allocate 10% of national budget to agricultural sector. It is assumed that sustained ten percent allocations into the sector would translate into 6% percent sector growth. However there are arguments whether the 10% percent allocation alone can contribute to food security and reduced poverty levels. The biggest challenge would be where should the government spend money in agriculture sector? How should the government spend the money? What policies need to be in place, and what practices need to be embraced by all actors, including the government, private and smallholder farmers?

2. This study sought to gather pertinent information related to agriculture budget trends, allocation, utilization and outcomes in Tanzania over the 5-10 years. It also intended to find out whether the 10% budget target is enough to transform the sector and contribute to reduction of poverty and food insecurity. The main purpose is to inform ANSAF members/partners, government institutions and other stakeholders on the outcomes of public spending and/ or interventions on the sector and enable them to take relevant actions. Furthermore, the study attempts to make a proposal on specific spending patterns (priorities) that could significantly contribute to sector transformation.

**Methodology**

3. The design identified the kinds of data to be collected at national and local level. At national level, data were collected on aggregate budget trends, disbursement and carryover funds.

4. At local level, four Local Governments (LGAs) were selected for examination based on DADPs performance criteria in which LGAs are categorized as Very Good quality; Good quality; Fair quality and Poor quality. One LGA was selected from each category of performance – Mbeya Rural for Very Good quality; Kisarawe for Good quality; Simanjiro for Fair quality and Lindi TC for poor quality.

**Key Findings**

5. Since 2001/02 the agricultural budget in Tanzania has generally been increasing gradually in nominal and real terms. This is more so in response to CAADP commitment. However, the increment is on the recurrent budget. For example, in 2000/01 recurrent budget for MAFC was 39.5% and by 2008/09 it had reached 82.4%, before it dropped to 59.0%% in 2011/12. On the contrary, development budget was 60.5%% in 2000/01 and had dropped to 41.0% in 2011/12. This is a

cleat manifestation that there are no concerted efforts to capitalize the agricultural sector.

6. Data from the Appropriation Account Books of MAFC indicate that there is a deficit between approved budget and disbursed fund from treasury. For example, between 2000/01 and 2007/08 the deficit ranged between 6 and 49%.
7. With regard to absorption capacity, statistics indicate that during 2010/11 financial year, the ASDP, through the treasury, released TSh. 107.1 billion to ASLMs to implement agricultural development activities. Out of this amount, only TSh. 77.9 billion (72.8%) was actually spent by the end of the financial year. The unspent balance carried over.
8. Examination of agricultural performance suggests a positive relationship between increase in agricultural spending and annual growth rate for agricultural value added. Countries that spent at least 10% of their budgets to agriculture have improved annual growth rates in agriculture value added.
9. Examination of ASDP framework indicates a multitude of institutional problems that must be resolved for increased agriculture budget to result to agricultural transformation. The obstacles are in the areas of spreading resources thinly, political capture, delayed disbursement, poor community commitment, low technical capacity of the private sector at community level, poor extension system, and fund mismanagement as depicted by CAG reports.
10. Agricultural spending in Tanzania is not need-based in terms of food insecurity and poverty level of regions. Poor regions receive fewer funds than better off regions.
11. There is no critical review of context and regular update of data, with effective oversight functions (councillors) that approve budget document. This explains poor plans that are approved without being properly reviewed
12. DADPs rely entirely on public fund ignoring resources from other actors outside the public circles such as civil society organizations and private operators.
13. There is clear guideline on the direct components of the DADG. As a result, a significant portion of DADG funds are indirect expenses in nature such as payment for extra duty, fuel, transport, training materials, buying office supplies, etc.
14. There is no reliable source of information for LGA budgets. There is a need for establishing and maintaining a website where stakeholders could access LGA budget information.
15. CAG reports are not released as soon as they are shared within LGAs or in the parliament.

**Conclusion**

16. This report has analysed budget allocations for four LGAs and also at national level. It has been demonstrated that accessing budget information for LGA in Tanzania is difficult. Even in the situation where information is available, is neither consistent nor in a standard format for all LGAs so as to allow comparison. This is partly due to the fact that the majority of LGA officers remain sceptical about the intention of the analysis.

17. Since 2001/02 the agricultural budget in Tanzania has generally been increasing gradually in nominal and real terms, but the capacity to utilise the fund at LGA level is still low.

18. The main challenges facing LGA budgets include delays, carryover funds, spreading resources thinly, political capture, and budget querries as per CAG report.

Taking all issues into consideration, the following recommendations are made:

**Recommendations**

- There should be a critical review of context and regular update of data, with effective oversight functions (councilors) that approve budget document. A standard format for reproting system among LGAs has to be instituted and enforced. This will reduce the level of poor plans that are approved without being properly reviewed. In connection to the above, capacity building for councilors is necessary.
- There is a need to capture resources from other actors outside the public resources within LGA working in the sector. NGOs and private sector contribute significant amount of funds towards DADPs implementation.
- Major categories within sector allocation should set limit, especially on DADG on what proportion could be set aside for indirect expenses such as payment for extra duty, fuel, transport and training materials.
- There are various issues on information access, ranging from complete information blackouts, resistance to cooperate and release information, inconsistency among LGAs, poor data update, to low level of credibility. CAG reports could be released as soon as it is shared within LGAs or in the parliament.
- All LGA data and other financial information need to be on the website. The best website so far is the http://www.logintanzania.net; but it is not updated, some of the information was last updated in 2005/06. Stakeholders should increase pressure on the government to update this website.
- It is obvious that although the emphasis and focus is 10%% budget allocation to agriculture is critically important, the local level actors must be organized and supported to absorb the budget increase by setting priorities right, coordinating stakeholders and ensuring maximum return that would contribute to poverty eradication and assurance to food security.

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# GLOSSARY

| | |
|---|---|
| ACBG | Agricultural Capacity Building Grant |
| AEBG | Agricultural Extension Block Grant |
| ANSAF | Agricultural Non State Actors Forum |
| ASDP | The Agriculture Sector Development Programme |
| ASLM | Agriculture Sector Lead Ministries |
| AU | African Union |
| CAADP | Comprehensive African Agricultural Development Programme |
| CAG | Controller Auditor General |
| CBO | Community Based Organizations |
| COFOG | Classification of Functions of Government |
| CPI | consumer price indices |
| DADG | District Agricultural Develompment Grant |
| DADP | District Agricultural Development Plans |
| DFT | District Facilitation Team |
| FSIT | Food Security Information Team |
| GDP | Gross Domestic Product |
| GFS | Government Finance Statistics |
| HDI | Human Development Index |
| LGA | Local government authorities (LGA) |
| LRR | Locally Raised Revenues |
| MAFC | Agriculture Food Security and Cooperative |
| MDAs | Ministries department and Agencies |
| MDG | United Nations Millennium Development Goals |
| MIS | Marketing Information System |
| MLDF | Ministry of Livestock Development and Fisheries |
| MOWI | Ministry of Water and Irrigation |
| MTEF | Medium Term Expenditure Framework (MTEF) |
| NBS | National Bureau of Statistics |
| NEPAD | The New Partnership for African Development |
| NGO | Non-governmental Organizations |
| OBI | Tanzania's Open Budget Index |
| OC | Other Charges |
| OECD | Organization for Economic Co-operation and Development |
| OVOP | One - Village - One Product |
| O&OD | Opportunities and Obstacles to Development |
| PE | Personnel Emoluments |
| PELUM | Participatory Ecological Land Use Management |
| PMO-RALG | Prime Minister's Office Regional Administration and Local Government |
| RESAKSS | Regional Strategic Analysis and Knowledge Support System |
| SAGCOT | Southern Agricultural Growth Corridor of Tanzania |
| SSA | Sub-Saharan Africa |
| TAFSIP | Tanzania agriculture and food security investment plan |
| TAMISEMI | Tawala za Mikoa na Serikali za Mitaa |
| VADP | Village Agricultural Development Plans |
| WEFT | Ward Facilitation Teams |
| WEO | Ward Extension Officer |

# 1. INTRODUCTION

## 1.1. Background

African economies are mainly agrarian with agriculture playing a significant part in national economies. In fact due to its back and forth linkages, the agriculture sector provides employment to a large number of urban and rural population. In Africa there is plenty of arable land left fallow. It is within Africa that most of food crops are grown across countries with potential of feeding the world[1]. It is therefore important to acknowledge that Africa has a critical role in solving global food crisis, although at the moment is a net food importer.

Despite its potential, Africa, especially South of Sahara region remains behind and off target in realizing the United Nations Millennium Development Goals (MDGs). Contrary to MDGs, Sub-Saharan Africa (SSA) is challenged by food and nutritional insecurities. Productivity remains low, ailing infrastructures and institutional and policy failures whose compounded effect result into food insecurity and diminishing incomes and raising poverty levels, particularly in rural areas.

It is the understanding of the unexplored and untapped agricultural potential in Africa that forced the African Union heads of state to adopt the Maputo Declaration 2003. The Maputo assertion committed African governments to allocate at least 10% of the national budget towards agriculture. This allocation is assumed to be enough to increase productivity, reduce food insecurity and poverty levels. The New Partnership for African Development (NEPAD) records indicate that by 2007, there were 9 countries[2] spending 5% -10% of their budget to agriculture, and countries spending more than 10% were 8 countries[3].

Several countries in Africa have committed to live to this commitment, by allocating 10%[4] of national budget to agricultural sector. It is assumed that sustained ten percent allocations into the sector would translate into 6% percent sector growth. However there are arguments whether the 10% percent allocation alone can contribute to food security and reduced poverty levels. The biggest challenge would be where should the government spend money in agriculture sector? How should the government spend the money? What policies need to be in place, and what practices need to be embraced by all actors, including the government, private and smallholder farmers?

It is a 10th anniversary since the Maputo Declaration. Tanzania as a nation has been implementing its agricultural sector development strategy (ASDS) and corresponding

[1] HE Jakaya Kikwete the President URT during the 2010 World Economic Forum
[2] Benin, Chad Mauritania, Nigeria, Sao T&P, Sudan, Swaziland, Uganda and Zambia
[3] Comoros, Ethiopia, Madagascar, Malawi, Mali, Niger, Senegal and Zimbabwe
[4] There are arguments on what is entailed in agricultural sector. However countries have the mandate to justify the ideal sectoral components such as livestock, crop, fisheries, rural road networks, forestry and forestry product among others.

programme (ASDP). In response to AU commitment and Maputo declaration in particular, sector budget in Tanzania has had a steady growth in nominal terms. The government also made it clear that 75% of sector allocations in agriculture[5] would be allocated towards rural based interventions. Apparently Tanzania remains poor, with poverty limited impact on poverty levels in rural areas.

It is upon this background that the agricultural non state actors forum (ANSAF) has consistently analysed the budgets as a way to better advise the government on spending patterns and allocations in the sector. ANSAF has been joined by Participatory Ecological Land Use Plan and Management (PELUM) in supporting this study so as to advance their advocacy agenda related to 10% commitment and priority spending within the sector.

## 1.2 Purpose and objective of the Study

The proposed study seeks to gather pertinent information related to agriculture budget trends, allocation, utilization and outcomes in Tanzania over the last five years to ten years. It is also intended to find out whether the 10% budget target is enough to transform the sector and contribute to reduction of poverty and food insecurity. The main purpose is to inform ANSAF members/partners, government institutions and other stakeholders on the outcomes of public spending and/ or interventions on the sector and enable them to take relevant actions. Furthermore, the study attempts to make a proposal on specific spending patterns (priorities) that could significantly contribute to sector transformation.

## 1.3 Scope of the Study

This study report provides agricultural budget trends (percent and performance) over the last decade (2003/04 – 2012/13). It assesses the amount allocated, released and spent; and the corresponding performance. These issues are detailed in the Terms of Reference attached to this report as Appendix 1. The report oversees the approved budget allocations to the Agriculture Sector Lead Ministries (ASLMs); growth rate of agriculture sector; contribution of agriculture sector to GDP; and agriculture budget as percentage of total budget. In other section, the study analysed to reflect index so as to mitigate the impact of inflation.

Moving away from central level, the study analyses sector allocations at regional levels. It disaggregates agricultural budget allocation to regional level, with in depth discussions on region’s potential to agricultural productivity transformation. The study indicates which region has received the greatest portion of agriculture fund. This was done so as to enable audience of this study and ANSAF ascertain if there is any correlation and considerations on poverty level (region-wise) and amount of resources available from public sector.

[5] This is under the basket fund arrangement

The study report does comparisons between approved sector budget and the actual funds disbursed for agriculture over the past 10 years ( 2003/2004 – 2012/2013); it assesses the distribution and percentage of the sector budget in development and recurrent expenditures over years and attempts to see if there is any link with sector performance. In addition, based on the 10% budget commitment, the study delves into whether this idea is still a valid concern and whether it can transform the agriculture sector in Tanzania and contribute to the reduction of poverty and food insecurity.

The study focuses on the broader macro perspective (national) to meso (regional level), and the report attempts to assess the level of coordination, communication as far as resources are concern, whereas at micro level it assesses who benefits. It analyses who benefits more from the current agriculture budget (based on types of interventions supported under district agricultural development plans), and how the entire society/community can benefit from such allocation.

Picking from four purposefully selected districts the study report examines how DADPs fund at local government authorities (LGA) are allocated into its respective components of the District Agriculture Development Grant (DADG); Agricultural Capacity Building Grant (ACBG); Agricultural Extension Block Grant (AEBG). It compares the recurrent with development components of the sector budget at LGA level. Further to this, study based on information from sample districts it assesses the revenue collection (against sources) and examines the percentage share of agriculture from own sources.

There are some attempts to analyse the relationship between the allocations, utilization and performance reports in collaboration with the internal and external audit reports. Although there has been some inconsistencies in reports received, the study report attempts to find some trends between sector performance and level of resource utilization. The main question answered under this section is how much was allocated; how much was disbursed; how much was utilised; and how much was mismanaged as per the controller auditor general (CAG) reports in corresponding LGAs.

Building up on resource absorption and proper utilization, the study also assesses the level of coordination (what is in strategic plan for LGA), what has been pursued by the department and whether there is consistent investment in similar interventions. Based on reports available, field visit and group discussions, the report also highlights issues related to stakeholders coordination at LGA level. It underlines coordination within government machineries and with other actors as a way to minimize effort and resource mismanagement and duplication. The key question here is smallholder farmers' voice in decision-making platforms as well as their rights to participate and decide.

The report gives attention in identifying strategic interventions that would trigger sector transformation, hence reduction in food and nutritional insecurity and poverty; and suggests an appropriate approach and course of action for ANSAF to influence better policy options in favour of various social groups in the sector budget and identify most effective points of entry.

### 1.4 Report Layout

The study report is organized in various sections to provide the reader with flow that helps to connect issues and build ideas for better conclusion. There are five key sections (chapters) in this report. While the first chapter introduces the agenda, it gives a brief background on the importance of agriculture sector in Africa. Chapter one has some discussions on African potential to feed the world, and commitment under the United Nations MDGs as well as the Maputo Declaration and achievements for some countries by 2008. The background concludes with questions on how and where should the government allocate the money? The purpose and scope of the study are covered under chapter one. Chapter two briefly discusses the research/study methodologies, which included desk review, data collection and analysis, field visit, interviews with key informants as well as focused group discussions in the four districts. This chapter gives some rationale on the methodology used and some caution on limitation of the study.

Budget process in Tanzania follows a well established framework at both local and national level of the governance system. Chapter three briefly discusses the central and local government budget processes, on timing and consultations. This chapter also provides information on the budget basic structures and budget transparency as well as comprehensive African agriculture development programme (CAADP)/Tanzania agriculture and food security investment plan (TAFSIP) frameworks. Study findings are detailed in chapter four. It discusses budget trends over years in Tanzania, regional allocations and corresponding performance. Chapter five makes specific recommendations and conclusion based on this research work.

## 2. METHODOLOGY

The methodology and approach employed in this study can be divided into four conceptual steps that are (i) inception discussions between the consultant and the client, (ii) research design, (iii) fieldwork, and (iv), analysis and report writing. Each of these steps is outlined below.

### 2.1 Inception Discussions

The assignment started with a meeting with the client (ANSAF). The aim of this meeting was multifaceted. Firstly was to allow the consultants and the client to get acquainted to each other and to clarify expectations, especially on the lessons learnt from past similar exercises. Secondly, this inception meeting aimed at discussing in depth the proposal and to agree on modifications on technical and financial matters. In this way, a common understanding, of both, methodology and contents of the exercise was ensured. Thirdly, this meeting culminated in preparation of concrete arrangements related to research design.

## 2.2 Research Design

This was an important component of the assignment, which had to be done careful so that the information collected truly represented the situation in the country. The design identified the kinds of data to be collected at national and local level. At national level, data were collected on aggregate budget trends, disbursement and carryover funds. At local level, four Local Governments (LGAs) were selected for examination. The selection was based on DADPs performance criteria as per DADPs assessment framework[6]. The maximum score of a DADP is 100 and the level of quality of DADPs is categorized into four groups:

- Group A: Very Good quality – Total Score of 81 – 100;
- Group B: Good quality – Total Score of 61 – 80;
- Group C: Fair quality – Total Score of 41 – 60; and
- Group D: Poor quality – Total Score of 0 – 40.

The design included one LGA from each group as indicated in Table 1. The rationale behind this approach was to attempt identification of possible driving factors for DADPs performance.

**Table 1: Local Government Authority Selected for Study**

| S/No | District Name | DADPs Performance 2010/2011 |
|---|---|---|
| 1 | Mbeya Rural | Very Good quality |
| 2 | Kisarawe | Good quality |
| 3 | Simanjiro | Fair quality |
| 4 | Lindi TC | Poor quality |

## 2.3 Desk Review and Fieldwork

To accomplish the objectives of this assignment a desk review was made of the district agricultural plans (DADPS) and budgets. However the Medium Term Expenditure Framework (MTEF) were not available for most LGA visited, except Mbeya Rural District Council. This could have given more insights about public fund spending plan. The consultant managed to obtain quite a number of documents which were used in the analysis; although with inconsistence problems. Using these documents it was possible to provide useful insights into the issues in the ToR. The documents include:

- District Agriculture Development Plans (DADPS): Annual reports
- District Annual Physical and Financial Progress Reports
- Council Strategic Plans
- DADPs Inventories
- DADPS Progress Reports

[6] DADP Quality assessment Report 2010/2011, prepared by Agricultural Sector Development Program (ASDP) under the Prime Minister's Office Regional Administration and Local Government (PM-RALG).

- Local Authority Accounting Committee (LAAC) reports
- LGA Budget Plans

The fieldwork also involved interviewing informed stakeholders to solicit views on the performance of LGA. The interviews were done in a Focus Group Discussion (FGDs) format as well as individual interviews with key informants. The categories of participants include representatives of ward councillors, LGA executives, traders, farmers, and service providers (Appendix 2).

## 2.4 Analysis and Report Writing

After the fieldwork, the consultancy team synthesized and organized the information collected and produced this draft report that is submitted to the client (ANSAF) for inputs. A final report incorporating comments from the client will be submitted soon after getting comments.

# 3. KEY FINDINGS

## 3.1 Agricultural Budget Trends at National Level

### *3.1.1 Nominal Agricultural Budget Trend*

Since 2001/02 the agricultural budget in Tanzania has generally been increasing gradually in nominal terms. It was only TSh. 52.1 billions, equivalent to 3.0 percent of the national budget in 2000/01 and since then it had more than doubled to 7.8 percent in 2010/11, but it declined to 6.9 percent in 2011/12. However, statistics from the Ministry of Agriculture do not suggest that this increment is associated with CAADP decision because the increment started the same year the Declaration was made in 2003, and dropped by one percent to 4.7 percent a year later. Two years later, in 2006/07 there was no increment at all. Worse still, in 2011/12 financial year, the allocation declined further to below 6.8 percent from the 7.8 percent allocated during the previous year (Table 2).

**Table 2: Trend of nominal budget allocation to agriculture (2001/2– 2012/13)**

| Year | Total agric. budget | Total national budget | % increase in agric. budget | Agric. budget as % of national budget | % change in the allocation |
|---|---|---|---|---|---|
| 2001/02 | 52.1 | 1764.7 | | 3.0 | |
| 2002/03 | 84.5 | 2219.2 | 62.2 | 3.8 | 0.8 |
| 2003/04 | 148.6 | 2607.2 | 75.9 | 5.7 | 1.9 |
| 2004/05 | 157.7 | 3347.5 | 6.1 | 4.7 | -1.0 |
| 2005/06 | 233.3 | 4035.1 | 48.0 | 5.8 | 1.1 |
| 2006/07 | 276.6 | 4788.5 | 18.5 | 5.8 | 0.0 |
| 2007/08 | 372.4 | 6000.0 | 34.6 | 6.2 | 0.4 |
| 2008/09 | 440.1 | 7216.1 | 18.2 | 6.1 | -0.1 |

| | | | | | |
|---|---|---|---|---|---|
| 2009/10 | 666.9 | 9500.0 | 34.0 | 7.0 | 0.9 |
| 2010/11 | 903.8 | 11610.0 | 26.2 | 7.8 | 0.8 |
| 2011/12 | 926.0 | 13500.0 | 2.7 | 6.9 | -0.9 |

**Source**: Department of Statistics of the Ministry of Agriculture Food Security and Cooperatives[7]

### 3.1.2 Real Agricultural Budget Trend

Although it has been demonstrated that the budget for agriculture has been rising over time, but, as stated previously, the budget figures are nominal values, which do not necessarily reflect real increase in allocation because inflation is not taken into account. It is very much possible that the incremented is not as high as the public may be made to believe, or there might have not been any increment at all. This might further explain the reason behind sector growth stagnation albeit nominal budget increase; with high inflation rate, the volume and quantities of work are drastically reduced. To address the problem of inflation the nominal budget values were deflated into real values by dividing nominal values by respective consumer price indices (CPIs)[8]. Taking 2000 as a base year (2000=100), data from the African Statistical Yearbook 2011[9] indicate that the CPIs for subsequent years are 105.1(2001), 109.6 (2002), 115.4 (2003), 120.9 (2004), 127.0 (2005), 136.2 (2006), 145.8 (2007), 160.8 (2008), 180.3 (2009), 196.3 (2010), 194.0 (2011)10. The resulting real values of budget allocated to agriculture in relation to the nominal budget values are presented in Figure 1.

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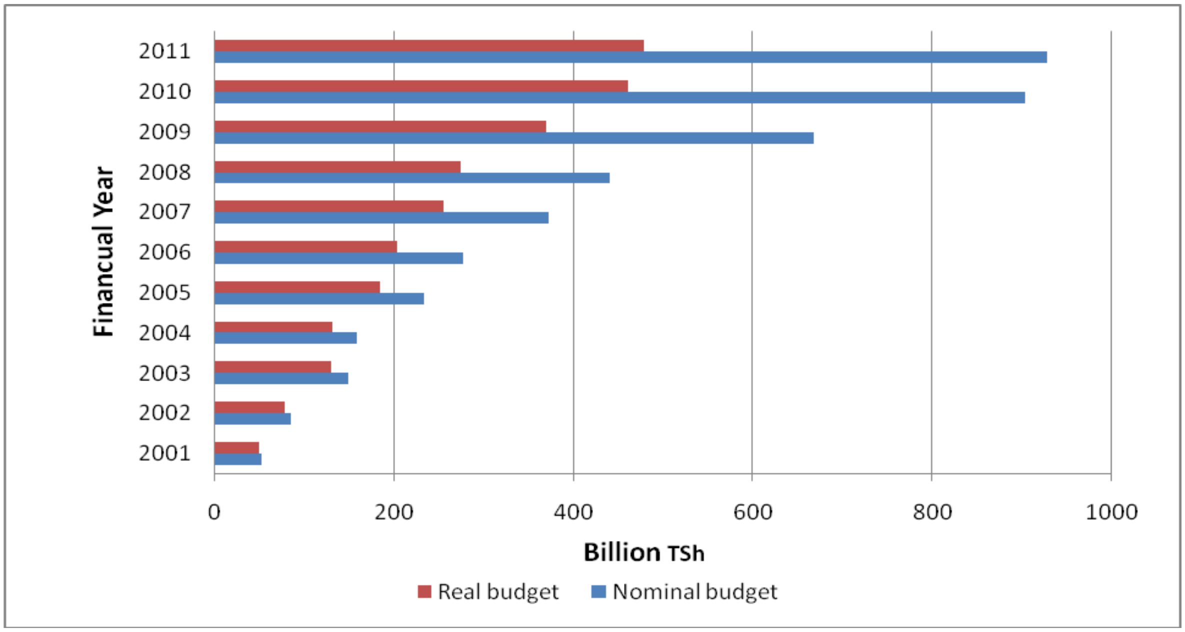
[7] Departments have been shifting from one agriculture lead ministry to another. This has been taken into consideration in the data compilation

[8] Inflation is measured by the annual percent changes in Consumer price index. Consumer price index (CPI) shows the cost of acquisition of a basket of goods and services purchased by the average consumer. Weights for the computation of the index numbers are obtained from household budget surveys. CPI data are provided by the national statistical systems, mainly by the National Statistical Offices or Central banks (The 2011 African Statistical Yearbook).

[9] The 2011 African Statistical Yearbook was prepared under the overall umbrella of the African Statistical Coordination Committee set up by major continental organizations dealing with statistical development namely the African Development Bank (AfDB), the African Capacity Building Foundation (ACBF), the African Union Commission (AUC), and the United Na tions Economic Commission for Africa (UNECA) in the framework of the implementation of the Reference Regional Strategic Framework for Statistical Capacity Building in Africa (RRSF).

[10] The CPI figures for 2011 were extrapolated from the time series data of the CPI for previous years because they are not yet available.




**Source:** Computed from agricultural budgets and CPI data from The 2011 African Statistical Yearbook
**Figure 1:** Recurrent and development budget for ASLM

It could be noted that when adjustment for inflation is made, more insights come out. Although the agricultural budget has been increasing tremendously over the years, in real terms the increase has been lower than reported. For example, difference between nominal and real budget ranges between 4.9 percent (2002) and 49.1 percent (2011), meaning that the budget allocated to agriculture in 2011 was almost 50% of the stated figure in nominal terms. It is noted from priorities in LGAs that inflation is hardly considered when plans are approved, and that could easily explained by a lof of unfinnished projects.

### 3.1.3 Development and Recurrent Expenditure Trend

Traditionally the budget categorisation is based on recurrent and development components. While the recurrent costs are mainly Personnel Emoluments (PE), the development costs consist of real investment in the sector. It is the latter part (development) of the budget that is expected to directly impact on agricultural interventions thereby affecting people's lives. This section attempts to explore how much fund was utilized or absorbed over the past ten years (disaggregated by development and recurrent expenditure and by sub-sector. Several ministries (ASLMs) and other collaborating ministries and development agencies allocate specific budget for agricultural interventions. Although during the budget hearing the finance minister would announce the consolidated figure for the sector, it has never been clear how such figures are arrived at. Scanty information is available for ASLM as a whole, but for the Ministry of Agriculture Food Security and Cooperatives whose budget is entirely for agricultural interventions, more information is available. Therefore, analysing budget based on recurrent and development budget for the whole sector budget in Tanzania is not only a very ambitious demand but also tedious because Tanzanian government is not transparent in terms of public budget issues.

Tanzania's Open Budget Index (OBI) for 2010 indicate a score of 45 out of 100, slightly higher than the average score (42) for the 94 countries surveyed, but lower than Eastern African countries such as Uganda (55) and Kenya (49)11. Figure 2 indicates how Tanzania compares to its neighbors.

This score implies that Tanzania government provides the public with only some information on the central government's budget and financial activities assessed by the Survey. This makes it challenging for citizens to hold the government accountable for its management of the public's money. Nevertheless, OBI scores over the last two surveys (2008 and 2010) recorded progress in Tanzania. Its OBI score increased from 36 in 2008 to 45 in 2010. This is largely because the government started publishing a more comprehensive Executive's Budget Proposal and Audit Report. If similar practices at national level are to be replicated at local level, citizens will make close follow up on goverment commitments and stage initiatives that reminds civil servants and the government of their responsibilities.

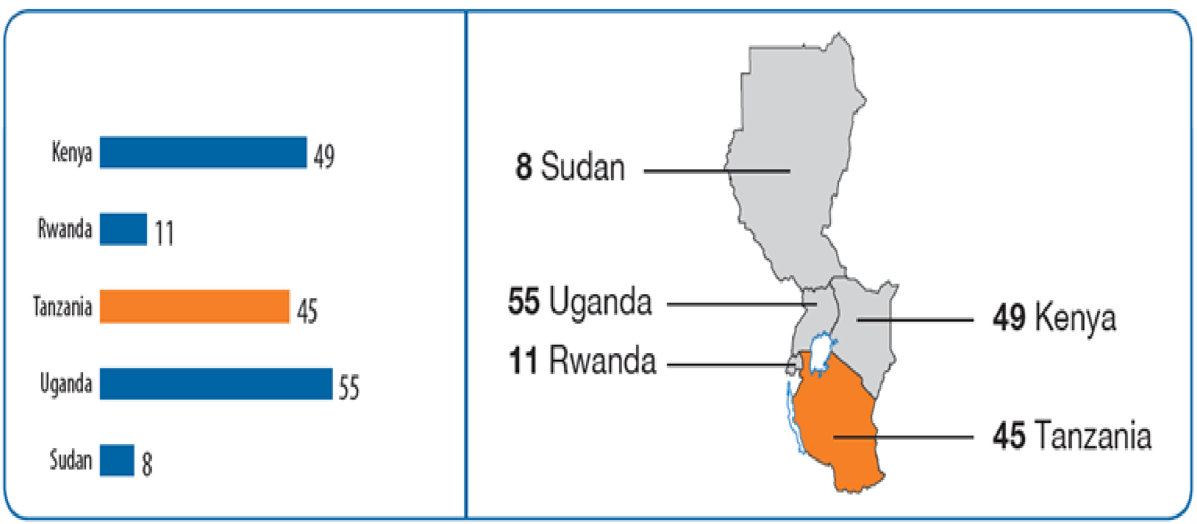



**Figure 2: How Tanzania compares to its neighbours in budget transparency**

**Source:** International Budget Partnership (www.openbudgetindex.org)

With this kind of lack of transparency in the country, it was not possible to access all the documents sought. The research team managed to access data though fragmented, which this report has put together. Disaggregating ASLM budget into development and recurrent components for the period between 2001/02 and 2008/09 reveals that the

[11]The Open Budget Index (OBI) is prepared by the International Budget Partnership through Open Budget Survey that assesses the availability in each country assessed of eight key budget documents, as well as the comprehensiveness of the data contained in these documents.

level of the two components has been fluctuating over time with a clear cyclical trend (Figure 3). On average, for the period 2002-2009 the average recurrent budget is 51.2% of agricultural budget whereas development expenditure is 48.8%.

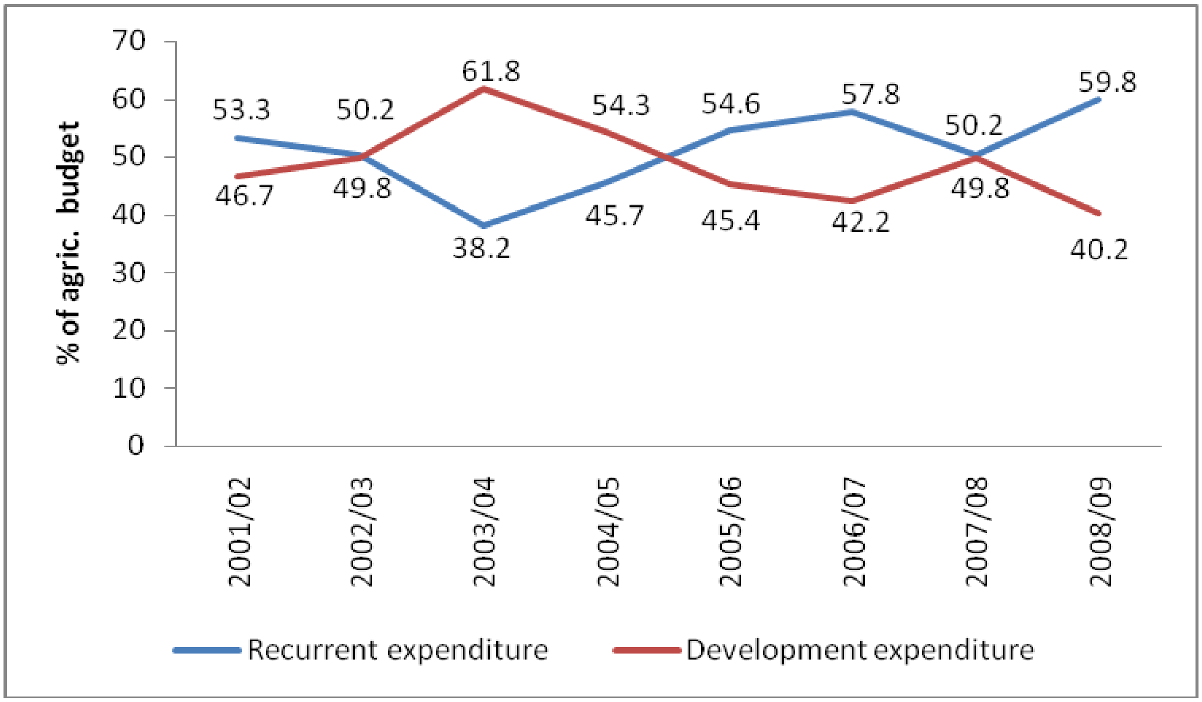



**Figure 3: Recurrent and development budget for ASLM**

**Source:** Computed from data collected from the Department of Statistics of the Ministry of Agriculture Food Security and Cooperatives

As could be noted, available information for ASLM was up to 2008/09; it is possible that the relationship between the two budget components has changed substantially. To get more insights about this issue, analysis was carried out for only the Ministry of Agriculture Food Security and Cooperatives (MAFC) which availed required data for the period 2000/01 - 2012/13. It was noted that during that period there has been an inverse relationship between recurrent and development expenditure. The recurrent budget for MAFC has been increasing whereas development budget decreasing. For example, in 2000/01 recurrent budget was 39.5%, and by 2008/09 it had reached 82.4%, before it dropped to 59.0% in 2011/12. On the contrary, development budget was 60.5% in 2000/01 and had dropped to 41.0 in 2011/12 (Figure 3). This is a clear manifestation that there are no concerted efforts to capitalise the agricultural sector.

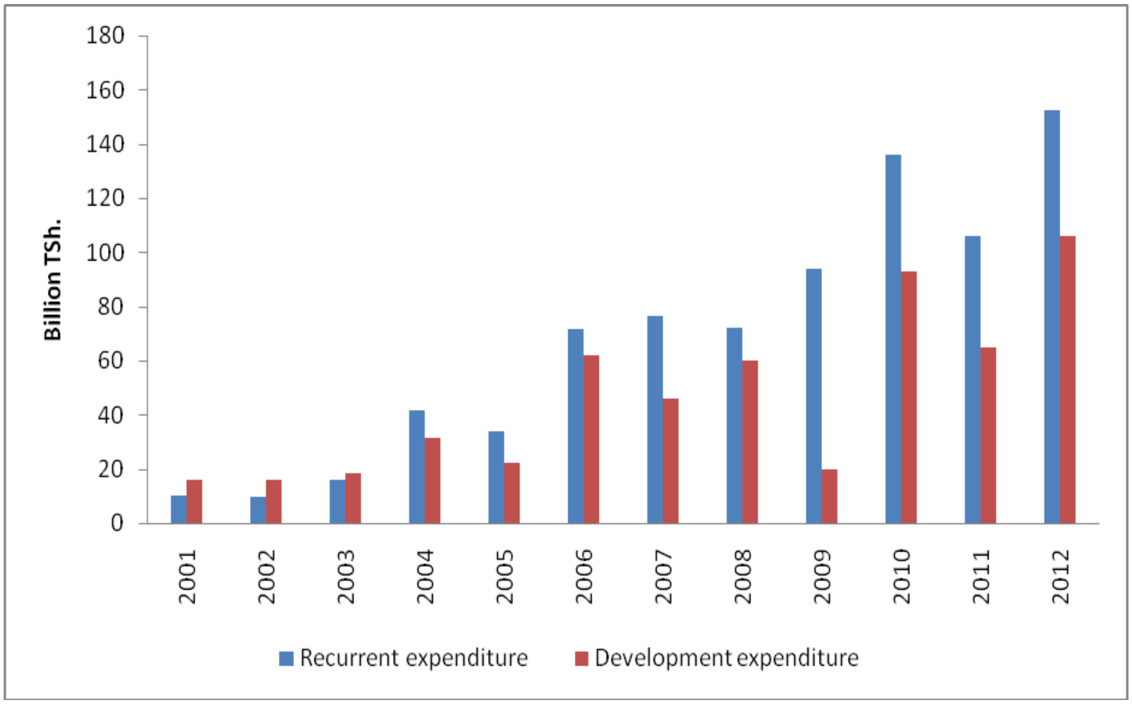



**Figure 4: Recurrent and development budget for MAFC**

**Source**: MAFC budget speeches for respective years

### 3.1.4 Comparison of Approved and Actual Expenditures

In the language of national budgeting three terminologies are commonly used sometimes interchangeably. They are 'budget estimate', approved expenditure' and actual expenditure. Budget estimates refer to the figures presented to the parliament for deliberations. The parliament approves the estimates with or without alterations; these estimates become approved expenditures. But in most cases there is a mismatch between approved expenditures and the actual amount of fund that is released by the treasury to the respective ministries. In some cases not all the funds released by treasury are fully spent by ministries, departments and agencies (MDAs)

Data from the Appropriation Account Books of the Ministry of Agriculture Food Security and Cooperatives between 2000/01 and 2007/08 indicate that the deficit between approved budget and disbursed expenditure ranged between 6 and 49% (Table 3). Disaggregated analysis reveals that the deficit for recurrent budget was increasing over time. For example, in 2000/01 the deficit was only TSh 399,358 (almost 0% of the approved estimate), but in 2006/07 the deficit was recorded at 23.44.2%. On the other hand, the deficit for development budget in 2000/01 was TSh. 12,800,657,362 equivalent to 81% of the approved recurrent budget. But in 2005/2006 the gap had bridged to 23.4%. These results may suggest that either the government is placing more emphasis on development expenditure or most members of the donor community released support to the budget as promised in respective years.

**Table 3: Approved and disbursed fund for the Ministry of Agriculture**

| Year | Approved (TSh. Billion) | Disbursed (TSh. Billion) | Deficit | Deficit as percentage of approved |
|---|---|---|---|---|
| 2000/01 | 26.1 | 13.3 | -12.8 | -49 |
| 2001/02 | 25.5 | 23.4 | -2.2 | -8 |
| 2002/03 | 34.8 | 30.2 | -4.6 | -13 |
| 2003/04 | 73.0 | 60.4 | -12.6 | -17 |
| 2005/06 | 133.5 | 97.4 | -36.2 | -27 |
| 2006/07 | 122.2 | 86.3 | -35.9 | -29 |
| 2007/08 | 131.9 | 124.1 | -7.8 | -6 |

**Source:** MAFS and computations by the authors

### 3.1.5 Fund Utilization Capacity for ASLM

A working definition of utilisation or absorption capacity that applies for this study is the ability of a particular government unit to effectively utilise resources allocated to it in a particular financial year. In other words, the extent of utilisation or absorption is given by the remaining fund at the end of the financial year. In the previous years the remaining fund used to be returned to the treasury, but recently a policy decision has been made that the fund should be carried over. Statistics indicate that during 2010/11 financial year, the ASDP, through the Treasury, released TSh. 107.1 billion to ASLMs to implement agricultural development activities. Out of this amount, only TSh. 77.9 billion was actually spent by the end of the financial year. This means unspent balance of TSh. 29.1 billion, equivalent to 27.3% of the fund released from the Treasury was carried over (Table 4).

**Table 4: Fund absorption capacity for ASLMs 2009/2010**

| S/N | Ministry | Amount Budgeted (TSh) | Exchequer Issues Released | Actual Expenditure (TSh) | Unspent balance as % of released |
|---|---|---|---|---|---|
| 1 | MAFSC | 20.4 | 14.4 | 13.1 | 1.2 |
| 2 | MLDF | 5.9 | 5.1 | 5.1 | 0.0 |
| 3 | MITM | 1.4 | 1.4 | 1.4 | 0.0 |
| 4 | MOWI | 4.6 | 4.6 | 4.6 | 0.0 |
| 5 | PMO-RALG | 0.5 | 0.5 | 0.5 | 0.0 |
| 6 | LGA | 78.6 | 78.6 | 50.7 | 27.9 |
| 7 | Regional Secretariats | 2.5 | 2.5 | 2.5 | 0.0 |
| **8** | **TOTAL** | **113.9** | **107.1** | **77.9** | **29.1** |

**Source:** Controller and Auditor General Report (2010)

1. Usually investment fund is released far in advance before capacity building fund. The fund remains idle for some time waiting for people to have capacity required for implementation of investment activities. It would be imperative for investment and capacity building funds to be released at the same time.

2. There is severe shortage of technical personnel at LGA level for implementing investment activities. For example, the Task Force formed in August 2010 by the Basket Fund Steering Committee to investigate the reasons for persistent carryover funds, revealed that out of 132 LGA, there are only 32 irrigation engineers and 107 irrigation technicians. At regional level[12] there are only 17 irrigation engineers. On top of that the few technicians and engineers that are available are ill-equipped. Lastly, the LGA governance system is said to be extremely bureaucratic. This poses problems in smooth implementation of agricultural investment activities.

### 3.1.6 Validity of the 10% budget allocation to the agriculture sector

This issue could be addressed by responding to the following three critical questions pertinent to increasing budget allocation to the agricultural sector in Tanzania:

- What is the rationale of increase budget allocation to agriculture?
- How is the 10% budget allocation being spent at the moment; is it strategic enough to result into poverty reduction among farming communities? And
- How can the 10% be spent strategically in order to speed up agricultural development and rural transformation in general?

#### *2.1.6.1 Rationale of Increasing Budget Allocation to Agriculture Sector*

African countries are basically agrarian with the agriculture sector accounting between 20 and 50% of GDP of respective countries. However, relative to other developing regions of the world, Africa's agriculture is undercapitalized, uncompetitive and underperforming and this declining performance is symptomatic of inadequate expenditures in the sector by African Governments. Despite significant contribution to the economy of these countries, for several decades, agriculture has received less than 5% of the national budget of most African states. This is contradictory; a sector that contributes 20-50% of national income receives less than 5% of the budget. It is like feeding your cow the least but expecting a lot of milk from it. Why can't Africa emulate the EU where agriculture contributes only 2% of the GDP, but receives about 50% of the EU budget?

Spending more on agriculture has a higher multiplier effect on general economic activities and hence economic growth. Conscious of the need to reverse the current

[12] This refers to administrative regions of Tanzania. By 2010 Tanzania main land had 21 administrative regions; but in year 2011 the President announced creation of 4 more regions.

declining trend in African agriculture and harness its full potential so as to guarantee sustainable food security and ensure economic prosperity for its peoples, African Heads of State and Government, at the Second Ordinary Assembly of the African Union in July 2003 in Maputo, adopted the Maputo Declaration on Agriculture and Food Security in Africa. The Declaration, committed countries to raise the share of their national budget allocated to agriculture to 10%, and through the Comprehensive African Agricultural Development Programme (CAADP) framework calls for annual agricultural growth rates of 6%.

Nonetheless, the scientific justification for allocating exactly 10% of the budget to agriculture could not be ascertained. The figure was arbitrarily chosen to show commitment of heads of states to revamp the agricultural sector. The declaration does not require countries to allocate 10% to agriculture; it rather states that countries should allocate 'at least' 10% of their budgets to the sector. This implies that countries could allocate more than 10% as some countries have done. It was a matter of commonsense; it would have been ridiculous to set a goal that make countries jump from the then 1-5% to 50% budget allocation like the EU. A gradual increase was definitely rational.

#### *2.1.6.2 Potential Impact of the 10% Budget Allocation to Reduce Poverty*

There are different angles from which this issue could be examined. This study opted to examine what has happened to the sector performance for countries that have allocated significant proportion of their budgets to agriculture. The study carried out by RESAKSS, indicated that by 2007, five years after the Maputo Declaration was adopted, only a handful of Africa's 53 nations had reached the designated 10-percent target. These are Burkina Faso, Cape Verde, Chad, Ethiopia, Mali, Malawi, and Niger (Table 5).

**Table 5: Level of agricultural investment in African countries, 2007**

| At least 10 percent | From 5 to less than 10 percent | Less than 5 percent |
|---|---|---|
| Burkina Faso | Benin | Algeria |
| Cape Verde | Equatorial Guinea | Botswana |
| Chad | Ghana | Burundi |
| Ethiopia | Guinea | Cameroon |
| Mali | Kenya | Democratic Republic of Congo |
| Malawi | Lesotho | Egypt |
| Niger | Madagascar | Gabon |
| | Mozambique | Liberia |
| | Senegal | Mauritius |
| | Sudan | Nigeria |
| | Gambia | Rwanda |
| | Tunisia | Sierra Leone |
| | Zimbabwe | Tanzania |

**Source:** NEPAD Dialogue Online Weekly—23 November 2007—Issue 205.

Thirteen other countries managed to spend from 5 to less than 10 percent on agriculture, and 15 more invested less than 5 percent. The remaining 18 countries did not report.

Usually investments in agriculture have long gestation periods, it follows then that the impact of such investment is felt some years late. The study examined if there is a link between the levels of investment and sector performance in terms of annual growth rate. This is postulated based on the findings by the Organization for Economic Co-operation and Development (OECD) that an increase of $1 in farm incomes results in increased rural incomes of $1.5 to $2.5. Therefore, sustaining high levels of investment and sector growth is essential to the attainment of the poverty reduction goal of Millennium Development Goals (MDGs).

Examination of agricultural performance suggests a positive relationship between increase in agricultural spending and annual growth rate for agricultural value added. Agriculture[13] value added is computed by UN statistical division based on constant local currency; however, aggregates are based on constant 2000 U.S. dollars. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. Analysis indicates that countries that spent at least 10% of their budgets to agriculture have improved annual growth rates in agriculture value added. For example, Malawi's growth rate was above 8% for three consecutive years from 2007-2009 before it dropped to 1.5%. Similarly, Malawi and Cape Verde the growth rates were impressive during the same period. A sharp contract is noted for countries that spent less than 8% of their budgets to agriculture. The growth rate for these countries is generally low and sometimes negative (Figure 5) and Appendix 3. Caveat to this are Ghana, Mozambique, Gambia and Liberia whose agriculture added value growth rate increased substantially even without attaining the 10% CAADP commitment.

#### *2.1.6.3 How is the Current Budget Allocation Being Spent*

Before embarking on how the 10% could be spent in order to lift farmers out of poverty, it is rational to discuss how the proportion of the budget currently allocated to agriculture is being spent on activities related to agriculture. According to the internationally accepted standards based on the UN developed Classification of Functions of Government (COFOG)[14] as used in the IMF's Government Finance Statistics (GFS) Manual, and adopted by the African Union, agriculture entails five elements namely crops, livestock, fishery, forestry, and rural roads. It is interesting to

[13] Agriculture includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production.

[14] Classification of the Functions of Government (COFOG) is a classification defined by the United Nations Statistics Division. Its purpose is to classify the purpose of transactions such as outlays on final consumption expenditure, intermediate consumption, gross capital formation and capital and current transfers, by general government

study how the 10% is distributed among the 5 elements, but this is beyond the scope of this study.

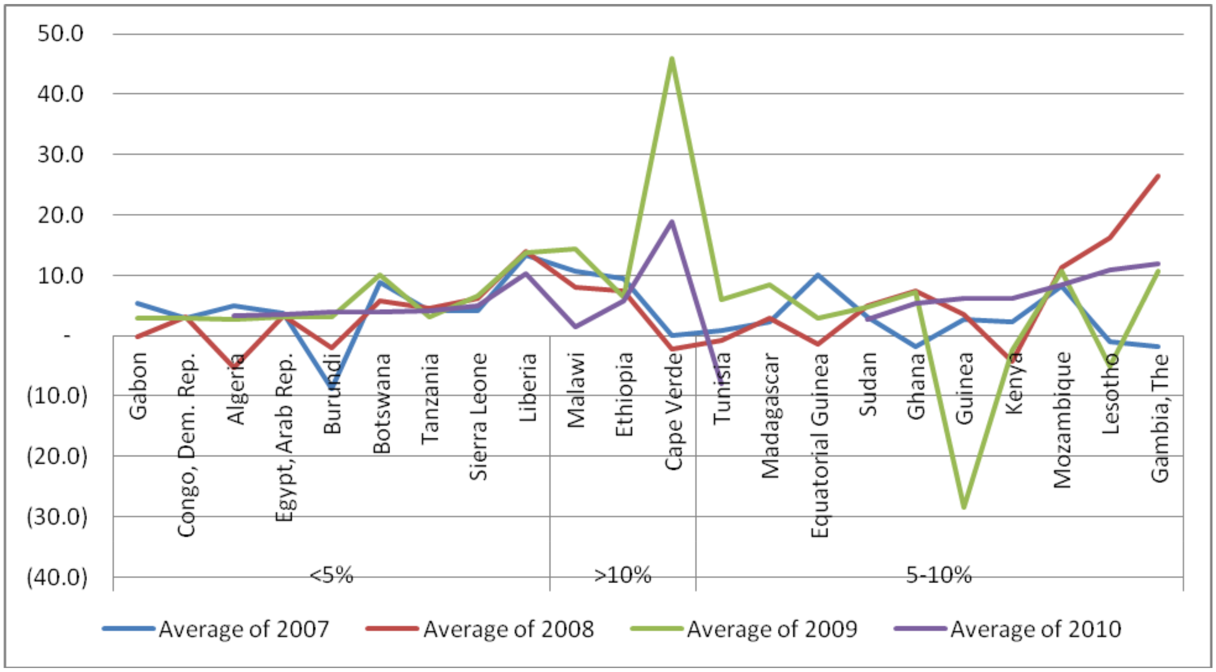



**Figure 5: Percentage growth in agricultural value added for selected African countries**

Examination of ASDP framework indicates that the agricultural budget is spent in a number of ways including:

- Provision of input subsidy,
- Irrigation schemes,
- Extension services (at national level) and
- ASDP-DADPS (DADG, ACBG, and AEBG).

The critical question is whether such spending is strategic enough to result into poverty reduction among farming communities. The answer to this question is paramount lest increasing budget to agriculture becomes resource wastage. The points highlighted below as emerged during focus group discussion with stakeholders may illustrate the main constraints and challenges in management of the sector in general. The main point is whether it is rational to increase spending on agriculture without first addressing these constraints and challenges.

1. Critical analysis indicates that spending fund under the current ASDP framework is absolutely not strategic. The government has yet to understand the difference between poverty alleviation and poverty reduction. There is enormous literature on this issue, but probably the most elaborate work is that of Gobyerno (2010). According to him, poverty alleviation means making poverty more bearable,

whereas poverty reduction means making poverty less prevalent. By comparison, poverty alleviation is like a pain reliever, whereas poverty reduction is a lasting cure for the pain[15]. Based on this observation, it could be argued that the institutional framework of ASDP and DADPs is poverty alleviation oriented; thus it cannot transform farming communities in an appreciable manner. The program ends up spreading resources thinly with no impact. This could be evidenced by the planning framework of DADPs as elucidated in Figure 6 below.

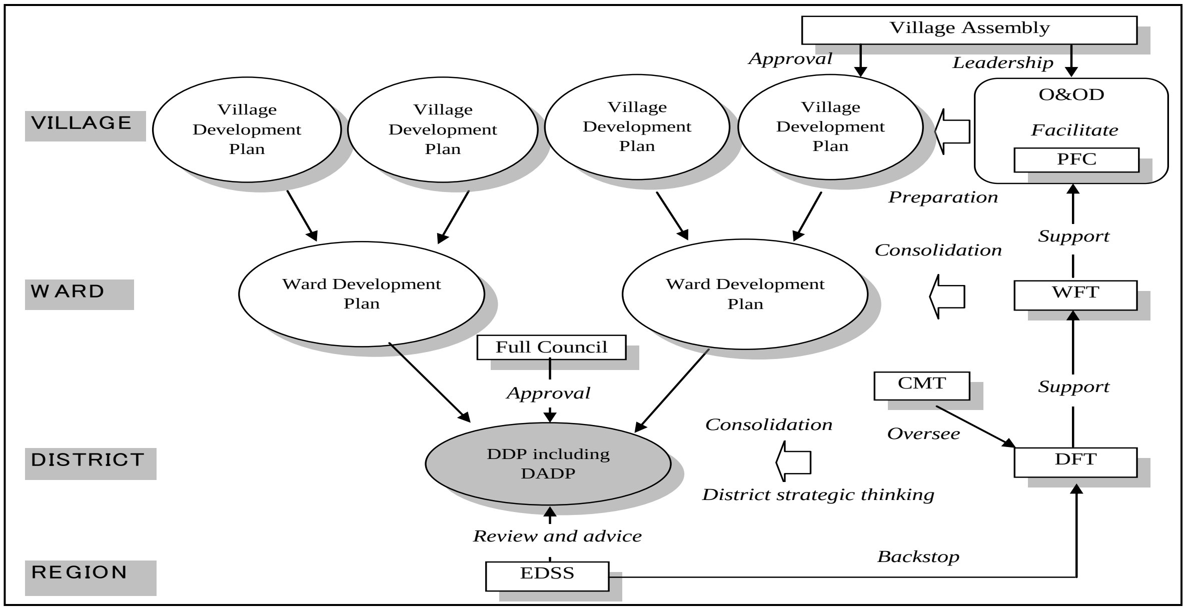



**Figure 6: DADPs planning process**

By interpretation, each village prepares its own agricultural development plan (VADP). A typical LGA has approximately 100 villages; thus will have 100 VADPs. The fund allocated to a typical LGA is about TSh. 350 million per annum. Dividing this fund to 100 VADPs would mean each VADP receives about TSh. 3.5 million. There is no viable public investment project that could be implemented meaningfully using this amount of fund. Some LGA have taken initiative to implement VADPs in phases. In the first phase a few, say 20-30 VADPs are implemented in the first year, and the next batch of VADPs during the following year. Even with this innovation, still TSh. 11.7-17.5 million cannot accomplish a project of with appreciable economies of scale. The question is whether more money should be injected in agriculture without addressing the challenge of spreading resources thinly as explained above.

2. One of the biggest challenges in implementing DADPs is delay in disbursement of fund from the central government to the LGA. There are cases when the fund budgeted for the 2nd or 3rd quarter arrives during the 4th quarter. Some projects have to be implemented on ad-hoc basis or fund has to be carried over. However,

[15] Bantay Gobyerno Series 048:Wealth Creation Versus Poverty Reduction.

technical explanation for these delays exists. According to the national budgeting process, transferring fund to the districts by July 1st is not feasible because at this time the country is still in the budgeting process; so it is purely a logistical problem in revenue collection and fulfilments of development partners' commitment. Delays in the subsequent quarters may be related to the cash budgeting system used by the government to curb excess fiscal deficit[16]. Of course these cannot be excuses for continued delays; it is a matter of planning. Increased budget spending through allocating 10% of the budget to agriculture will bring no impact if this issue is not resolved.

3. Political capture is another challenge in implementing DADPs. This implies strong influence of politicians in the process of implementing development programs. By design, before an activity is implemented at LGA level it must be presented to the finance committee of the councilors for approval. They have power to alter the plan and or reallocate the fund to entirely different activity. In addition, the manifesto of the ruling party somewhat interferes with budget plans as some of the issues in the manifesto are not budgeted for, but they have to be slotted in during implementation.

4. Another challenge is obtaining community commitment. For most projects implemented at community level under ASDP framework require a 20 percent% community contribution in cash or kind. This takes the form of collection of bricks, sand, paying local artisans, etc. Usually, this commitment is not fulfilled for different reasons. In some cases local leadership is too weak to mobilize the mass to work on the project. In other cases the force against such contribution is too strong to the extent that it becomes difficult to counter it without creating political turmoil. In the cases where community commitment is not fulfilled the projects remain incomplete until the LGA re-budget for subsequent financial years or use own fund to accomplish them.

5. Low technical capacity of the private sector at community level affects public-private partnership (PPP) that is a cornerstone in implementing DADPs. Of course procurement follows the Public Procurement Act (PPRA) guidelines in which assignments are advertised and the public tendering procedure followed. But because usually the value of the projects is small (TSh. 10-25 million) it cannot attract competent and capable consultants from distant places for example Dar es Salaam and other big cities. Consequently, contracts are awarded to local incompetent and resource-poor consultants. Most of these awardees run out of cash and abandon the projects half way. Nonetheless, there is a caveat to this. Large

[16] David Stasavage and Dambisa Moyo (1999). Are Cash Budgets a Cure for Excess Fiscal Deficits (and at what cost)? WPS/99-11. The list of countries which have adopted cash budget systems is diverse, including Peru, Bosnia-Herzegovina, Uganda, Zambia, and Tanzania.

projects such as irrigation schemes and procurement of farm machinery, which are well funded, normally attract competent consultants countrywide.

6. Success of DADPs implementation depends much on the performance of the extension service system. However, at the moment the extension system is poor in quantity and quality. There is inadequate number of extension officers at ward and village level. The existing few are poorly resourced and retooled. It is common to find one ward extension officer (WEO) serving the entire ward but with no transport means or other working gears like motorcycle, computers and even papers. In terms of training there are a lot of new developments in rural livelihood approaches but the extension officers haven't changed their mindset and practices to handle new challenges. The training of extension officers is still biased to crop and livestock production; but operational level they address both livestock and crop problems.

7. In addition, fund mismanagement incidents reported in the agriculture lead ministries (ASLM) is a manifestation that the money allocated to agriculture does not necessarily serve the sector. For example, according to the reports of The Controller & Auditor General (CAG), TSh. 14.5 billions was mismanaged between 2001 and 2006. The CAG report for the year ending 30th June 2011 for Local Government Authorities indicates that unqualified opinions have increased by 4% from the year 2007/08 to 2008/09, decreased by 9% from the year 2008/09 to 2009/10 and increased by 5% from year 2009/10 to 2010/11. The fund mismanagement queries are in the form of unauthorised expenditure, unvouchered expenditure, improperly vouchered expenditure, irregular payments, and payments not supported by proforma invoices as per regulations.

#### *2.1.6.4 Strategic Spending of the 10% Budget Allocation to Agriculture*

There is misconception and rhetoric in agricultural development initiatives. Every stakeholder knows that to achieve agricultural transformation it takes things like:

- irrigation infrastructure
- subsidies on inputs
- transport and communication infrastructure,
- improved marketing system
- value addition and processing activities
- creation of awareness to farmers in order to change mindset
- mechanization, research and extension services
- access to finance
- access to market
- farmers' organization
- more budget allocation
- Etc

These issues are recycled in many policy documents, development program dossiers, and consultancy reports. Several interventions have been undertaken to address all of these aspects but little has been achieved so far in transforming the sector. One obvious point that is missed is that, the issue is not knowledge about these factors, but how to organize the system so that these requirements are synchronized harmoniously to produce intended results. It is analogous to building a house. It is a known fact that to have a strong house sand, cement, nails, concrete, water, wood, bricks, iron bars, engineers, etc are needed. But having this material is not a sufficient condition to have a strong house. The ratios, the timing and their synchronization is key to success. Similarly, if there is no clear coordination stipulating what should come first, and what should take place concomitantly in the process of achieving agricultural development, no transformation of the sector would take place. Stated differently, in transforming agriculture, a clear business model that is guiding the process need to be established. The government and its partners have come up with the SAGCOT model – whether the model is good or bad is a debatable issue, but the model is clear.

With this background, the report is in a position to suggest how the 10% budget allocation to agriculture could be spent strategically to spur rapid agricultural transformation. One recommendation that encapsulates all the constraints highlighted earlier is provided in the Box below.

**Box: Recommendation for spending the 10% agricultural budget allocation**

*By virtue of its location (0 - 2,000 m above sea level), Tanzania can produce the whole range of crops and livestock – temperate and tropical. Resources cannot be adequate to promote all the crops and livestock. LGAs should undertake value chain selection process in which one or two agricultural economic activities are identified. Then, the DADPs focus should be on the identified economic activities in terms of building and upgrading their respective value chains. Actually this is in line with the strategic approach proposed in the Mini-tiger plan 2020 in which a one-village-one product (OVOP) is stipulated.*

*Once this is done, then other issues could follow in the framework of value chain such as irrigation schemes, farmers organization under appropriate models (block farming, cluster farming, cooperatives, and other forms of contract farming, policy adjustments, subsidies, marketing information system (MIS), coordination, etc.*

### 3.1.7 Regional Distribution of Agricultural Budgets

#### *3.1.7.1 Relationship Between Budget Allocation and Food Security*

This section demonstrates the extent to which agricultural spending is need-based in terms of food insecurity. According to a rapid vulnerability surveys carried out by Food Security Information Team (FSIT), the following 10 regions are identified as endemically food insecure: Arusha, Kilimanjaro, Lindi, Manyara, Mara, Mwanza, Mtwara, Shinyanga, Singida, and Tabora. Analysis was carried out to examine whether these regions receive special consideration in term of being allocated higher DADG fund. Results indicate that during 2009 financial year, the 10 regions which contain 46.2 (almost 50%) of the population in the country (National Bureau of Statistics (NBS)[17] - were allocated only 30.2% of the national DADP budget in 2009/10 (Figure 7). It could be concluded that allocation of agricultural budget does not observe food security situation in the country.

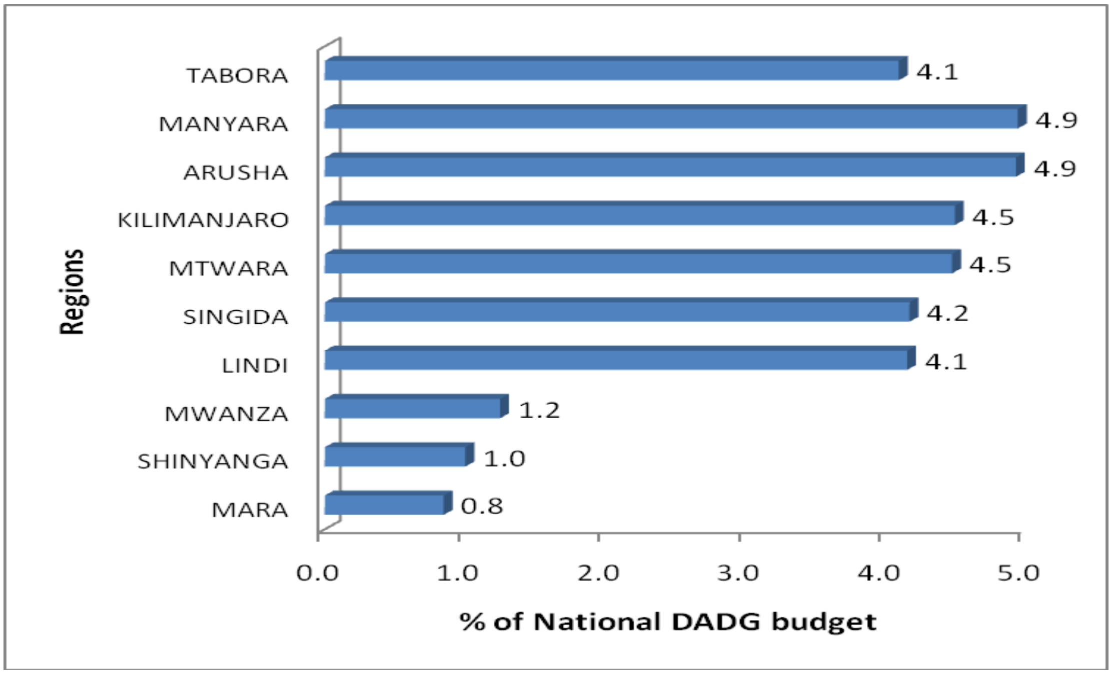



**Figure 7: Budget allocation to food insecure regions in Tanzania**

**Source**: Prime Minister's Officer Regional Administration and Local Government (PMO-RALG)

#### *3.1.7.2 Relationship Between Budget Allocation and Regional Poverty Level*

Precise indicators of poverty or inequality at regional (or even at district) level are important for distribution of budgetary resources, both for development and for recurrent spending. Usually, composite indicators of welfare such as the human development index (HDI) and the human poverty index (HPI) are used in ranking regions. The National Bureau of Statistics (NBS) (2002) asserts that the comparison of income poverty levels between regions should be undertaken with caution, because it is possible that measurement errors are more common in some regions than in others and that sampling errors are higher. It is thus better to assess the status of each region by looking at a number of indicators, not just income poverty.

Recognising this, Mkenda et al. (2004)[18], picked three measures of wellbeing as yardsticks in the multidimensional poverty measure. These are: i) household's consumption adjusted to adult equivalence scales, ii) the inverse of the distance to the

[17] www.tanzania.go.tz/populationf.html
[18] Mkenda A. F., Luvanda E. G., Rutasitara L. and Nahao A. (2004). Poverty in Tanzania: Comparison across Administrative Regions. An Interim Report.

nearest health facility to the household and iii) the inverse of distance to the primary school. The head count ratios derived from these three types of expenditure show different but consistent results as presented in Appendix 4.

The analysis in this study considered the NBS head count ratios in poverty comparison across administrative regions in Tanzania. Poverty levels were categorised into three groups, namely

- very poor regions (head count above 45 points)
- intermediately poor regions (head count between 30 and 45 points) and
- economically better regions (head count below 30 points).

This categorization places Singida, Lindi, Pwani, and Mara regions as very poor regions; Shinyanga, Ruvuma, Arusha, Kigoma, Mtwara, Tanga, Dodoma, Rukwa, and Kilimanjaro as intermediately poor regions; and Mwanza, Iringa, Morogoro, Kagera, Tabora, Mbeya, and Dar es Salaam as economically better regions.

The 2010/11 TAMISEMI budget for the three regional categories was examined to establish whether budget allocation considers poverty level. Aggregate figures indicated that economically better regions were allocated TSh. 25,107.5 billion. The intermediately poor regions received TSh. 23,026.1 billion and the 'very poor' regions were allocated TSh. 8,548.8 billion. Such absolute figures are not informative enough because they do not consider the number of regions in each category of regions. As such, average budget was calculated by dividing the budget to the number of regions. The results indicate a clear inverse relationship between budget allocation and poverty level; the higher the poverty level, the lower the budget; and vice versa. For example, very poor regions received only 26%% of the budget, whereas economically better regions received 43.0% (Figure 8).

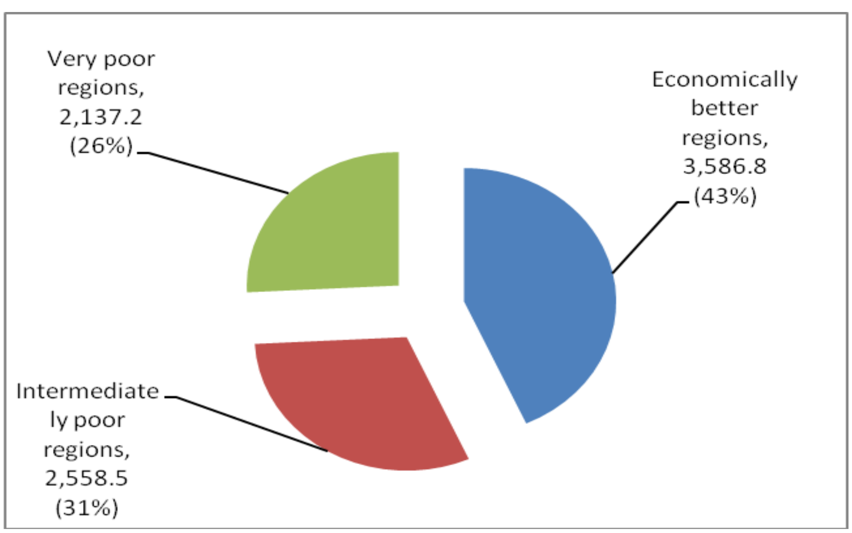



**Figure 8: Relationship between budget allocation and poverty level**

### *3.1.7.3 Relationship between Budget Allocation and Agricultural Production Potential*

To examine the relationship between budget allocation and agricultural production potential, the budget of the Prime Minister's Office Regional Administration and Local Government (TAMISEMI) was analysed at regional level to establish which regions received the highest proportion of the budget. Thereafter, the regions considered by the Ministry of Agriculture, Food Security and Cooperative to have the highest production potential were examined to see how much funds were allocated. The regions considered "The big Six" are Iringa, Mbeya, Rukwa, Ruvuma, Morogoro, and Kigoma. Figures 9 present the regional budget ranking as percentage of the TAMISEMI budget for 2010/11.

It was revealed that traditional "Big Four" regions in maize production – namely Iringa, Mbeya, Rukwa and Ruvuma – received the highest allocations of the TAMISEMI budget. Similarly, Morogoro, the newly-introduced region in this category also received a significantly high budget allocation. However, Kigoma, which is also a new comer in the list, seems to be far behind other members of the group. Kigoma region was one of the five regions receiving the lowest proportion of the TAMISEMI budget.

In this way it can be concluded that the TAMISEMI budget generally takes into consideration agricultural production potential in the country.

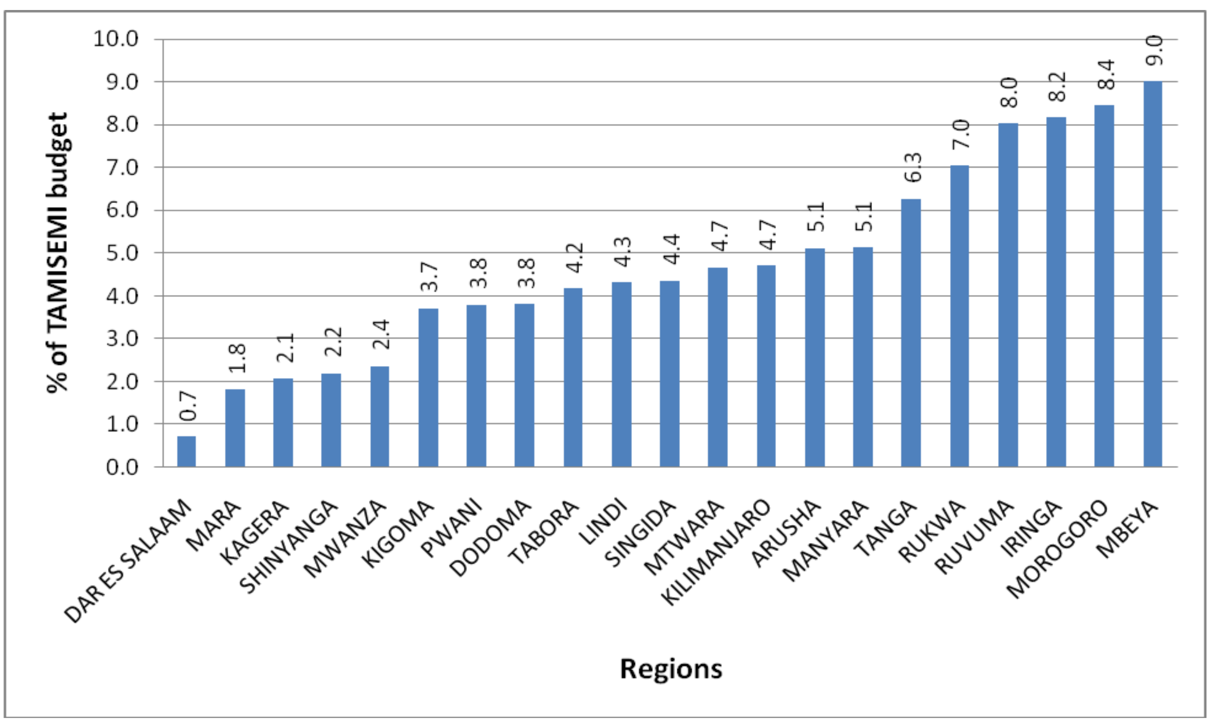



**Figure 9: Percentage of TAMISEMI budget in Regional Budgets 2010/11**

#### *3.1.7.4 Relationship Between Budget Allocation and Agricultural Growth Rate*

To examine this issue, budget allocations[19] for the period 2002/03-2010/11 were plotted against agricultural growth rates for the same period but lagged by one year under the assumption that agricultural spending in a certain year does not induce growth rate in the same year, but in the following year. Results indicate that there is virtually no correlation between the two variables. In absolute terms, the budget has increasing steadily from TSh. 84.5 billion in 2002/03 to TSh. 903.8 billion in 2010/11. But in terms of percentage increase there has been fluctuations over years. On the other hand, sector growth rate has not changed significantly. The growth rate has ranged between 2.2% and 5.5% (Figure 10). The message from this kind of observation is that the fund allocated to agriculture is either

(i) too little to have impact on agricultural growth,
(ii) not spent strategically in a manner that influences agriculture, or
(iii) does not reach intended targets expenditures as a result of misappropriation, and embezzlement.

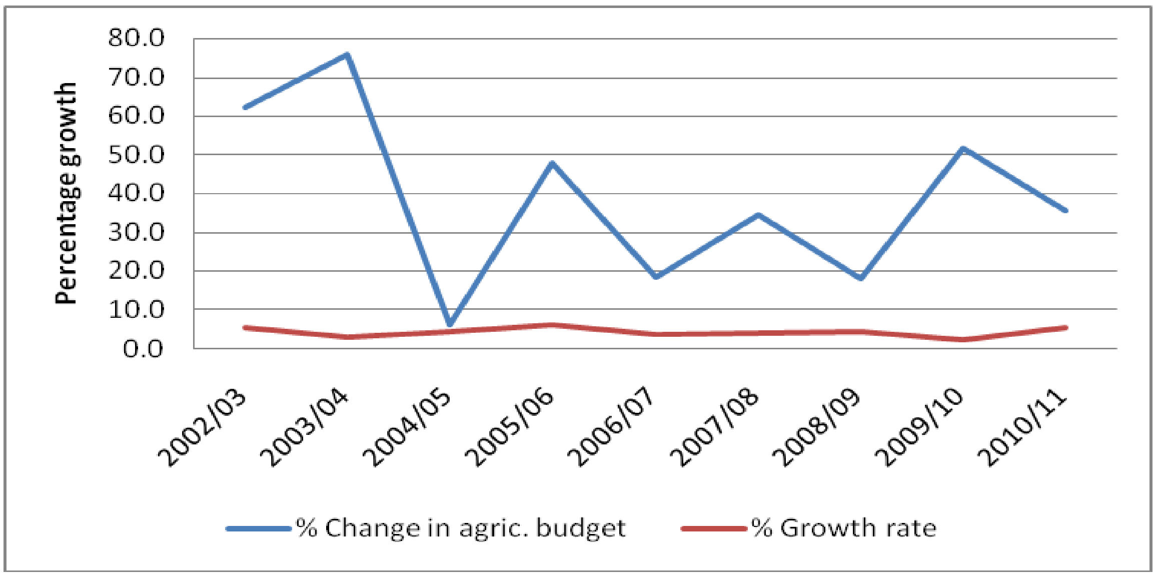



**Figure 10: Relationship between agricultural budget allocation and sector growth rate**

### 3.1.8 Trend of Agriculture Sector Contribution to GDP

Analysis indicates that the contribution of agriculture to the national GDP has been declining over time. In 2000/01 for example, agriculture accounted for 31% of the GDP. But since then the contribution has dropped steadily to 23.4% in 2011. But on the contrary, the economy as a whole has been growing at an impressive rate of 5-6% per annum during the same period. This implies that the sources of economic growth have been other sectors; not agriculture.

[19] Percentage change in budget allocation was considered instead of absolute amount of fund allocated

As could be noted from Figure 11, the service sector is the main contributor to the GDP and the contribution is increasing over years. In 2000/01 the service sector contributed 45.3% to GDP and has increased to almost 50% in 2011. The industry and construction sector is contributing less to GDP than agriculture, but unlike agriculture, the contribution has been increasing over years. In 2000/01 the industry and construction sector contributed 17.9% to GDP, but by 2011 its contribution has increased to 21.7. The fact the growth of the economy is not based on the sector that employs the majority of people, agriculture in this case, explains why economic growth is not being translated into improved wellbeing of the majority of people, especially those who derive livelihood from agriculture.

Nevertheless, from economic point of view, declining contribution of agriculture to GDP is an indicator of economic progress[20]. That's why in developed and middle income countries, agriculture contribute marginally to GDP. But the prerequisite for this to happen is that the agricultural sector should be growing at 8-10% consistently for several years.

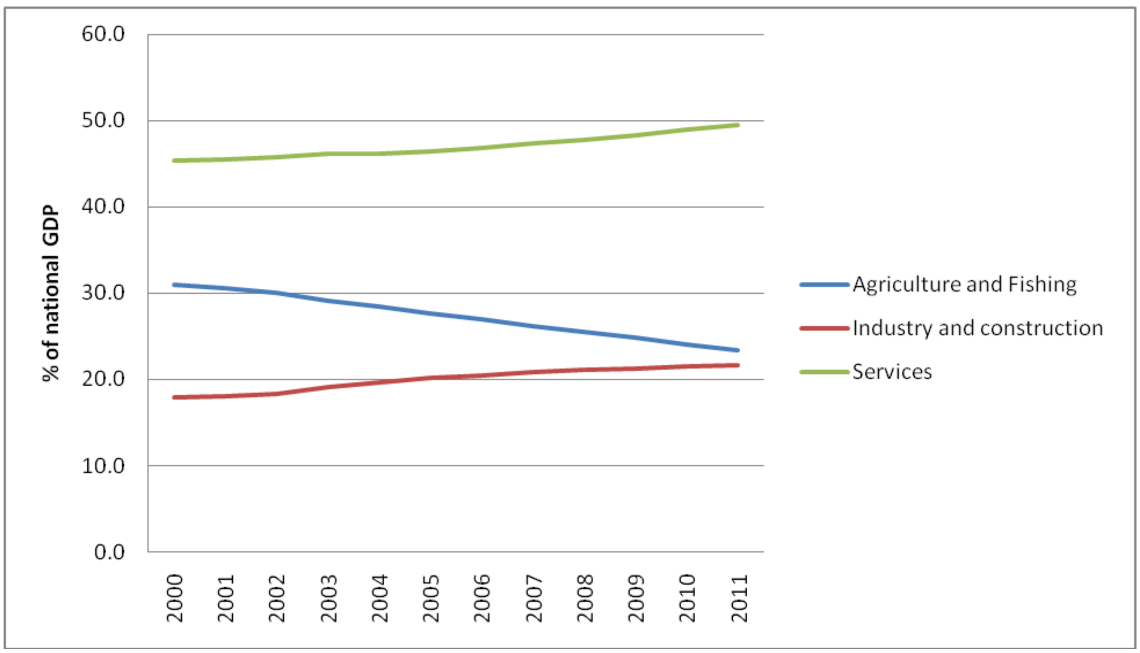



**Figure 11: Agricultural sector contribution to GDP**

## 3.2 Budget Analysis at Local Government Level

### 3.2.1 Agricultural Spending Framework at Local Government Level

Agricultural funding activities in Tanzania are in the framework of the Agriculture Sector Development Programme (ASDP), which is largely implemented at the district level through the District Agricultural Development Plans (DADPs) as an integral part

[20] Jonathan Brooks, OECD Secretariat. Policies for Agricultural Development, Poverty Reduction and Food Security

of the District Development Plan (DDP). As such, expenditures that are considered to reach smallholder producers directly are those related to DADPs. DADPs grants are meant to support participatory and community projects focusing on agriculture. Projects funded by DADP can be either community and/or group-owned. These projects are supposed to be informed by Opportunities and Obstacles to Development (O&OD), a consultative exercise which is assumed to involve a wide range of stakeholders including institutional and gender representation.

DADP interventions are expected to contribute to increased production and productivity, thereby reducing hunger and poverty while addressing food insecurity. Such projects are expected to consider the issues of availability and access to productive resources (such as seeds, extension services/advisory, agro-chemicals, farming implements), infrastructures (irrigation, rural roads, electricity, and market facilities), value addition facilities and marketing systems. These are among the main motivators for producers to continue in the farming business. Nevertheless, districts also receive funds indirectly through agriculture activities implemented by the national level projects/programmes such as input subsidies, large scale irrigation schemes, regulation and coordination, as well as quality assurance aspects.

Conceptually, public expenditures at LGA level could be grouped into two categories of direct and indirect expenditures. Direct expenditures were those involving funds that implement activities that are directly related to farming activities by farmers such as buying equipment and machinery, construction of feeder roads, buying inputs, training of farmers, and any expenditures of investment nature. But even within these kinds of expenditure care was taken to isolate expenditure elements that go to civil servants.

For example, if the expenditure category is training, but within this category some money was for purchase of diesel, per diem for staff, conference facilities, etc, these kinds of expenditure are considered indirect. Direct and indirect costs are summarized in Table 8 below. These issues were examined for selected districts of Kisarawe, Lindi, Mbeya Rural and Simanjiro.

### 3.2.2 DADP Processes and Involvement of Other Stakeholders

On regular basis, the central government through the coordinating ministry (ministry of agriculture food security and cooperative – MAFSC) and ministry of finance and economic affairs release guidelines[21]. Between 2005/06 and 2011/12 MAFSC has been issuing ASDP and DADP guidelines which gives step by step process in identifying priorities in cooperation with beneficiaries and stakeholders at village, ward and district levels. The emphasis has been on enforcing the decentralization by devolution (D by D) of power as a gesture of empowering local communities to supervise implementation of such projects.

[21] Such guidelines include DADPs and budget ceilings guidance – which assists heads of departments and accounting officials in developing respective plans and budget for any fiscal year.

Based on available literatures, the stakeholders consulted during DADP development are mainly communities (40%), community based organizations (CBOs) in particular with limited involvement of private sector and non-governmental organizations (NGOs). A review of Medium Term Expenditure Frameworks (MTEFs) through all LGAs indicated limited information of other actors –what they do and the level of budget injected into DADP activities at district and community level. While documents lack such information, empirical evidence indicate a significant amount of resources owned and used by NGOs and civil society organizations to implement agricultural activities.

Nonetheless, DADP processes are community-led experiences. The available documents in selected districts testify community leading in implementing the project initiatives. Resources such as finance and personnel from district head quarters are deployed to facilitate the implementation by offering technical expertise. The recent emphasize however in terms of guidelines have been on strategic resource allocation through a phase-in –phase –out approach. In this approach, LGAs were expected to indentify villages/community project(s) and organize them in a sequential manner. Phase – in – phase – out has been designed to minimize spreading the resources too thinly on ground with limited impact. Such guidelines offered the minimum investment (DADG) resources a single community project would receive.

### 3.2.3 Consistence in Planning

It is expected that the village assembly approves the VADP, and likewise district council for the DADP. However, the available literatures indicate inconsistency on data and it was not established what councilors use before approving the MTEF. For example one of the LGA studied (Lindi) had the following information in MTEFs from 2007/08-2009/10 to 2009/10 – 2011/12. In the table below, one would ask the question as what does it take for the councilors to approve such MTEFs and whether under normal circumstances there is review of previous MTEF and performance before embarking on new one. Pigs are known to be among the prolific animals, but consistently for a period of four years the number of pigs did not increase or decrease (Table 6). Likewise the figures for other animals remained the same except for goats and cattle, leading to conclusion that data collection and update is normally not done or it is being conducted in ad hoc manner.

**Table 6: Inconsistency in data at LGA level for anonymous LGA**

| Type | Number of Animals | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exotic | | | | Indigenous | | | |
| | **07/08** | **08/09** | **09/10** | **10/11** | **07/08** | **08/09** | **09/10** | **10/11** |
| Cattle | 609 | 667 | 667 | na | 6335 | 10749 | 10749 | na |
| Goats | 32 | 92 | 92 | na | 19225 | 19404 | 19.404 | na |
| Sheep | - | - | - | na | 3445 | 4698 | 4698 | na |
| Donkey | - | | | na | 26 | 26 | | na |
| Pigs | 269 | 269 | 269 | na | - | - | - | na |
| Poultry | 1084 | 1084 | 1084 | na | 280,504 | 280504 | 280,504 | na |
| Ducks | - | - | - | na | 38,802 | 38,802 | 380,802 | na |
| Dogs | - | - | - | na | 1928 | 1928 | 1928 | na |
| Guinea Fowl | - | - | - | na | 412 | 412 | 412 | na |

**Source**: Lindi MTEF documents from 2006/07 – 2009/10 to 2009/10 – 2011/12

### 3.2.4 Community and Village Projects

The village agricultural development plans (VADPs) benefit from the technical support and advice provided by ward facilitation teams (WFTs). The WFT and district facilitation team (DFT) members translate the broader national policies into local perspective to come up with synergies. In the awake to promote maximum outputs from limited investment, in 2011/12 the government issued further guidelines underpinning the value chain focus for agriculture (crop and livestock husbandry). The new focus on value chain fits in well with Kilimo Kwanza ten pillars. However among the entire sampled districts, such concept –value chain seemed to be limited in terms of implementation.

Example from Kisarawe DC for the FY 2010/11, During the FY 2010/11, the district had supported communities to come up with projects such as cassava, local chicken, vegetables, improved rice and maize in Kazimzumbwi, Nyani, Kwala, Mianzi and Sungwi villages (Table 7) and Appendix 5.

**Table 7: Summary of selected projects in Kisarawe**

| Name of Village | Type of Project | Target | Cost classification (Tzs mil) | | | | Total Cost |
|---|---|---|---|---|---|---|---|
| | | | DADG | CBG | EBG | Community | |
| Kazimuzumbwi | Cassava Production | • Increase area from 40 to 160ha Increase yield from 400t to 1,600tones | 40.23 | 1.3 | 5.6 | 10 | 57.1 |
| | Local Chicken | • Increase egg production from 4,800 p.a to 120,000 p.a | 15.8 | 4.3 | 2.9 | 30.0 | 53.0 |
| Kwala | Cassava production | • Increase area from 40 to 160ha<br>• Yield increased from 400tons to 1,600tons | 40.0 | 1.1 | 2.7 | 9.0 | 52.8 |
| | Local Chicken | • Increased egg production from 4,800pa to 120,000pa | 15.9 | 4.5 | 2.9 | 24.0 | 47.3 |
| Mianzi | Vegetable production | | 38.3 | 1.4 | 2.7 | 3.3 | 47.7 |
| | Local Chicken | | 17.7 | 4.2 | 2.9 | 16.0 | 40.8 |
| Nyani | Rice production | | 27.5 | | | 3.5 | 31.0 |
| | Maize production | | 28.5 | 5.6 | 5.6 | 7.9 | 47.6 |
| Sungwi | Cassava Production | | 39.1 | | | 8.0 | 47.1 |
| | Machine cass proce | | 6.4 | 1.1 | | 4.0 | 11.5 |
| | Local Chicken | | 10.5 | 4.4 | 5.6 | 30.0 | 50.5 |

Source: Kisarawe DADP Documents 2010/11

Despite a big share of the resources being allocated to DADG (83% as indicated in Figure 12) for Simanjiro LGA, a further analysis on a single project reveals huge sums going into indirect costs such as fuel, technical expertise. More analysis indicated over 10% of the DADG budget is allocated for fuel, expert payment whereas in total 37% of the total project cost has been allocated to such activities. Therefore, if one has to consider proportions of DADG vis-à-vis EBG and CBG, a drop line analysis on what goes into DADG is needed.

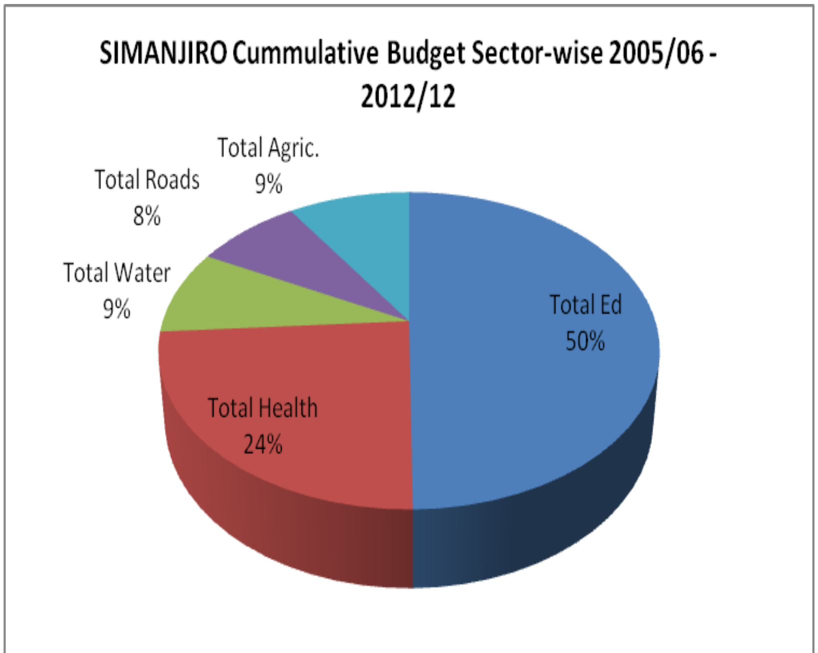



**Figure 12: Simanjiro commutative budget sector-wise 2005/06**

A further analysis on sectoral allocations in Simanjiro, of the five main sectors (road, agriculture, water, health and education) agriculture came almost the fourth for a cumulative budget between 2005/06 and 2011/12 FYs. Simanjiro is among the districts that experiences intermittent food shortages, and Manyara region is categorized as endemically food insecure.

Are the projects strategic? This could be answered by projects identified in Kisarawe for example. With ten projects in five villages (figure that is advisable), the major questions are how strategic are they in addressing food insecurity, poverty and taking into account the value chain approach. Are the LGA officials well resourced to support five different value chains (cassava, rice, maize, vegetables and local chickens) within one year? Has the LGA undergone value chain analysis for the five commodities? What about market links are they well addressed and stakeholders' coordination considered?

Although at the national level there is a strong emphasis on increased budget towards agricultural sector so as to attain the 10%% target, information gathered from Simanjiro LGA did not reflect the same.

### 3.2.4 Major Revenue Sources

Information from case studies, (Lindi, Kisarawe, Mbeya and Simanjiro district) for 2009/10 revenue indicate major sources to be land rent, produce cess, service levy, hotel levy,various licences, fees and charges as well as other revenues. Despite such local revenue sources, and except for Kisarawe and Simanjiro LGAs, produce cess was the major source of income for 2009/10 budget (Figure 13).

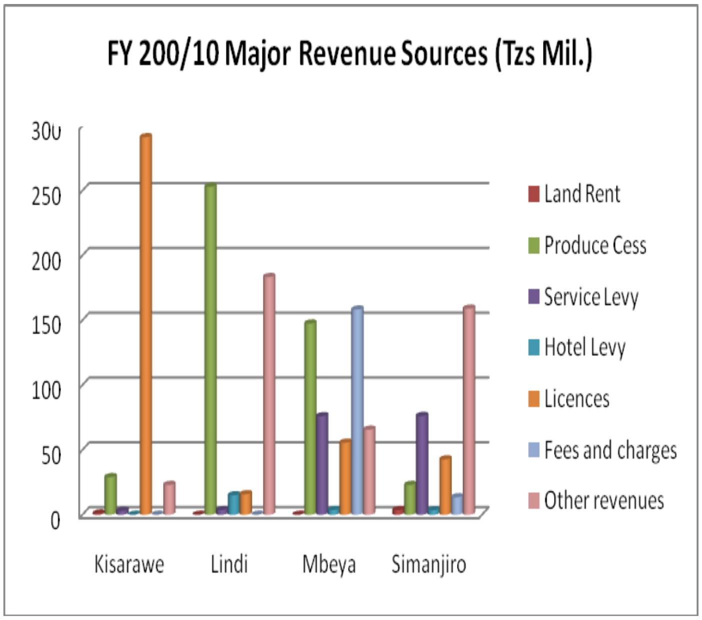



**Figure 13: Revenue sources for selected LGA for 2009/10 (TSh. millions)**

In such circumstances, one might be interested to know how much of revenue is collected to finance LGA activities. Available information (figure 14) indicates a big financing gap between what LGAs collect, expenditure estimates.

In fact, what LGAs collect through Locally Revenue Raise (LRR) initiatives cannot support development activities, let alone recurrent expenditures – which are normally very high (Figure 14). This calls for central government (intergovernmental) transfers to LGAs – of course with a "price tag" such as guidelines which are not necessarily applicable to local context.

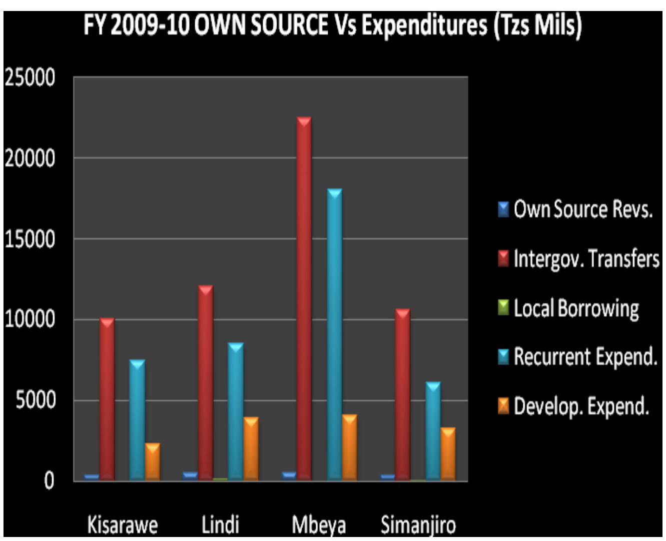



**Figure 14: Own source Vs expenditure for selected LGA (TSh. million)**

Big sums of money are transferred to LGAs (sometimes very late) to finance development activities. Although LGAs have opportunity to borrow locally, except for Lindi DC, the level of borrowing for the FY 2009/10 was very low.

Based on the available information, the consultant could not establish the percentage (proportion) allocation of local revenues into agricultural related projects. This was important so as to establish the seriousness of LGAs to support the sector that earns a significant part of their revenues.

As it was indicated elsewhere in this section, the development budget in selected LGAs is higher than resources raised locally. Actually based on documents that were reviewed, trends between 2008/09 and 2011/12 have a sharp drop of development budget while the local revenues were increasing. Table 8 below compares cummulative options for resource mobilization against recurent and developetn expenditures.

**Table 8: Trend of development and recurrent budget for selected LGAs between (2008/09-2011/12) (Tzs Millions)**

| LGA | Own Source | Intergovernmental Transfers | Local Borrow | Recurrent Expenditure | Develop. Expenditure | Total Expenditure |
|---|---|---|---|---|---|---|
| Kisarawe | 347 | 10060 | 0 | 7457 | 2280 | 9,737.30 |
| Lindi | 471 | 12051 | 115 | 8483 | 3869 | 12,352.40 |
| Mbeya | 507 | 22485 | 0 | 18018 | 4081 | 22,099.40 |
| Simanjiro | 322 | 10583 | 20 | 6105 | 3224 | 9,329.10 |

The critical question here would be how much of the total revenues should be allocated to development budget component, and what percentage of local revenues should be reallocated toward agriculture.

Figure 15 compares development budget with own source as well as the total budget. It can be deduced that except for 2008/09 budget development budget has always been below 50%, and significantly dropping to 25% in 2011/12. Except for 2005/06 and 2011/12 budgets, the percentage own source for the selected districts was about 10% of the total budget, making LGAs highly dependent of transfers from national level.

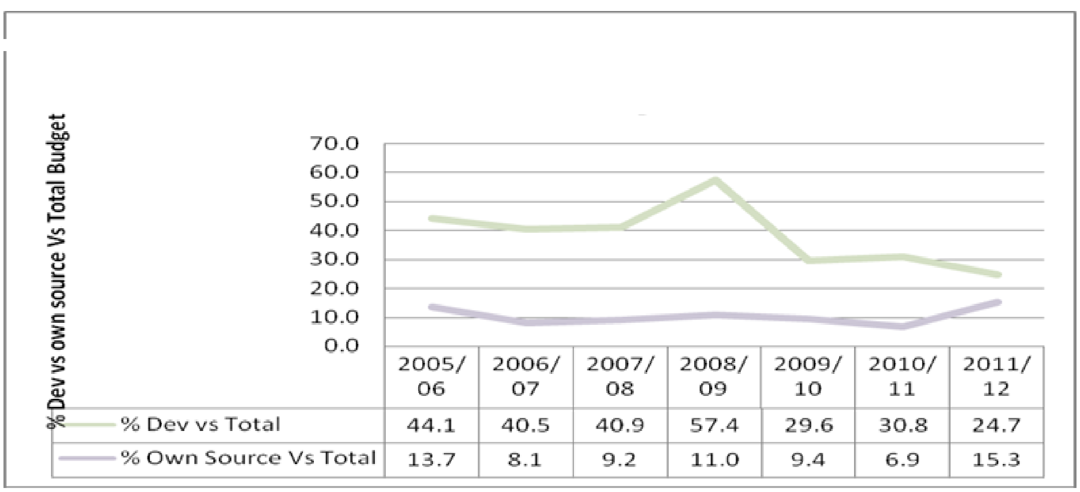



**Figure 15: % Development Vs total budget & % own source vs total budget**

Except for Kisarawe DC, the case study LGAs had significant allocation to support agricultural development activities compared to other charges (OC), personnel emoluments (PE) and block grants. Despite the significant allocation to agricultural development activities, according to interviews with stakeholders in Simanjiro most of the project interventions are not performing well, and DADP projects have not been successful. It is said that about 80 percent of constructed charcoal dams are not working - only infrastructure exist which is a big loss. The consultant could not establish why the charcoal dams are not working.

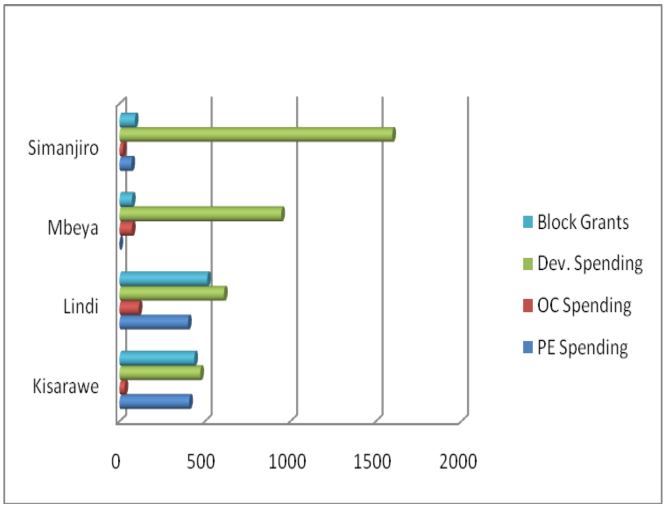



**Figure 16: Agricultural sector finances for 2009/10 (TSh. million)**

There could be various reasons pertaining to this, but research respondents said there is limited involvement of people (about 40% involvement) during planning and at the implementation stage none is involved, except civil servants. Some research informant said "*ufanyike utafiti wa kutosha kabla ya utekelezaji wa mradi*' implying that a thorough research should be carried out before a project is implemented. For example in Simanjiro, Endonyokijape area seven (7) boreholes were constructed in four villages during the last 3 years, but only 1 is working at the moment- this leads to huge loss of LGA money.

### 3.2.4 Budget Approvals and Remittances from Central Government

Almost all the case study districts receive the same amount as approved budget, although during the 2009/10 districts received more than they had budgeted. There could be various reasons to this, but one of it could be political reasons, because the following year (2010) was the general elections. Despite this difference, the government could be commended for such a commitment in transferring resources in adequancy and timely during the annual general election. This could be done even in years that there are no elections.

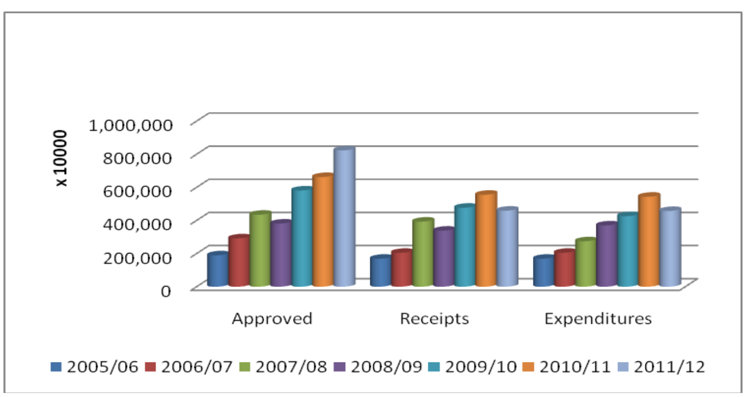



**Figure 17: Recurrent and OC budget for Simanjiro during 2005/06-2011/12**

Figure 17 above indicates no significant variation between what was approved and what was disbursed by the treasury from central government[22]. Although the estudy did not substantiate the timeliness and corresponding transfers from district headquarters to individual community projects, it suffices to conclude the on complains about various on what has been approved and what the council receives from treasury.

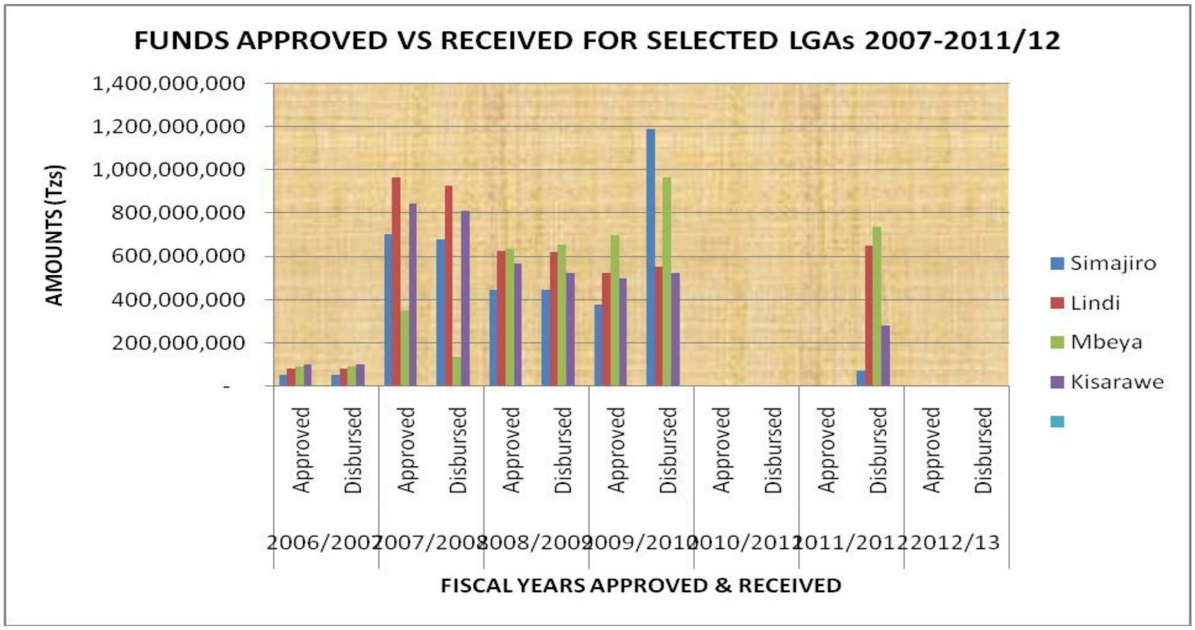



**Figure 18: Funds approved vs received for selected LGAs during 2007-2011**

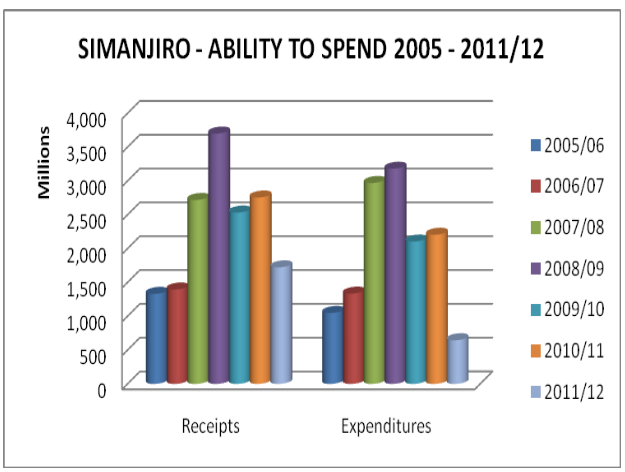



**Figure 19: Ability to spend for Simanjiro (2005-2011)**

One of the key considerations on funds allocation has been on the ability of LGAs to spend resources in a manner that promises maximum return to investment. A review of Simanjiro LGA indicated high ability to spend, averaging 85% between 2005/06 and 2011/12. However the study could not conclude on the question of spending outcomes resulting from such investment.

Access to such important documents proved to be very difficult. Efforts to download the same from National Audit website proved futile. However, based on information gathered, between 2005/06 and 2010/11, none of the case study district has had a clean audit report (unqualified

[22] It should be noted that information for 2010/11 (disbursed and approved) was lacking and as of 2011/12 only disbursed data was obtained. As for the 2012/13 this information could not be obtained, although there was a general indication that the selected districts had audit queries and therefore delays on transfers.

without emphasis on matters). However, there has been slight improvement between years in consideration because in 2005/06 all LGAs had unclean (qualified) audit report. None of the LGAs in consideration had disclaimer or adverse audit opinion. Some of the issues raised by CAG in the report include outstanding imprest that has been held for a long time without being retired. Non compliance to the Public Finance Regulation of 2001 (revised in 2004), Order No. 134, that sets a limit of two Weeks after the Officer has returned from the Journey or completed an activity for which the imprest was issued.

# 5. CONCLUSION AND RECOMMENDATIONS

This report has analysed budget allocations for four LGAs and also at national level. On the outset the research was very ambitious. But as the situation unveiled, analysing LGA budgets in Tanzania is not an easy task because of paucity of appropriate information. Although data are available in Dodoma at TAMISEMI but they cannot be released; one is advised to contact respective LGAs. At LGAs data are scantly available because the majority of LGA officers remain sceptical about the intention of the analysis. Even in the situation where information is available, is neither consistent nor in a standard format for all LGAs so as to allow comparison. Nevertheless, this report managed to exract some information from the budget documents availed to the team.

It has been demostrated that since 2001/02 the agricultural budget in Tanzania has generally been increasing gradually in nominal and real terms, but the capacity to utilise the fund at LGA level is still low. It has also been shown that the disbursement of fund is characterised by delays and carryover funds. It is argued that despite of the pressure on the government to allocate more budget to agriculture commensurate to CAADP commitment, this increase might not result into intended goal unless several issues are resolved. Allocation of budget to agriculture does not take into consideration the poverty and food security issues of different regaions. At LGA level it was observed that agriculture contributes significantly to the LGA's own fund, but receives little or no allocations from own fund; DADG component contain elements of indirect expenses; and that there is poor engagement of the wider public in budget preparation, thus lack of transparency in public budget documents has remained one of the biggest obstacle in analysing LGA budgets; Budget and ceiling guidelines are not available to all stakeholders at the right time;

Taking all issues into consideration, the following recommendations are made:

- There should be a critical review of context and regular update of data, with effective oversight functions (councilors) that approve budget document. This will reduce the level of poor plans that are approved without being properly reviewed. In connection to the above, capacity building for councilors is necessary
- There is a need to capture resources from other actors outside the public resources within LGA working in the sector

- Major categories within sector allocation should set limit, especially on DADG on what proportion could be set aside for indirect expenses such as payment for extra duty, fuel, transport and training materials.
- There are various issues on information access, ranging from inconsistency among LGAs, poor data update, resistance to cooperate and release information to low level of credibility. CAG reports could be released as soon as it is shared within LGAs or in the parliament.
- All LGA data and other financial information need to be on the website. The best website so far is the http://www.logintanzania.net; but it is not updated, some of the information was last updated in 2005/06. Stakeholders should increase pressure on the government to update this website
- It is obvious that although the emphasis and focus is 10%% budget allocation to agriculture is critically important, the local level actors must be organized and supported to absorb the budget increase by setting priorities right, coordinating stakeholders and ensuring maximum return that would contribute to poverty eradication and assurance to food security

# APPENDICES

## Appendix 1: Terms of Reference for Research Consultancy

### 1.0 BACKGROUND AND RATIONALE

Agricultural Non State Actors Forum (ANSAF) is an advocacy network made up of likeminded organizations that seeks to advocate for pro-poor and conducive agriculture policy environment that promotes dialogue and constructive engagement among sector stakeholders; effectively analyze the existing agriculture policies and suggest practical policies and practices; and provide a platform for learning, sharing, networking and coalition building around pertinent issues in agriculture sector.

It is over a decade since the African Union Member State underscored agriculture as an important sector for economic development and poverty reduction. Through the Maputo declaration in 2003, the heads of state reaffirmed their commitment to 10% of the national budget going into agriculture. Tanzania on its case has seen substantial budget turn-around over the last decade, with sector allocation growing over 200% from Tzs 52 billion in 2001/01 to Tzs 926 billion for 2011/12. Despite this promising trend, the highest budget percent to national budget was in 2010/11 (Tzs 903billion – equivalent to 8% of national budget), the sector performance remains at 4% average and poverty levels are on the raise, particularly in rural areas.

Through Kilimo Kwanza, and renewed commitment by the government to work with private sector under the Public Private Partnerships (PPP) Tanzania has witnessed rejuvenated interest by different actors to invest in the sector, albeit challenges related to sector coordination, value/commodity chains arrangements and smallholders' involvement. Nonetheless, with increased interest of private investors, development partners and government into agriculture, it is evident that *combined* sector budget might increase to surpass the 10% target in the near future.

ANSAF in its 2012 learning event would like to document and exchange experiences on agricultural budget allocations, utilization and outcomes over the last five years. The learning will zero in on whether the 10% budget target is enough to transform the sector and contribute to reduction of poverty and food insecurity. Furthermore the learning will delve into the current practices; on allocation and expenditure efficiency (using CAG reports), marketing of specific commodities such as cashew and maize as well as productive resources (land acquisition and agricultural financing).

### 2.0 ANSAF ENVISAGES UNDERTAKING TWO DIFFERENT BUT RELATED STUDIES

- Agriculture Budget trends, allocation, utilization and outcomes over the last five years and whether the 10% budget target is enough to transform the sector and contribute to reduction of poverty and food insecurity

### 3.0 AUDIENCES AND USE OF REPORT

The audience for the findings of the study is primarily ANSAF and partners, so as to enable them individually and collectively to have common understanding and take informed actions based on the current budget allocation, utilization, poverty reduction and food insecurity .Furthermore, ANSAF will use the findings to inform farmers and major actors most of whom currently have little or no knowledge or understanding of these issues; and later to inform and influence relevant arms of government, policy makers and regulatory authorities on addressing these issues.

## 4.0 RESEARCH OBJECTIVES

### 4.1 Agriculture Budgets

#### 4.1.1 Overall Objective

Advocate for increased share of national budget towards agricultural sector by encouraging strategic interventions that maximally contributes to sector performance, reduction of food insecurity and poverty.

#### 4.1.2 Specific objectives

- Provide agricultural budget trends (percent and performance) over the last decade (2003/04 – 2012/13) years, allocation, amount released, amount spent and the performance status. Comparison of approved agriculture sector budget and the actual funds disbursed for agriculture (% variance) 2003/2004 – 2012/2013;
- Amounts of funds allocated by region for agriculture sector development (Local government funds for agricultural activities). Assess the distribution and percentage of the budget in Development and recurrent expenditures;
- Describe whether the 10% budget allocation to the agriculture sector is still a valid concern after the almost 10 years Maputo declaration of 2003 and whether it can transform the agriculture sector in Tanzania and contribute to the reduction of poverty and food insecurity.
- Assess the previous and current practices and policy directions, particularly
    - Tax incentives with direct impact on the agriculture sector, and whether they provide incentive or discouragement to small scale farmers over the past ten years (2003/2004 – 2012/2013);
    - Trend of tax exemption in imported agricultural produce and its effect/implication to agriculture sector development (which goods or commodities are commonly exempted and its effect to small scale famers in Tanzania);
    - The cost of food imports per year (edible oils, rice and wheat) and the government commitment in minimizing such imports by increasing local production;
- Identify who benefit more from the current agriculture budget, who is likely to benefit and how the entire society/community can benefit from such allocation.
- Identify the relationship between the allocations, utilization and performance reports in collaboration with the internal and external audit reports.
- Identify strategic interventions that would trigger sector transformation, hence reduction in food insecurity and poverty
- Identify an appropriate course of action for ANSAF to influence better policy approaches/options in favour of various social groups in the sector budget (suggest alternative views and directions, and identify most effective points of entry).

The researches should be able to clearly provide information that will be used as evidence to encourage dialogue and change of policies and practices among actors, particularly the government and its institutions. The proposed paper shall explicitly and in detailed manner (with examples) provide audience with information enough to make recommendations and take relevant actions. It should inform the audience on the level of outcome/impact (on smallholder farmers, farmers' organization, private sector, MSMEs and the nation's economy) as a result of such practices and interventions.

## 5.0 RESEARCH QUESTIONS AND SUGGESTED RESEARCH METHODS

The consultant(s) will be expected to design research questions based on the above three areas and get the client's approval before the full research is conducted

The researcher will involve desk and field work by identifying, reviewing, evaluating and synthesizing existing relevant information on;

- Agriculture Budget trends, allocation, utilization and outcomes over the last five years and whether the 10% budget target is enough to transform the sector and contribute to reduction of poverty and food insecurity

The researcher/consultant will discuss research methodologies and key informants with the client before undertaking the research work.

Given that there are other actors in Tanzania the information will largely be drawn from documented experience, approach (es) by government will be the main source of data. Some of key informants may include but not limited to central government level (relevant ministries and departments), selected LGAs, private sector, companies, CSOs and farmers (individually or through their networks). Furthermore, the consultant might as well involve development partners (agricultural working group members such as Irish Aid, World Bank, IFAD & USAID) as key informants

## 6.0 STYLE AND LENGTH OF REPORT

The report will be in simple and concise in data and presentation, enabling the intended audiences to use it to make informed actions. Clarity of style, flow and structure is important. The research paper will have a total length of around 50 pages (including tables and figures) plus appendices are envisaged. However the consultant might feel free to apply these flexibly, depending upon the findings of the research.

## 7.0 RESEARCH MANAGEMENT

The ANSAF Executive Secretary will manage the research consultant(s). The Executive Secretary will consult with members of the steering committee as appropriate. The ANSAF chairperson will make the final approval of the research.

## 8.0 QUALIFICATIONS AND EXPERIENCE REQUIRED

The following consultant/s profile is required for the study:

- Master degree or equivalent degree from a recognized university in Agricultural Economist, Economist, Political Science, Sociology, Law or any of the social or natural sciences disciplines relevant to the research theme.
- Prior experience in budget analysis and strategic investments in agricultural sector
- A mix of social and scientific background with excellent analytical and methodological skills

- Knowledge of national policy context in poverty reduction and agriculture in particular
- Knowledge of the smallholder agriculture sector, particularly ASDP and DADPs, thrust by the government in subsidies and agricultural mechanization trough tractors and power tillers.
- A PhD degree would be a definite advantage.
- Knowledge of regional and sub-regional commitment (related to trade and marketing) and relevant opportunities for marketing produce
- A thorough knowledge and experience of not less than five (5) years in Agricultural trends in Tanzania.
- Knowledge of forward and backward links in agric sector
    - linkage between production, marketing,
    - inputs use and agricultural mechanization
    - agricultural services (financial & extension services); and their relevance in food security and poverty reduction in developing countries
- Robust knowledge and experience in research methodology
- Conversant with local and national social, political and economic policy environment in Tanzania.
- Command of English language and excellent writing skills.
- Established good track record in conducting, analysing/documenting research for advocacy.
- Expertise with the private sector and commodity chains will be added advantage
- Expertise in empirical data, desk research and telephone interviewing
- Expertise in Civil Society Organisations advocacy
- Reporting skills in plain English

**9.0 TIMELINES AND DELIVERABLES**

The Consultant shall prepare:-

a) an Inception Report within two weeks after signing of the contract; the inception report shall provide information on the scope of work and timelines for deliverables
b) a Draft Final Report after completion of desk and field work
c) a Final Report within two weeks upon receipt of comments from the ANSAF Secretariat on the Draft Final Report.

The final report is soft copy shall be submitted to ANSAF Tanzania by latest 14th September, 2012.

**Note: Consultant should attach CV of the key team members to work on the project.**

**1. Timing/timeframe**

Interested firms and individual consultants are invited to submit technical and financial proposals not later than 13 August, 2012 in electronic form to:

**Executive Secretary**
**ANSAF**
**E-mail: ansaf.tanzania@gmail.com**

**Appendix 2: List of stakeholders contacted in the field**

| S/No. | Name | Organization | Position |
|---|---|---|---|
| 1 | Mr Evance. Mbogo | Simanjiro DC - DALDO Office | Extension Officer |
| 2 | Mr B. Saduka | Simanjiro-DED Office | Human Resources Officer |
| 3 | Pascal Temba | Simanjiro-DED Office | District Planning Officer (DPLO) |
| 4 | Peter Morrell | Simanjiro-DED Office | District Treasurer (DT) |
| 5 | Alex Bondo | Simanjiro DC | Accountant |
| 6 | Hon. Jacob K. Lukendo | Simanjiro DC | Councilor |
| 7 | Hon. Naftal Ole Peshut | Simanjiro DC | Councilor |
| 8 | Boniface Shongoni | Simanjiro DC-DALDO Office | Extension Officer-Livestock |
| 9 | Felichisimi Majuva | Red Cross | Manager |
| 10 | Thomas Laizer | ILARAMATAC | Chairperson-Farmer Group |
| 11 | Witness Kaaya | UWAO-Umoja wa Wafugaji N'gombe wa Maziwa Orkesumet | Secretary |
| 12 | Selemani Saidi | PEMWA organization | Councilor |
| 13 | Munira Mohammed | Simanjiro District Council | Office |
| 14 | Juma Mteluka | Kitumiki Cooperative society | Office |
| 15 | Stuart Lugongo | TCCIA | Office |
| 16 | Mohammed Chambela | MPELIMU NGO | Office |
| 17 | Idd Mboweto | Simanjiro District Council | District Internal Auditor |
| 18 | Janeth Mgendi | Simanjiro District Council | DALDO |
| 19 | Shaban Said | LIKABUKO CBO | Office |
| 20 | Aziza Mauya | Identity for community capacity development | Secretary |
| 21 | Moshi | Kisarawe District Council | Extension officer |
| 22 | Dr. Minja | Kisarawe District Council | DALDO |
| 23 | Njile Valerie | Kisarawe District Council | Cooperative officer |
| 24 | Adam Ngimba | Kisarawe District Council | Chair, District Council |

| | | | |
|---|---|---|---|
| 25 | Titus Mbijili | Mbeya District Council | DALDO |
| 26 | Lyanga | Mbeya District Council | Agricultural Officer |
| 27 | Betram Kiswaga | Community Initiative Service | Director |
| 28 | Juma Kulyamba | Shirka la maendeleo na Sera Tanzania | Officer |
| 29 | Nyongo Katondo | Mbeya Youth Development Groups | Director |
| 30 | Medico Embrose | Mbeya District coucil | Farmer |

**Appendix 3: Percentage annual growth rate of agriculture value added for selected countries**

| Level of Spending on agriculture | Countries | Years | | | |
|---|---|---|---|---|---|
| | **Country Name** | **2007** | **2008** | **2009** | **2010** |
| At least 10 percent of the budget | Malawi | 10.8 | 8.1 | 14.4 | 1.5 |
| | Ethiopia | 9.4 | 7.5 | 6.4 | 5.8 |
| | Cape Verde | | (2.3) | 45.9 | 18.8 |
| Average | | 6.7 | 4.4 | 22.2 | 8.7 |
| From 5 to less than 10 percent of the budget | Tunisia | 0.8 | (0.7) | 6.0 | (7.9) |
| | Madagascar | 2.2 | 2.9 | 8.5 | |
| | Equatorial Guinea | 10.0 | (1.3) | 3.0 | |
| | Sudan | 3.1 | 5.0 | 4.8 | 2.8 |
| | Ghana | (1.7) | 7.4 | 7.2 | 5.3 |
| | Guinea | 2.8 | 3.6 | (28.4) | 6.2 |
| | Kenya | 2.3 | (4.3) | (2.5) | 6.3 |
| | Mozambique | 8.2 | 11.3 | 10.7 | 8.5 |
| | Lesotho | (0.9) | 16.2 | (5.0) | 10.9 |
| | Gambia | (1.9) | 26.6 | 10.7 | 12.0 |
| Average | | 2.5 | 6.7 | 1.5 | 5.5 |
| Less than 5 percent of the budget | Gabon | 5.3 | (0.2) | 3.0 | (7.8) |
| | Congo, Dem. Rep. | 3.0 | 3.0 | 3.0 | |
| | Algeria | 5.0 | (5.3) | 2.7 | 3.3 |
| | Egypt, Arab Rep. | 3.7 | 3.3 | 3.2 | 3.5 |
| | Burundi | (8.8) | (2.1) | 3.0 | 3.9 |
| | Botswana | 8.9 | 5.7 | 10.1 | 3.9 |
| | Tanzania | 4.0 | 4.6 | 3.2 | 4.1 |
| | Sierra Leone | 4.1 | 6.1 | 6.6 | 5.0 |
| | Liberia | 13.3 | 14.0 | 13.7 | 10.3 |
| Average | | 4.3 | 3.2 | 5.4 | 3.3 |

**Source**: African Agriculture Regional Strategic Analysis Knowledge Support System (ReSAKSS) and The World Bank Institute (WBI).

**Appendix 4: Poverty comparison across administrative regions in Tanzania (Head count ratios)**

| Region | Tanzania adult eq. scale | Based on per capita expenditure | NBS |
|---|---|---|---|
| Shinyanga | 39.7 | 55.2 | 42 |
| Mwanza | 30.8 | 41.4 | 29 |
| Kigoma | 31.4 | 28.1 | 38 |
| Pwani | 23 | 35.4 | 46 |
| Dodoma | 43.6 | 57.7 | 34 |
| Tabora | 21.2 | 40.7 | 26 |
| Lindi | 28.7 | 46.9 | 53 |
| Singida | 42.2 | 56.1 | 55 |
| Mtwara | 21.6 | 35.5 | 38 |
| Kilimanjaro | 30.6 | 40.4 | 31 |
| Arusha | 36.4 | 48.7 | 39 |
| Tanga | 23.2 | 39.7 | 36 |
| Rukwa | 29.2 | 48.8 | 31 |
| Ruvuma | 27.8 | 43.1 | 41 |
| Iringa | 44.4 | 54.4 | 29 |
| Morogoro | 28.3 | 40.3 | 29 |
| Mbeya | 21.5 | 33.9 | 21 |
| Kagera | 36.3 | 54.1 | 29 |
| Mara | 30 | 38.6 | 46 |
| Dar es Salaam | 17.7 | 24.4 | 18 |

**Source:** Mkenda et al. (2004). “Poverty in Tanzania: Comparison across Administrative Regions”

Appendix 5: Cassava Project at Kazimzunbwe in Kisarawe

| | Item Descripion | DADG | CBG | EBG | Community | Total |
|---|---|---|---|---|---|---|
| **Preparation** | Experts | 70,000 | | | | 70,000 |
| | Fuel | 68,000 | | | | 68,000 |
| | Driver | 25,000 | | | | 25,000 |
| | Leaders | 20,000 | | | | 20,000 |
| Tractor Shed | Building Materials | - | | | 1,000,000 | 1,000,000 |
| | Engineer | 3,150,000 | | | | 3,150,000 |
| | Fuel | 68,000 | | | | 68,000 |
| | Construction Eng | 350,000 | | | | 350,000 |
| | Driver | 250,000 | | | | 250,000 |
| **Tractor Purchase** | Transport | 100,000 | | | | 100,000 |
| | Procurement Officer | 75,000 | | | | 75,000 |
| | Signatories | 50,000 | | | | 50,000 |
| | Tractor | 36,000,000 | | | 9,000,000 | 45,000,000 |
| **Training to committee members** | Experts | | 450,000 | | | 450,000 |
| | Members | | 180,000 | | | 180,000 |
| | Fuel | | 56,100 | | | 56,100 |
| | Train Mat | | 120,000 | | | 120,000 |
| | Conference | | 150,000 | | | 150,000 |
| | Driver | | 125,000 | | | 125,000 |
| | Spare Part | | 240,000 | | | 240,000 |
| **SHF Exchange visit to Morogoro** | Meals & acco | | | 840,000 | | 840,000 |
| | Transport | | | 212,000 | | 212,000 |
| | Train Mat | | | 40,000 | | 40,000 |
| | Lead Facili | | | 300,000 | | 300,000 |
| | Assist Facili | | | 150,000 | | 150,000 |
| | Farmer Faci | | | 30,000 | | 30,000 |
| | Participants | | | 840,000 | | 840,000 |
| | Coordinator | | | 140,000 | | 140,000 |
| | Transport Fare | | | 150,000 | | 150,000 |
| **Ziara ya Mafunzo Nane-Nane Morogoro** | 15 Farmers | | | 1,350,000 | | 1,350,000 |
| | Village Chair | | | 90,000 | | 90,000 |
| | Village EX O | | | 195,000 | | 195,000 |
| | Ext Officer | | | 390,000 | | 390,000 |
| | Transport Fare | | | 375,000 | | 375,000 |
| | Car Hire | | | 300,000 | | 300,000 |
| | Others | | | 198,000 | | 198,000 |
| **Total** | | **40,226,000** | **1,321,100** | **5,600,000** | **10,000,000** | **7,147,100** |

**Source**: Kisarawe DADP – extract from community projects