Executive summary

This post budget analysis provides an overview of agriculture sector performance, previous budgets implementations, interventions by governments and other actors (including private sector, civil society, and donor community), policy issues that need reforms, challenges in budget implementation, and the recommendations for the government in the implementation of year 2023/24 budget. The recommendations intend to influence both government and private sector investments to the sector and promote the transformation through growth and income generation and employment creation.

Background

The agriculture sector is the main part of the country’s economy employing 65.6% of the population (MoA, 2023), accounting for 26.9% of GDP, 30% of exports, 65% of inputs to the industrial sector, and providing over 90% of the food requirements for the country (World Bank, 2023).

Agriculture’s growth rate is highly responsive to policy reforms and resource allocation. In the past few years, agriculture growth had been depicting a downward trend whereby data from the National Bureau of Statistics (NBS) and Ministry of Agriculture show a decline in agricultural growth from 5.9% in 2017 to 3.9% in 2021, and World Bank data show agriculture contribution to total GDP decreased from 26.7% in 2017 to 25.9% in 2021. However, agriculture GDP growth started to improve during the period of recent policy reforms and reallocations of the public sector budget to agriculture particularly from 2021/22 to 2022/23 (World Bank, 2023).
Overview of the 2023/24 Budget Allocation

The agriculture sector budget has increased by 21.8% from TZS 1.21 trillion in 2022/23 to 1.47 TZS in 2023/24 with a focus on increasing productivity, production, and decent jobs, to enhancing youth and women participation in agriculture, strengthening access to market, agriculture financing, and crop exports, strengthening cooperative development, and improving resilience for food and nutrition security.

The 2023/24 budget marks the beginning of phase II of the Agriculture Sector Development Program ASDP II (2023/24-2028/29) and emphasizes investment strategies for achieving long-term objectives including the 10% agriculture sector growth, generation of 3,000,000 jobs, and increased exports from USD 1.2 billion to USD 5 billion in 2030, expanding irrigation area to 1,200,000 hectares by 2025, enhancing capacity of the National Food Reserve Agency (NFRA) to purchase crops from farmers by increasing its storage capacity to 500,000 MT, increasing storage capacity to 3,000,000 by 2030 and reducing post-harvest losses to 5% by 2030. Therefore, the government has allocated:

1. TZS 262.31 billion for construction and rehabilitation of dams and irrigation schemes to expand irrigation area to 256,185.46 hectares.
2. TZS 130 billion for fertilizer subsidies.
3. TZS 83.76 for research and production of quality seeds.
4. TZS 61.89 billion for feasibility study and irrigation schemes and dams’ architecture.
5. TZS 50.7 billion for cashew nuts inputs.
6. TZS 50 billion for fishing port construction.
7. TZS 49.5 billion for aquaculture investment and farm schools.
8. TZS 45.5 billion for investment in livestock feed, increased livestock production and markets, research, training, and extension services.
9. TZS 40 billion as capital to the Tanzania Fertilizer Company (TFC) to reduce overdependence on fertilizer importation.
10. TZS 38.72 billion for extension services and crop storage infrastructure.
11. TZS 14.16 billion for development of large-scale farms (BBT).
12. TZS 2.17 billion for strengthening cooperatives services and registration of cooperatives.

Trend in Agriculture Sector Budget Allocation from 2014/15 to 2023/24

Despite the significant increase in budget allocation to the agriculture sector from about TZS 456.7 billion in 2021/22 to TZS 1.47 trillion in 2023/24 depicted in Figure 1, the country is yet to allocate sufficient resources as committed in the Maputo Declaration of 2003 (later reaffirmed under the Malabo Declaration of 2014) whereby African nations agreed to invest at least 10% of their budgets to agriculture to attain a 6% growth rate by 2025. Low public investment in the sector translates into food and nutrition insecurity, abject poverty due to low income and economic growth.

*Ministry of Finance and Planning.
Trends in Development Budget allocation from 2016/17 to 2023/24

Budget allocation for development activities in the agriculture sector has significantly increased from FY 2020/21 as described in Figure 2 hence facilitating increased availability and accessibility of agricultural inputs; establishment of block farming through Building a Better Tomorrow: Youth Initiative for Agribusiness (BBT-YIA); improved research and extension services; provision of fertilizer subsidy to farmers; construction and rehabilitation of irrigation schemes and storage facilities; establishment of Agricultural Development Fund and improvement of markets for agricultural products (MoFP, 2023).

Figure 2: Agriculture Sector Development Budget Allocation by Category for 2016/17 - 2023/24

For financial year 2023/24, the approved development budget for:

- The Ministry of Agriculture has increased by 73%; from TZS 268.91 billion in 2022/23 to TZS 465.7 billion in 2023/24 through vote 43,
- The Cooperatives Development Commission (TCDC) has increased by 98%; from TZS 1.1 billion 2022/23 to TZS 2.17 billion in 2023/24 through vote 24,
- The Irrigation Commission has remained the same TZS 299.96 billion in 2023/24 as it was in 2022/23 through vote 05,
- Fisheries has decreased by 1% from TZS 135.68 billion in 2022/23 to TZS 134.41 billion in 2023/24 through vote 64,
- Livestock has increased by 33%; from TZS 46.73 billion in 2022/23 to TZS 61.92 billion in 2023/24 through vote 99.

Trends in Development Budget Disbursement from 2016/17 to 2023/24

The Speech of the Ministry of Agriculture (MoA) on the Estimates of Revenue and Expenditure for Financial Year 2022/2023 reported about TZS 470.76 billion ≈ 82.6% of the allocated development budget to the Ministry of Agriculture (Vote 43, 24 and 05) for financial year 2022/2023 to have been disbursed by April 2023.

The Speech of the Ministry of Livestock and Fisheries (MLF) on the Estimates of Revenue and Expenditure for Financial Year 2022/2023 reported about TZS 27.190 billion ≈ 58% of the allocated development budget to the Livestock subsector for financial year 2022/2023 to have been disbursed by March 2023; and TZS 41.25 billion ≈ 30.4% of the allocated development budget through Vote 64 to have been disbursed by April 2024 out of which 6,625,345,688.98 had been used and TZS 34,626,641,672.21 was in expenditure process.

Disbursement rate for development budget to the agriculture sector has been improving from 9.1% 2016/17 to 138% in 2021/22 as depicted in Figure 3, except in 2019/20 when the Covid-19 pandemic broke out.

Figure 4 shows the disbursement rate against approved allocation from 2016/17 to 2021/22 by category.

In 2016/17, there was no allocation for development expenditure to the Fishery sub sector and from 2016/17 to 2021/22, there was no allocation to the Tanzania
Despite the significant contributions of the agricultural sector to the economy in terms of employment, export share, and the provision of food and industrial raw materials, challenges persist in terms of prioritizing resource allocation and timely disbursement especially for development activities in key investment areas. Moreover, insistency of fiscal policies that affects investors decision-making due to unpredictable business environment deter development of the agriculture sector.

However, efficient utilization of the few allocated resource would have significant contribution to development of the sector.

**Key issues and Recommendations**

1. To achieve 10% agriculture growth by 2030, there is a need to enhance efficiency whereby the budget allocations particularly to key agricultural areas should be accompanied with timely and adequate disbursements for maximum outcomes to be realized.

2. Budget allocation to the agriculture sector should be increased significantly and consistently with investments in the most pressing needs of smallholder farmers and the sector to accelerate transformation. Moreover, the budgeting process should be more inclusive with adequate engagement of smallholder farmers and civil societies.

3. The financial investment should be accompanied by a supportive policy and regulatory environment. This involves expediting development of contract farming law, review of the irrigation and cooperatives acts by the government.

4. Lack of information on government expenditure for the last (4th) quarter of the previous financial years (here for 2022/23) prevents the analysis from determining the total disbursement for the year.

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