



POLICY FORUM BREAKFAST DEBATE

Leveraging 10% Budget Allocation for Pro-poor Agricultural Transformation in Tanzania

Damian M. Gabagambi, PhD

DAEA, SUA.

30 Nov. 2012



Outline

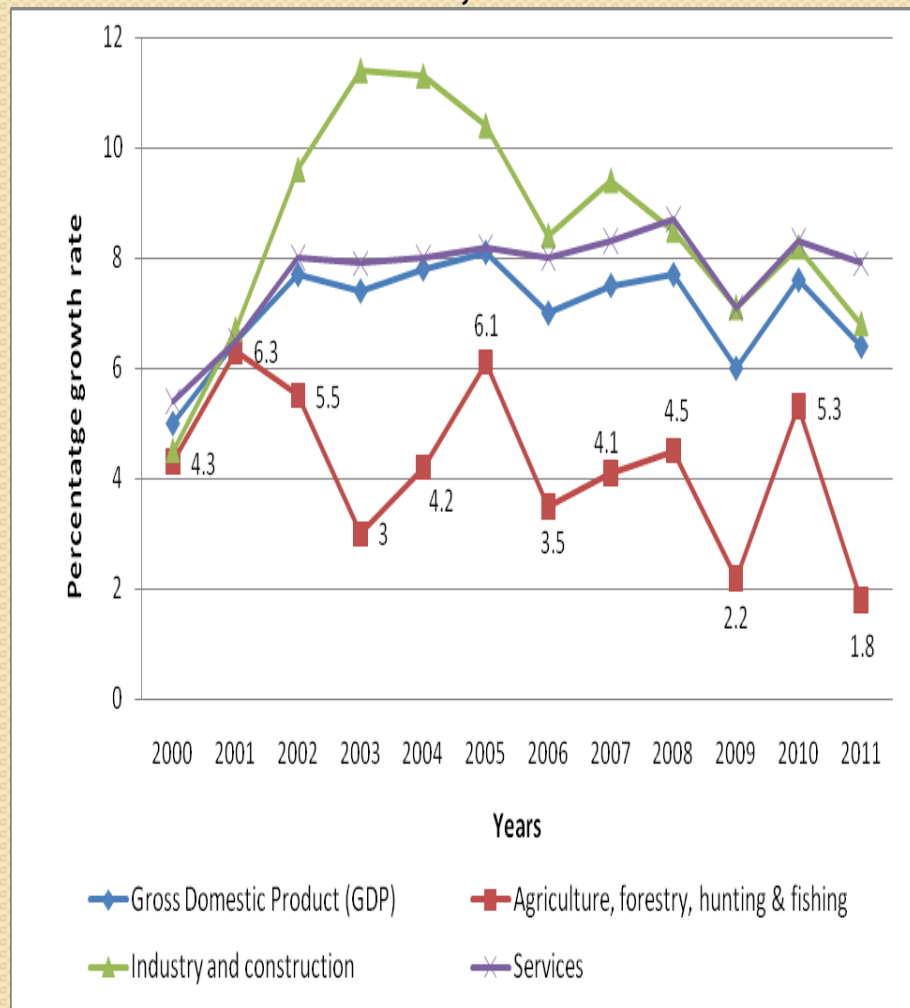
1. Background

2. Methodology

3. Key Findings - Validity of 10% budget allocation to the agriculture sector

Background

% growth rates of main sectors at Constant 2001 Prices, Tanzania Mainland



EAC and SADC real GDP growth rate

Country	Real Growth Rate			
	2008	2009	2010	2011 ^P
Tanzania	7.4	6.0	7.0	6.4
Kenya	1.6	2.6	5.6	5.0
Uganda	7.0	5.8	5.2	6.7
Burundi	4.5	3.5	3.9	4.2
Rwanda	11.6	6.0	7.5	8.8
Angola	16.4	2.4	1.6	3.4
Botswana	3.1	-3.7	8.6	4.6
Congo	6.2	2.8	5.4	n.a
Lesotho	4.4	3.0	2.4	4.2
Madagascar	7.2	-4.6	2.6	n.a
Malawi	9.7	7.6	6.6	5.5
Mauritius	5.6	3.0	4.0	4.1
Mozambique	6.5	6.3	7.0	7.1
Namibia	2.7	-0.8	4.4	3.6
Seychelles	-1.0	0.5	6.7	4.9
South Africa	3.6	-1.5	2.9	3.1
Swaziland	2.4	1.2	2.0	0.3
Zambia	5.7	6.4	7.6	6.6
Zimbabwe	-4.3	6.0	9.0	9.3
EAC Average	6.4	4.8	5.8	6.2
SADC Average	5.0	2.3	5.2	4.9

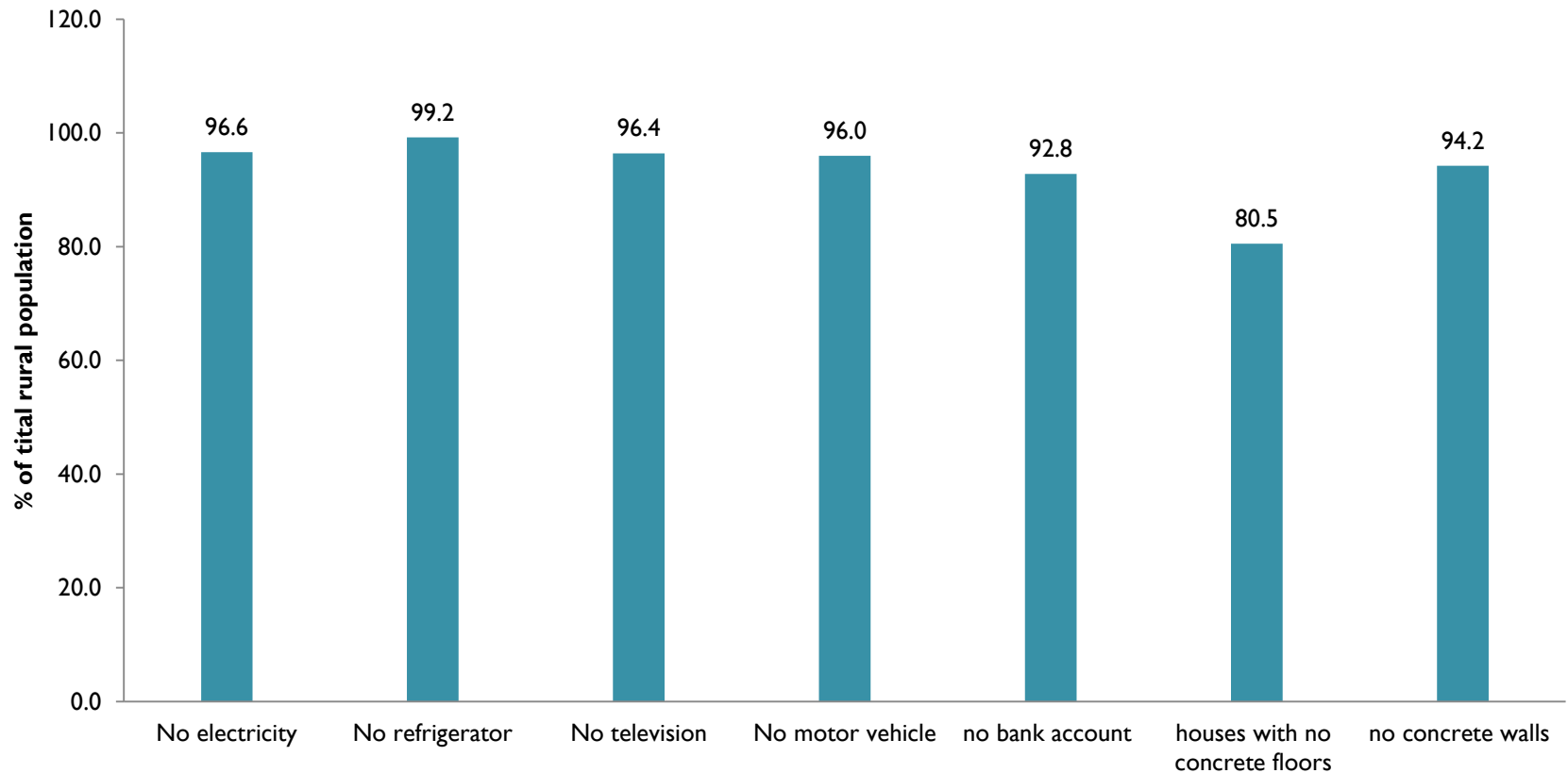
Background

- 👉 In international circles, Tanzania features as one of the most promising countries in the world: rapid and sustainable growth with huge natural resource assets from arable agriculture lands to mines, and now natural gas and perhaps soon oil.
- 👉 Prospects are bright, the country is considered a success story.
- 👉 While this is true but not necessarily for everybody living in Tanzania; ask Tanzanians dwelling in rural areas!

Background...

- ☞ The vast majority of rural households live today like their parents did or even their grandparents.

Figure: Access to social services in rural areas of Tanzania



Source: 2010 National Panel Survey

Background...

There is one clear message;
Tanzania is leaving its rural world behind.

Background...

- ☞ The challenge is how to include rural households in the growth processes so they can improve their living conditions.
- ☞ Without clear strategy, the most direct way to escape rural poverty is to move to cities!
- ☞ But a more realistic strategy to escape rural poverty is to increase rural incomes – enable rural people get more out of agriculture

Background...

- ➡ The challenge is how to include rural households in the growth processes so they can improve their living conditions.
- ➡ Without clear strategy, the most direct way to escape rural poverty is to move to cities!
- ➡ But a more realistic strategy to escape rural poverty is to increase rural incomes – enable rural people get more out of agriculture
- ➡ But agriculture in Tanzania and many other African countries has been under capitalized for decades

- ☞ For several decades, agriculture in Africa has received less than 5% of the national budgets
- ☞ A sector that contributes 20-50% of national income receives less than 5% of the budget.

It is like feeding a cow the least but expecting a lot of milk from it.

- ☞ Vs EU where agriculture contributes only 3% of the GDP, but receives about 40% of the EU budget

CAADP Targets

- ➡ Conscious of the need to reverse the situation, African Heads of State and Governments, adopted the famous Maputo Declaration:

Countries to raise the share of their national budgets allocated to agriculture to 10%

Countries to achieve annual agricultural growth rates of 6%.

- ➡ The commitments have been a hard nut to crack
- ➡ Public pressure is mounting on the government to honour its commitments to CAADP – achieve 10% of the budget to agriculture

Background...

- ➡ Some inquisitive minds would like to know if the 10% budget allocation to agriculture could really transform the sector.
- ➡ Thus, a study was commissioned to with one of the objectives aimed at addressing the issue above:

Describe whether the 10% budget allocation to the agriculture sector is still a valid concern after almost 10 years of Maputo declaration of 2003; and whether it can transform the agriculture sector in Tanzania and contribute to the reduction of poverty and food insecurity.

Background...

☞ To address the above concern, we opted to answered the following 4 questions

1. Why increase the budget specifically by 10% and not less or more?

2. Is the current budget allocation to agriculture being spent strategically enough?

3. What are the challenges in the institutional framework of agricultural management in Tanzania?

4. How can the 10% be spent strategically in order to speed up agricultural development and rural transformation in general?

Methodology

- ➡ 4 LGAs were selected for analysis
- ➡ The selection was based on DADPs performance criteria as per DADPs assessment framework for 2010/2011 report

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

Methodology...

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

☞ Budget analysis using secondary data

☞ Interview of informed stakeholders

Findings/Observations

Why increase the budget specifically by 10% and not less or more?

- ☞ There is no scientific justification for allocating exactly 10% of the budget to agriculture.
- ☞ The figure was arbitrary chosen to show the commitment of Heads of States to revamp the agricultural sector.
- ☞ The statement does not say 'countries should allocate 10%', it rather states that countries should allocate 'at least' 10%, meaning that they could allocate more than that as we have seen in the case of the EU.
- ☞ It was a matter of commonsense; it would have been ridiculous to set a goal that make countries jump from a 1-5% to 50% budget allocation. A gradual increase was definitely rational.

Findings/Observations...

How is the budget allocation being spent at the moment?

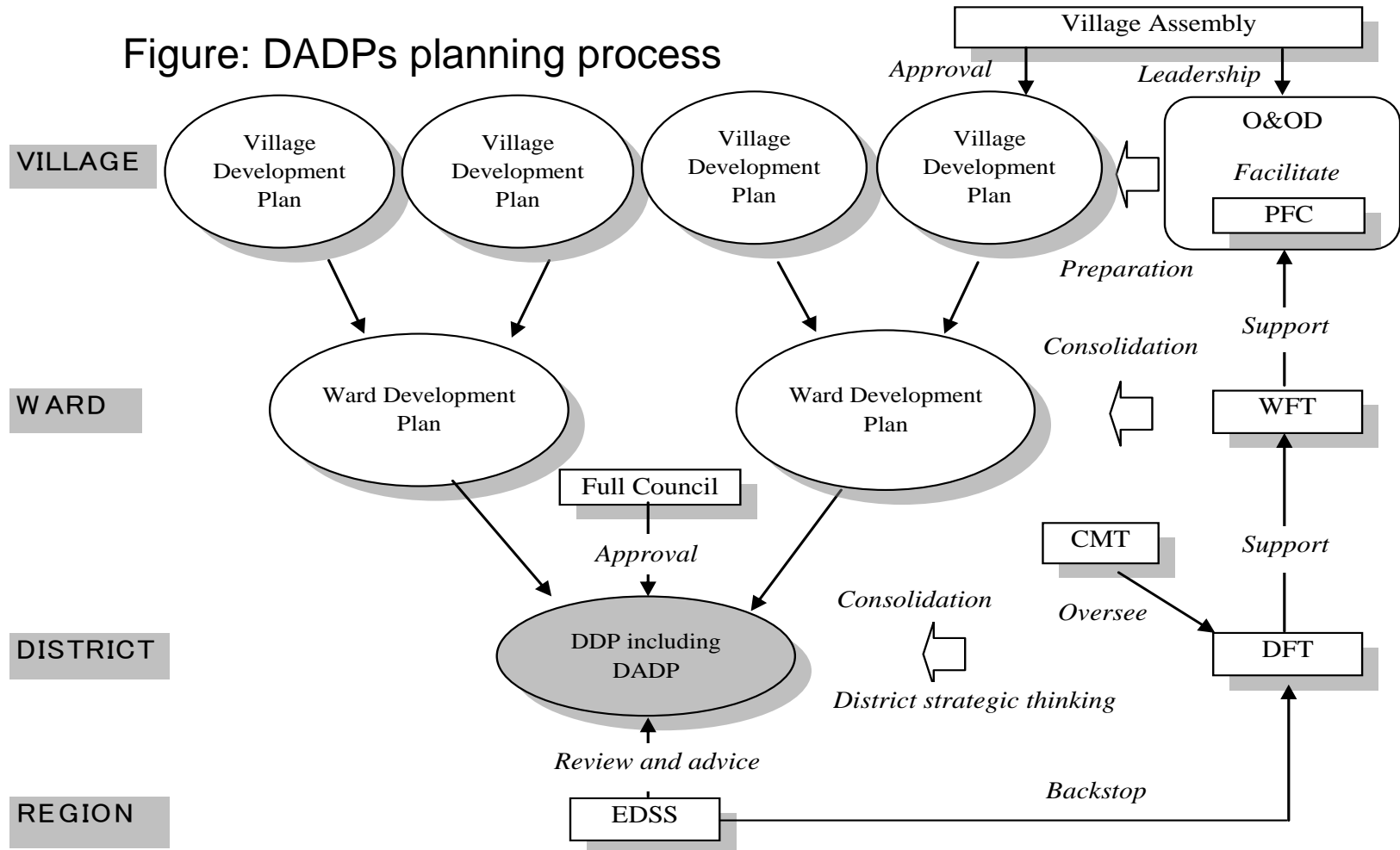
- ➡ Ideally the allocation is being spent on activities related to agriculture as per COFOG - crops, livestock, fishery, forestry, and rural roads.
- ➡ However, it is not clear which proportion of the agricultural budget goes to each of the above components
- ➡ Currently, budget allocated to agriculture is spent on input subsidy, irrigation schemes, extension services (at national level) and implementation of ASDP-DADPS (DADG, ACBG, and AEBG).
- ➡ This study asserts that spending fund under the current ASDP framework is absolutely not strategic.
- ➡ The spending seems to aim at poverty alleviation instead of poverty reduction. 16

Findings/Observations...

Setbacks in the institutional framework of agricultural management in Tanzania?

1. Spreading of resources thinly with no impact.

Figure: DADPs planning process



DADPs planning process

- ➡ each village prepares its own agricultural development plan (VADP).
- ➡ A typical LGA has approximately 100 villages; thus there would be 100 VADPs.
- ➡ The fund allocated to a typical LGA is about TSh. 350 -400 million per annum. Dividing this fund to 100 VADPs would mean each VADP receives about TSh. 3.5 million – too little.
- ➡ LGAs have taken initiative to implement VADPs in phases ; 20-30 VADPs per year. = TSh. 11.7-17.5 million which cannot implement a project of significant size to make the community enjoy economies of scale.

Delay in disbursement of fund from the central government to the LGA

- ☞ In most cases the fund budgeted for the 2nd or 3rd quarter arrives during the 4th quarter.
- ☞ Some projects have to be implemented in ad hoc basis or fund has to be carried over
 - Technically disbursing fund to districts by July 1st is not feasible because at this time the country is still in the budgeting process (cash budgeting system used to curb excess fiscal deficit)

Political capture in implementing DADPs.

- ☞ This implies strong influence of politicians in the process of implementing development programmes.
- ☞ 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 an entirely different activity. In addition, the manifesto of the ruling party interferes with budget plans as some of the issues in the manifesto are not budgeted for.

Obtaining community commitment

- ☞ For most projects implemented at community level require a 20% community contribution in cash or kind - collection of bricks, sand, paying local artisans, etc.
- ☞ Usually, this commitment is not fulfilled for different reasons – weak local leadership, opposition parties
- ☞ In the cases where community commitment is not fulfilled the projects remain incomplete until the LGA re-budget for subsequent financial years or they have to be implemented using LGA's own fund

Low technical capacity of the private sector at community level

- ➡ PPP which is at the cornerstone of implementing DADPS is affected
- ➡ Of course procurement follows the Public Procurement Act (PPRA) guidelines in which assignments are advertised.
- ➡ But because usually the value of the projects is small (TSh. 10-25 million) it cannot attract competent and capable consultants from distant places (cities).
- ➡ Consequently, contracts are awarded to local incompetent and resource-poor consultants - run out of cash and abscond

Poor extension service system

- ➡ Success of DADPs implementation depends much on the performance of extension service system
- ➡ At the moment the extension system is poor in quantity and quality - inadequate number of extension officers at ward and village level; poorly resourced and retooled.
- ➡ One ward extension officer (WEO) serving the entire ward but with no transport means or other working gears like computers and even papers.
- ➡ Training is still focused – crop or livestock!

Rampant fund mismanagement incidents

- ➡ Fund mismanagement reported in the agriculture lead ministries (ASLM) is a manifestation that the money allocated to agriculture does not necessarily serve the sector.
- ➡ According to CAG reports 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,
- ➡ The fund mismanagement queries are in the form of unauthorized, unvouchered expenditure

How can the 10% be spent strategically

- *Clean our house first; resolve all the setbacks highlighted above*
- *LGAs should undertake value chain selection process in which one or two 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 - in line with the strategic approach proposed in the Mini-tiger plan 2020 (OVOP)*
- *Once this is done, then other issues could follow in the framework of value chain development - Irrigation schemes, value addition, farmers organization under appropriate models (block farming, cluster farming, cooperatives, and other forms of contract farming; policy adjustments; subsidies; marketing information system (MIS); coordination; R&D;*
- *Stakeholders' meetings to discuss the way forward.*

Methodology

- ➡ 4 LGAs were selected for analysis
- ➡ The selection was based on DADPs performance criteria as per DADPs assessment framework for 2010/2011 report

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