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**IMPLICATIONS OF THE 2007/08 BUDGET IN THE DEVELOPMENT OF
AGRICULTURAL SECTOR**

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1. INTRODUCTION

The importance of agriculture in Tanzania needs no overemphasis. That agriculture is the backbone of the Tanzanian economy in terms of production, employment, income and foreign exchange generation is a factor well known since the country gained her independence in the early 1960s. Consequently, the potential for eradicating poverty in Tanzania has a lot to do with what is happening in the agricultural sector.

The objective of this brief paper is to skim through the performance of the agricultural sector and the overall economy in the context of the Tanzania Agricultural and Livestock Policy, and the National Strategy for Growth and Reduction of Poverty (NSGRP), alias MKUKUTA and shed light on the extent to which the 2007/08 budget addresses the needs for agricultural sector development.

2. THE PERFORMANCE OF THE AGRICULTURAL SECTOR AD THE OVERALL ECONOMY

As can be seen from Table 1, the Tanzanian economy has been dominated by agriculture which contributed an average of 47.9 percent to the real gross domestic product at factor cost throughout the 1964-2004 period. Next in importance was trade, hotels and restaurants which constituted 15.2 percent to the GDP underscoring the importance of tourism to the economy. The share of financial and business services in the GDP was 9.6 percent while that of manufacturing industry was 9.5 percent.

There have been marginal changes in the structure of the economy especially during the mid 1980s through the mid 2000s. The most noticeable change has been the doubling of the share of mining from 1 percent during 1985-'95 to 2.3 percent during 1995-'04, mainly due to the discovery of gold. However, the technology in used in the mining sector is capital intensive making growth of the sector less pro-poor.

Table 1: Gross Domestic Product in Constant Prices* (Percentage contribution by Sector)

Years	Agric	Ming	Mfg	Elec	Const	Trade	Trans	Fins	Paos
1964-'66	48.9	2.8	9.0	0.7	3.8	14.3	5.2	9.6	6.7
1966-'84	45.4	1.1	11.1	0.9	4.2	13.8	7.0	9.4	9.2
1985-'94	48.9	1.0	8.7	1.5	5.5	16.3	4.9	9.3	8.4
1995-'04	48.4	2.3	8.4	1.7	4.6	16.3	5.3	10.2	7.6
1964-'04	47.9	1.8	9.3	1.2	4.5	15.2	5.6	9.6	8.0

Notes: The columns for "Less Financial services" and "Total Percentages" have not been shown for technical reasons. The sectors in question are: 1. Agric is agriculture; 2. Ming is mining and quarrying; 3. Mfg is manufacturing; 4. Elec is electricity and water; 5. Const is construction; 6. Trade is trade, hotels and restaurants; 7. Trans is transport and communications; 8. Fins is financial and business services and 9. Paos is public administration and other services.

Source: Computed from URT (1993), and URT (2005).

Growth Experience

During the past four decades Tanzania has experienced varying political regimes which influenced to a significant extent the country's economic performance. As can be seen from Table 2, during 1961-2004, the overall gross domestic product in 1992 prices grew at an average annual rate of 4.05% while the per capita GDP grew at an average annual rate of 1.18%.

**Table 2: Overall and Per Capita Gross Domestic Product in 1992 Prices
Percentage Average Annual Growth Rates**

Years	Overall gross domestic product	Per capita gross domestic product
1961-1967	6.30	3.70
1967-1985	3.31	0.07
1985-1995	3.18	0.78
1995-2004	5.04	2.17
1961-2004	4.05	1.18

Source: Computed from URT (1993), and URT (2005).

The performance of the agricultural sector has not been impressive ever since the country achieved its independence in the early 1960s. The average annual growth rate of the sector is close to Tanzania population growth rate of around 4 %. This suggests that the technology employed in agriculture is labour intensive. The fastest growing sector has recently been the mining and quarrying sector which registered a more than 15 % average annual growth rate. Needless to say, this underscores the importance of increased investment and drive for export marketing for agricultural and economic development.

**Table 3: Tanzania GDP in 1992 Prices by Economic Activity
(Percentage Average Annual Growth Rates)**

Year	Agriculture	Mining and Quarry	Manufacturing	Electric and Water	Construction	Trade and Hotels	Transport and Communication	Finance and Business	Public Admin and Other Services
1964-1967	3.90	9.13	14.04	8.82	16.37	8.38	11.47	7.13	6.14
1967-1985	3.36	-3.11	2.32	6.28	5.64	4.03	1.76	-0.91	3.48
1985-1995	3.29	6.98	1.66	6.06	-3.70	2.02	4.24	10.46	4.76
1995-2004	4.01	15.36	6.25	4.90	9.37	5.97	5.31	4.37	3.39

Source: Nyoni an Shitundu (2006), Nyoni *et.al* (2006)

3. THE 2007/08 BUDGET FOR THE AGRICULTURAL SECTOR

The 2007/08 budget for the agricultural sector must be analysed in line with the relevant policies relevant for the development of the sector. The policies in question are mainly the Agricultural and Livestock Policy, and the National Strategy for Growth and Reduction of Poverty (NSGRP), alias MKUKUTA. This will enable us gauge the extent to which the Government is close the achieving the objectives of the policies.

In a nutshell, the general policy goal of the Tanzania Agricultural and Livestock Policy is to commercialise agriculture in a bid to increase farmers' incomes, reduce poverty, achieve food security, increase export earnings, support and promote agro-industries and environmental conservation. The budget, then, should adequately address these policy objectives.

The 2007/08 budget has followed MKUKUTA clusters and has tried to address some of the constraints to agricultural development identified in the MKUKUTA document. The constraints include:

- Low productivity of land, labour and other inputs
- Underdeveloped irrigation schemes
- Limited capital and access to financial services
- Inadequate agricultural technical support services
- Poor rural infrastructure hindering effective rural-urban linkages
- Infectious and outbreaks of crop, animal pests and diseases
- Erosion of national resource base and environmental degradation

- Lack of entrepreneurial skills and to turn non-farm activities into viable sources of livelihoods and foreign exchange.

The agriculture sector, broadly defined, has been allocated TShs 379.578 billion for the 2007/08 financial year. The budget is to be shared among at least three ministries: The Ministry of Agriculture, Food Security and Cooperatives; Department of Marketing of the Ministry of Industries, Trade and Marketing; rural roads under PMO_Regional Administration and Local government, Ministry of Livestock Development, etcetera.

Table 4: Share of Agriculture Budget in Overall Budget and Gross domestic Product

	2000/01	2001/02	2002/03	2003/04	2004/05	2007/08
Agriculture Budget (in billion TShs)	42.04	45.62	60.76	130.67	154.21	379
Agriculture budget as percentage total budget	3.8	2.8	4.4	5.6	4.8	6.2
Agriculture budget as percentage of GDP	7.4	0.6	0.9	1.4	2.6	1.7

Source: URT (Various). Economic Surveys.

As can be seen from Table 4 above, the budget allocation to the agricultural sector is not commensurate to the sector's contribution to the GDP, it is small and declining. The fact that agriculture is allocate meagre and declining resources despite its importance in the economy was also noted in the national Agricultural and Livestock policy URT(2007, pg.). The 2007/08 budget allocation to agriculture is even smaller than the figures given since the resources are now not only for the agricultural sector but are to be (partly) shared with other Government Ministries and institutions as stated in the Budget Speech (URT 2007). While Tanzania is allocating so meagre resources (less than 2 % of her GDP) to the so important agricultural sector, other governments allocate 12 % on average (URT 1997).

4. CONCLUSION

The development of agricultural sector needs adequate funding and resources. This will enable Tanzania achieve the MKUKUTA and Agricultural Policy Objectives at the expected time period.

The trend in Tanzania central government financing of the agricultural sector leaves much to be desired. The funding is not only small but also declining as percentage of total government budget and of the country's GDP.

The challenge ahead of us is to align our effort and budgets with our own set policies and strategies. The best way to do this is to commit more and adequate resources to the sector to which we all sing it is the backbone of our economy

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