

# ANALYSIS OF BUDGET ALLOCATION AND EXPENDITURES ON AGRICULTURE, KILOLO DISTRICT COUNCIL, TANZANIA

## Summary Report

### 1. INTRODUCTION

This paper summarizes lessons learnt from an analysis of budget allocation and expenditures on agriculture in Kilolo District Council (KDC). The analysis focused on equity issues—how power relations, decision making and budgeting can be incorporated into policies and practice to ensure the needs and interests of marginalized smallholder farmers especially women and youth are properly addressed. Guidelines from the Ministry of Finance and Planning instruct all Local Government Authorities (LGAs) in Mainland Tanzania to allocate 20% of revenue from council own sources to agriculture, 15% to livestock and 5% to fisheries sector. Additionally, the guidelines require each LGA to set aside 10% of revenue from own sources to support development projects initiated by and for women (4%), youth (4%) and people with disabilities (2%). These requirements are emphasized in policies such as the Tanzania Development Vision 2025, Tanzania Agriculture and Food Security Investment Plan (TAFSIP) and National Five-Year Development Plan Phase II. The purpose of the budget analysis covering the FY2013/14 to 2017/18, was to inform local government officials, councillors and other stakeholders about KDC spending priorities, budget performance and challenges, and propose interventions that could significantly lead to more equitable allocation of resources and sector transformation.

### 2. METHODOLOGY

Data were collected using a combination of qualitative and quantitative methods. The researcher held interviews with Kilolo district officials and conducted a detailed review of district financial reports, plans and

Midterm Expenditure Frameworks (MTEF) covering six financial years from 2013/14 to 2018/2019.

### 3. KEY FINDINGS

#### 3.1. Amount of funds allocated to agricultural sector

KDC has been receiving small agricultural budgetary allocations for the last six years from 2013/14 to 2018/19 which affected the implementation of agricultural development projects in the district. In the FY2013/14 for instance, agriculture received TZS1.4 billion, equivalent to 5.9% of the total KDC budget in absolute nominal terms, but the percentage share of the sector declined to 4.7% in 2014/15. The agriculture budget share in the overall council budget further dropped to 2.9 in 2015/16. A significant 3.1% increment in agriculture budget was recorded in 2016/17 but one year later, allocations to the sector were reduced from 6.0% (2016/17) to 4.6% in 2017/18. In the 2018/19 budget, the agricultural sector has been allocated TZS 1.4 billion, which is the same as the sum of sector's budget allocated five years earlier in 2013/14.

Annual incremental progress in the agricultural budget was stagnant for the past six years, except for FY2016/17 where allocations to the sector were more than doubled (See Table 1). This increment was due to a huge increase in the budget allocated to Personnel Emoluments for KDC staff working in the development of agriculture, livestock and fisheries sectors—from TZS 1.0 billion in 2015/16 to nearly TZS2.2 billion in 2016/17.

**Table 1: Trend of total nominal budget and allocation to agriculture in KDC, 2013/14 -2018-2019**

Financial Year	Total KDC Budget in Millions TZS	Total KDC agric. Budget In Millions TZS	% increase in agric. budget	Agric. budget as % of council budget	% change in the allocation
2013/14	24,359.3	1,428.4		5.9	
2014/15	28,740.3	1,354.0	-5.2	4.7	-1.2
2015/16	39,719.0	1,167.4	-13.8	2.9	-1.8
2016/17	41,667.4	2,483.4	112.7	6.0	3.0
2017/18	45,377.6	2,072.7	-16.5	4.6	-1.4
2018/19	34,808.9	1,422.3	-31.4	4.1	-0.5

Source: KDC District Planning Department, February 2019

### 3.2. KDC allocations to recurrent and development budgets in agricultural sector

The agriculture budget allocated to recurrent and development activities over the past six years reveals that the overall share of the sector’s budget going to development has remained smaller despite commitment by the government to reduce administrative costs. In 2013/14, the proportion of agricultural budget allocated to development was 26.9%, and one year later the allocation was raised to 30.5% (in 2014/15). However, the share of development budget in agricultural sector was significantly reduced to 6.9% in 2015/16 and has only risen to 11.9% in 2018/19. Based on these statistics, it is fair to say that the KDC is not prioritizing agriculture in its development expenditures.

### 3.3. Major sources of agriculture financing in KDC

KDC derives its resources from four major sources namely (i) subventions from central government

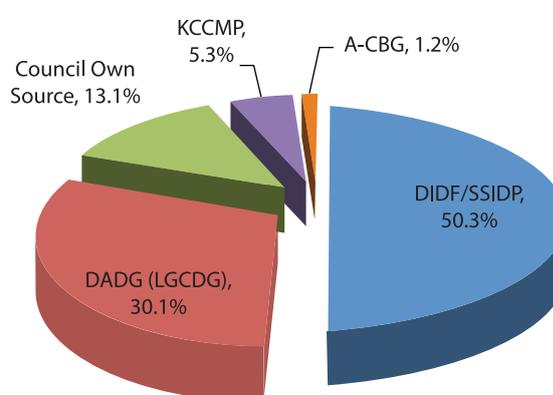
(CG), (ii) contributions from Development Partners (DPs), (iii) local borrowing and (iv) council own sources. The local council can collect own revenues from, among others, agriculture produce cess, land rent, service levy, tender application fees, hotel levy, forest produce cess, bus stand fees, sales of plots and council properties, various licenses, fees and charges. The analysis shows that the agricultural budget in the district is largely dependent on resources from the central government. On average, the central government contributed 90.8% of total agricultural budget during the period between 2013/14 and 2018/19. The LGA contributed only 6.6% of the total cumulative budget, which is higher than the 2.6% of the sector’s allocation from development partners (See Table 2). Findings show that the government guidelines requiring LGAs to allocate 20% of council own collections from crop produce cess to agriculture are not properly followed in KDC.

**Table 2: KDC budgetary allocation in agriculture by source, 2013/14-2018/19**

Year	Total Agric Budget in millions of TZS	Central Government Subventions		Council Own Sources		Development Partners	
		Amount	%	Amount	%	Amount	%
2013/14	1,428.5	1,415.0	99.1%	13.4	0.9%	0	0.0%
2014/15	1,354.1	1,333.2	98.5%	20.8	1.5%	0	0.0%
2015/16	1,167.4	1,087.4	93.1%	80.0	6.9%	0	0.0%
2016/17	2,581.3	2,193.6	85.0%	289.7	11.2%	98.0	3.8%
2017/18	2,297.3	2,072.7	90.2%	104.4	4.5%	120.0	5.2%
2018/19	1,472.2	1,252.8	85.1%	169.4	11.5%	50.0	3.4%
<b>Grand Total</b>	<b>10,300.8</b>	<b>9,354.9</b>	<b>90.8%</b>	<b>677.9</b>	<b>6.6%</b>	<b>268.0</b>	<b>2.6%</b>

Source: Planning Department, KDC, February 2019

Over the last six years, a cumulative total of TZS 5.1 billion was allocated to support agricultural development activities in KDC. Of all allocations, over 50% came from the District Irrigation Development Fund/ Small scale Irrigation Development Programme (DIDF/ SSIDP) (TZS 2.5 billion) followed by the District Agricultural Development Grant / Local Government Capacity Development grant (DADG / LGCDG (30.1%), Council Own Resources (13.1%), Kihansi Catchment Conservation Management Programme (5.3%), and agriculture capacity building grant (1.2%) as shown on Figure 1.



**Figure 1: Agricultural priority spending in KDC**

KDC'S key priority spending area from FY2013/14 to 2018/19 was construction/maintenance of irrigation schemes taking 72.3% of all actual expenditures (cumulative). Other spending areas such as agriculture exhibitions took 24.2% whereas capacity building recorded 3.5% of total cumulative expenditures. For the past five years, the council did not inject any funds to facilitate improvement of the quality of extension staff, availability and access to agro-inputs and agriculture mechanization. Assessment of 10% allocation to WYDF and its contribution to agriculture.

From 2013/14 to 2018/19, the KDC allocated a sum of TZS 201.5 million, equivalent to 1.5% of the total

actual COS collections to WYDF. The 2013/14 report has not recorded any allocations but in 2014/15, the council allocated TZS4.5 million (0.2%) in total for WYDF. Since then the council has been consistently allocating funds to WYDF. In 2015/16 the allocation was TZS13.0 million (0.6%) and it was raised to 18.0 million (0.8%) in 2016/17. But allocation to WYDF was again reduced to TZS16 million (0.6%) in 2017/18. The only time when KDC allocated significant amounts of funds to WYDF was FY2018/19 where total remittances were TZS150.0 million in 2018/19 which is equivalent to 9.2% of total own sources collections at the end of February 2019 (See Table 3).

**Table 3: Budgetary allocations to WYDF in millions of TZS, 2013/14- 2018/19**

Year	Total Own Source(Actuals) in Million TZS	Approved Expenditures to WYDF	Actual Disbursement to WYDF	% of own source allocated WYDF	Actual expenditures	Expenditure as percentage of actual disbursement
2013/14	2,965.6	0.0	0.0	0.0%	0.0	Not applicable
2014/15	1,923.3	96.2	4.5	0.2%	4.5	100.0%
2015/16	2,180.1	241.5	13.0	0.6%	13.0	100.0%
2016/17	2,319.5	290.2	18.0	0.8%	18.0	100.0%
2017/18	2,784.5	290.0	16.0	0.6%	16.0	100.0%
2018/19*	1,628.1	241.6	150.0	9.2%	0.0	0.0%
<b>Total</b>	<b>13,801.1</b>	<b>1,159.4</b>	<b>201.5</b>	<b>1.5%</b>	<b>51.5</b>	<b>25.5%</b>

Source: Department of Community Development, KDC – February 2019; \* Up to February 2019

These findings indicate that KDC has not properly implemented the government guideline to allocate 10% to WYDF. In FY2016/17 alone, the council failed to issue more than TZS97 million thus the amount of non-remitted funds rose to TZS 262.4 million in 2017/18. The main reasons for failure to meet WYDF funding obligation include fewer and delayed disbursement of Other Charges (OC) and general-purpose grants from CG which compels the council to use part of its COS to cover basic operation costs.

Interview with LGA officials revealed that the central government has recently taken away some sources of LGA revenue such as property taxes, billboards and parking fees which contributed to COS significantly. One LGA key informant commented that "...The LGAs are also losing significant amounts of collections from business licenses following the introduction of Machinga Identity Cards." Recently the government introduced special audits of WYDF where non-remittance of the mandatory 10% is considered a 'criminal offence.'

### 3.4. Distribution of the WYDF allocations between women and youth

During the FY2014/15 WYDF allocations were equally shared between women and youths. In FY2015/16 a bigger proportion of the fund went to youth (76.9%) as compared to women (23.1%), the same applies to FY2016/17 where nearly 78% of the fund was allocated to youth. In addition to WYDF allocation, the youth also received a total of TZS 29 million in FY2014/15, and TZS 10 million in 2016/17 from the Ministry responsible for Youth Development, making youth the leading beneficiary of the development fund. In FY2017/18 more than two thirds of the WYDF allocations went to women (68.8%) compared with youth (31.3%). During the same period, the youth received an addition of TZS13 million from the Ministry of Youth Development and Sports. It was not clear as to how much of the allocation went to PwDs. This shows that, except for FY2014/15, the government guidelines on distribution of the WYDF were not properly observed. A total of 133 youths (24 economic groups got TZS31.2 million) and 179 women (nine economic groups) benefited from WYDF since 2014/15.

### 3.5. How the WYDF was spent

A bigger portion of the WYDF was spent on agricultural related activities (See Figure 2).

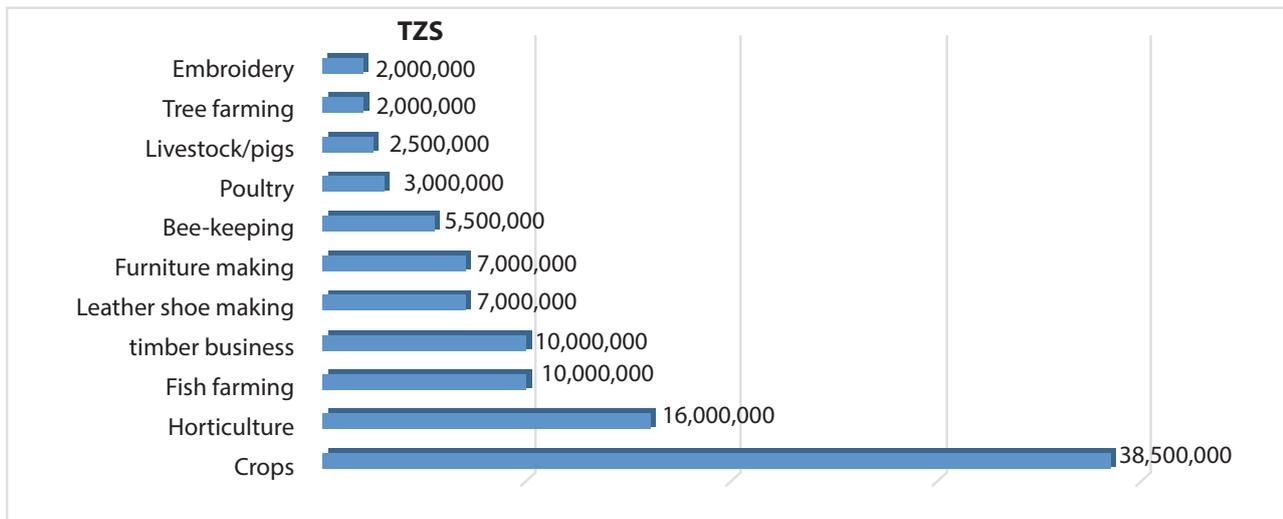


Figure 2: How the WYDF was spent in KDC

## 4. CONCLUSION AND RECOMMENDATIONS

### 4.1. Conclusion

For the last six years (2013/14- 2018/19), agricultural budget has been characterized by fewer, delayed and unpredictable disbursements of funds. The council own source collections going to the sector has been consistently lower than the rate set in budget guidelines. Even the WYDF which is expected to promote youth and women involvement in productive agriculture has been allocated fewer resources than the mandatory requirement of 10%. It is only in 2018/19 where we see a significant increase in allocation to WYDF. However, this increment might not lead to attainment of the expected results unless several issues are resolved including lack of funds to facilitate capacity building; political interference in the management of WYDF; embezzlement of funds on the part of beneficiary groups and ineffective loan recovery rate.

### 4.2. Recommendations

In order to address some of these challenges, the following recommendations are presented:

- The central government should review tax policies and reinforce the implementation of budget guidelines on 20% allocation of LGAs own source to support agricultural development, 15% to support the livestock sector and 5% to invest in the fisheries sector.
- The government should issue guidelines for managing special development fund for youth and PwDs and review the current budgeting guidelines on 10% to provide funding for capacity building, supervision, monitoring and evaluation.
- There is a need to harmonize loan application processes and management for WYDF and the Ministerial Fund to enable effective monitoring and accountability during loan implementation.

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### Reference

Magreth Henjewele (2019) Analysis of Budget Allocation and Expenditures on Agriculture, Kilolo District Council, Tanzania. Report prepared for Tanzania National Learning Alliance on Sustainable Agricultural Intensification (SAI) June 2019. ANSAF. SAIRLA. For more details download the full report from [https://sairla-africa.org/wp-content/uploads/2019/08/Kilolo-DC-Budget-Analysis-Study\\_FINAL.pdf](https://sairla-africa.org/wp-content/uploads/2019/08/Kilolo-DC-Budget-Analysis-Study_FINAL.pdf)