



Communique on the Tanzania Grain Sector Post-Budget Synopsis Forum for the 2022/2023 National Budget

Hosted Virtually on 20th June 2022

On 20th June 2022, the Eastern Africa Grain Council in Tanzania (EAGC) hosted its annual Tanzania Grain Sector Post-Budget Synopsis Forum on the National Budget for the 2022/2023 Financial Year. The annual event, which EAGC hosts across the East African Community, presents an opportunity for EAGC's Members, Partners and Stakeholders to stay informed about the provisions of their respective national budgets for the upcoming financial year and potential implications on their business or strategic interests in the agricultural sector and the grain sector in particular.

The Forum was successfully hosted virtually and attended by a wide range of stakeholders including representatives of grain farmers, grain traders and processors, research organizations and development partners. The full list of participants is presented under Annex 1.

In hosting the forum, EAGC partnered with PwC Tanzania who provided an in-depth analysis of the Tanzania National Budget for the 2022/2023 financial year which was presented before Parliament by the Minister of Finance, Hon. Mwigulu Nchemba, on 15th June 2022.

THE MACROECONOMIC CONTEXT OF THE 2022/23 TANZANIA NATIONAL BUDGET

Projections show that Tanzania's GDP is expected to grow by 4.7% in 2022. This is slightly lower than the previous years (4.9% in 2021, and 4.8% in 2020). This decrease has been attributed to the Covid-19 pandemic that breakout across the globe in 2020 and the Russia-Ukraine war that began earlier this year. Nonetheless, the economy is projected to grow by 5.3% in the next fiscal year.

Exports of goods and services increased to USD 10.62 billion during the year ending April 2022 (USD 8.56 billion: year to April 2021). Exports of goods improved by 10.6% to USD 7.03 billion; with gold exports (USD 2.70 billion) representing 38.5% of these goods exports in this period, but nevertheless this was a 10.8% decline on the prior year owing to a slowdown in production. Good growth was seen in other goods exports (manufactured goods, other minerals and various agricultural exports ("traditional exports", horticultural products, cereals)). Services receipts increased to USD 3.43 billion in the year ending April 2022 (2021: USD 2.20 billion), supported by receipts from travel and transport. Travel receipts amounted to USD 1.54 billion (2021: USD 0.74 billion). At the same time the value of imports of goods during the year ending April 2021 increased to USD 11.09 billion (2021: USD 8.06 billion) on the back of increased payments for imported raw materials, manufactured goods, machinery and petroleum products (*PwC Tanzania, 2022 National Budget Bulletin*).

HIGHLIGHTS OF THE AGRICULTURE SECTOR BUDGET

The theme for this year's Tanzania National budget 2022/2023 as presented by Hon. Mwigulu Nchemba is *"Accelerating Economic Recovery and Enhancing Productive Sectors for Improved Livelihoods"*. For the year 2022/2023, the agriculture sector budget by almost 155%, from TZS 294 billion to 751 billion with key priorities being:

- **EXPORT PROMOTION** - increasing the value of agricultural produce from USD1.2 billion to more than USD 5 billion by 2030.
- **COMMODITY MARKETS** - improve access to market information, sensitize on branding commodities coming from Tanzania
- **RESEARCH** - The ministry aims to improve seed varieties; increase seed production by 250%
- **AGRICULTURAL INPUTS** - Increase access to good seeds, avail (subsidize) fertilizer, increase mechanization.
- **IRRIGATION** -25 new schemes summing up to 53,234 hectares cutting across identified crops including rice
- **EXTENSION SERVICES** - Increase free soil testing, establish demo plots in identified areas, equip and train extension officers.

Opening Remarks by EAGC

In his opening remarks, **Mr. Gerald Masila, the EAGC Executive Director:**



APPRECIATED stakeholders for joining the Webinar to discuss the national budget.

REITERATED EAGC's objective of facilitating more and better grain trade in Eastern Africa, pointing out that the national budget process presents an important leverage opportunity to attain this objective.

CALLED FOR EAGC Members, Partners and Stakeholders in the Forum to take the opportunity to share their views on the budget and inform EAGC's policy advocacy processes for continuous improvement of the business environment for the grain sector.

Presentation of the 2022/23 National Budget

Mr. Jafari Mbaye, Tax Manager at PwC Tanzania, presented highlights of the 2022/20213 National Budget.



On **income tax**, his presentation highlighted the following major changes:

- Reduction of the WCF contribution rate to 0.5% (from 0.6%). The rate of 0.6% was introduced through the Finance Act 2021, a reduction from the original rate of 1%.

On **indirect taxes**, he further pointed out the following key changes:

- Zero-rating (0%) for locally manufactured double refined edible oil. This rate shall be applied for 1 year with the goal of offering some relief to the farmers, processors and the final

consumers.

- Zero-rating (0%) VAT for locally manufactured fertilizer for 1 year to help reduce the current high fertilizer prices.
- VAT Exemption on soil testing equipment to complement increased budget allocation to extension services where the government intends to offer free soil texting services.
- VAT Exemption on agro-nets as used in horticultural activities to support horticultural production and exports.
- VAT Exemption on moisture equipment as used in weather forecasting.
- VAT Exemption on refrigerated trucks and cold-rooms for perishable products. This is mostly for horticultural products and to increase the exports from Tanzania.
- Exemption of Excise duty on plastic packaging material such as cling film, plastic sleeves e.t.c. used in horticulture to promote more production and export of such products
- Reduction of license fees from TZS 500,000 to TZS 300,000 to reduce cost to the manufacturers and importers of excisable goods and to support economic growth.

Likely implications of the budget on Tanzania's grain value chain players

The 2022/23 National Budget is potentially a lot more favorable to the agricultural sector compared to previous budgets. Grain farmers are likely to be the main winners of this budget; zero-rating of VAT on fertilizer will somewhat reduce fertilizer costs, while the increased resources provided for extension services should improve access to extension services. Both of these developments should help to boost farmers' productivity and incomes.

While the budget does not make direct provisions for grain traders and processors, those engaged in export trade are likely to indirectly benefit from the government's attempts to boost exports. Exporters are therefore likely to gain from fewer administrative measures to access external markets.

However, while the budget is a strong gesture by the government to support the agricultural sector and economic recovery, it is insufficient to fully address the unprecedented increase in the costs of

fuel, agro-inputs and food prices caused by developments in international markets. For instance, the budget is silent on measures to reduce the cost of imported food commodities such as wheat whose prices have almost doubled due to the Russia-Ukraine conflict. Therefore, the overall impact on the cost of living for ordinary Tanzanians and the cost of doing business for grain value chain players is likely to be minimal.

Stakeholders' Perspectives on the 2022/2023 National Budget



Mr. Kimwaga Mhando, EAGC's Trade Policy, Research and Advocacy Manager, moderated a plenary session on the budget during which stakeholders:

REITERATED the appreciation to the Ministry of Agriculture for finally increasing the budget for the development of the sector. They mentioned that the budget increase is a good starting point for addressing some of the challenges that the sector is facing such as the high prices of fertilizer; the availability of seeds and investment in storage and irrigation infrastructures.

CALLED FOR prioritization of other subsectors and non-traditional cash crops such as grains to be able to achieve positive and favorable policy reforms as those that were observed for the horticulture sector

POINTED OUT that the government should look into improving the online systems such as e-filing. Poor system operations are attributed as the cause of the delays in issuing of export permits, export licenses and other important business documents from the specific authorities.

FURTHER POINTED OUT that though it is quite commendable that the Ministry of Agriculture to have increased the budget for agriculture but stakeholders are keener on the actualization of the budget. Most pointed out that the budget allocation is usually not a problem but rather the timely disbursement of the funds to the sector.

HIGHLIGHTED the need to carry out Public Expenditure Tracking to ensure that the funds that are disbursed to the sectors are timely and used as per the allocation of the specific ministry areas.

WAY FORWARD FROM THE FORUM

The following were agreed as next steps from the Forum:

1. EAGC to immediately circulate the meeting proceedings and presentations in the form of a Communique.
2. Members to share more inputs on the budget with EAGC to shape the sectoral position paper on the budget by 30th June 2022.
3. With Members inputs, EAGC to prepare a post-budget paper to submit to Government with stakeholders feedback and an industry position on the budget by 15th July 2022. This will form the basis for advocacy for the next budget formulation cycle expected to commence in the fourth quarter of the calendar year.

About the Eastern Africa Grain Council

The Eastern Africa Grain Council (EAGC) is a membership-based organization representing the grain sector in Eastern and Southern Africa. The Council exists to facilitate efficient, structured, profitable and inclusive grain trade in its 10 mandate countries, namely Kenya (Regional Headquarters), Uganda, Tanzania, South Sudan, Ethiopia, Burundi, Rwanda, Zambia, Malawi and the Democratic Republic of Congo.

EAGC draws its membership from grain sector value chain actors in its Member States, which include farmers, traders and processors. Support service providers and complimentary sectors such as agro-input suppliers, financial services and animal feed manufacturers also form part of the Membership. In facilitating structured grain trade in the Eastern Africa region, EAGC provides trade facilitation services through the EAGC G-Soko Grain Trading System; market and cross-border trade information through the Regional Agricultural Trade Intelligence Network (RATIN -www.ratin.net); pursuing appropriate policy reforms to support growth of structured grain trade through the Agricultural Trade Policy Advisory Forum for Eastern and Southern Africa (ATPAF-ESA); and capacity building of grain industry stakeholders through the Grain Business Institute (GBI).

For more information, please feel free to contact the EAGC Secretariat through the addresses below:

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