



IMPLICATION OF EAC MEMBER STATES BUDGETS 2011/12 ON THE GRAIN SUB-SECTOR.

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1. Introduction

The East Africa Community budget 2011/12 and those of its member states including Tanzania, Rwanda, Kenya, and Uganda were read this month amidst a myriad of challenges. One of the main challenges directly affecting the grain sub-sector included the global increase in food prices mainly affecting the sub-Saharan region. According to reports, the global food prices are almost same as those on 2008, historically known for the stress on food security in various regions across the world. It is also at this time that reports by the World Bank shows that for the first time, the food insecure people across the world has hit the 1 billion mark. During this period, food security and agricultural trade has experienced high stress and crisis.

As reported earlier by RATIN, the budgets were also presented at a time food prices in the members states increased by approximately 36 percent between March and May 2011 in most of the main markets. The World Bank further estimated that the prices of the main food staples have hit 5% point high food price inflation in the region. For instance, reports show that between December 2010 and February 2011, maize prices increased in Kenya (27%), Somalia (25%) and Uganda (25%). This analysis therefore looks at each of the budgets presented with a view to bring out the understanding on the implication thereof in the grain sub-sector.

It is also at the time, when disgruntled citizens took to the main streets in a bid to get governments to act swiftly, on the food prices. In Uganda, this almost brought the country to a standstill during the food protests. In Kenya there were also some reported protests over the food prices, citing for example that maize prices had increased to Kshs 4,400 per 90kg bag, a great departure from previous sales of Kshs 2,500 per 90 kg bag earlier in the year. Consumer prices had also increased for Kshs 70 per 2kg packet to sell at Kshs 130 for the same packet at the time the budgets were been presented in the region.

2. The EAC Budget 2011/12.

The East Africa Community Budget 2011/12 was presented earlier in the month, under the theme, ***Implementation of a common market and laying a foundation of a monetary union***. This was at a time when the majority of the members states had advanced in the various pillars of development outlined in the EAC strategy and has depicted considerable progress and execution. For instance on the political front, most of the member states had just gone either through democratic elections like in Rwanda, Burundi, last year, and Tanzania and Uganda earlier this year. It was also after a considerable successful constitutional referendum process in Kenya.

On the economic frontier, this is a time when the member states continue to show economic growth progressions. This is shown especially in the recent report by the International Monetary Fund (IMF) that portrays economic growth in the EAC member states. The reports show that Rwanda, Tanzania and Uganda are among the fastest growing economies in the world. It's also a time when GDP in the region grew from USD 46.5 billion to USD 74.5 billion in 2005 to 2009, while per capita income has grown from USD 402 to USD 571 during the same period.

In the effort to clearly understand the implications of the EAC Budgets 2011/12, it's also important to review the current achievements of the EAC in respect to the grain sub-sector. The main achievements of the EAC include an increased intra-regional trade in both exports and imports of the member countries. This is attributed to the efforts put in place in a bid to reduce cost of doing business in the grain sub-sector. The notable efforts on this include the implementation of the single customs territory, advancement in elimination of non-tariff barrier, and signing of the double taxation agreement in Dec 2010. Other achievements in advancement of grain and agricultural trade in general included, launch of the common Market in July 2010, on-going discussion and progress on the monetary union, adoption of the EAC sanitary and phytosanitary (SPS) protocol, the implementation of the regional fertiliser development programme, the development of the EAC food security Action Plan, the EAC climate change policy and the implementation of the Agricultural Development and Food Security Strategy.

To advance the achievements of the EAC, some of the priorities have been proposed for the current implementation period, under the directorship of the new Secretary General Dr. Richard Sezibera. They include: Implementation of the common market protocol, conclusion of the EAC Monetary Union Protocol, deepening cooperation in defence and political matters, implementation of the EAC Institutional review recommendation and capacity building, promotion of Agricultural and food Security and implementation of the Climate change action plan, promotion of regional and multi-lateral trade, expansion of regional infrastructure facilities Implementation of EAC Industrialization, Investment Promotion, and Private Sector Development Strategies, Promotion of Sustainable use of Environment and Natural Resources, Tourism and Wildlife conservation and Enhancing EAC visibility, all of which if well implemented will impact on the progressive growth of

the grain sector in the region. This will be in all the aspects including grain intra-regional trade, movement of goods and services, transportation, taxation process, harmonisation of grades and standards and improved productivity to reduce the stress of food insecurity in the region. The table below shows, the summary of the budget estimates for each of the priority areas FY 2011/12.

EAC Budget 2011/12

Activity	Budget (USD)
1. Implementation of EAC Common Market Protocol,	10,274,605
2. Conclusion of the EAC Monetary Union Protocol,	1,604,010
3. Deepening Co-operation in Defense, Security and Political matters,	1,634,135
4. Implementation of the EAC Institutional Review recommendations and Capacity Building	3,851,188
5. Promotion of Agriculture and Food Security and implementation of Climate Change Action Plan	604,260
6. Promotion of regional and multi-lateral trade	3,102,500
7. Expansion of Regional Infrastructure facilities	9,423,390;
8. Implementation of EAC Industrialization, Investment Promotion, and Private Sector Development Strategies	169,990
9. Promotion of Sustainable use of Environment and Natural Resources, Tourism and Wildlife conservation	42,504,445
10. Enhancing EAC visibility	1,564,190

Table 1: Summary of EAC Budget estimates FY 2011/12

3. EAC Member states budget FY 2011/12 and the grain sector.

3.1 Uganda

In Uganda, the budgets estimates under the theme *Promoting Economic Growth, Job Creation and Improving Service Delivery*” was presented at time when the country faced rising costs in food prices, and also amidst riots by members of the public against the continued stress in feeding their families. The agricultural sector under which the East Africa Grain Council membership is embedded is the main economy in Uganda and also for the majority of the other countries in the region. According to reports by RATIN, Uganda has always been a net producer of maize in the region, despite its low consumption in the country. However, most of the surplus maize is exported to Kenya, which is a net consumer of maize and other grains. The budgets estimates presented for FY 2011/12 present some opportunities for the grain sector, in that: Agricultural credit was extended for the third year running to finance projects at a rate of 10% for a maximum of 8 years. The budget presented also support the sector in that resources were allocated to the National Agricultural advisory services to increase

commercialisation of improved seeds. Further boost to the sector include provision of irrigation and water harvesting technologies, rehabilitation of small warehouses to avert post harvest losses and also pest and disease strategies. The table below gives a summary of some of the key measures the government of Uganda has put in place to revamp the agricultural sector and improve the food security situation in the country in its budget estimates FY 2011/12.

Agricultural credit	Seeds	Irrigation	Warehousing	Pest and Diseases
The Agricultural Credit Facility is extended for a third year, and eligible projects in the agricultural sector will be financed at a preferential rate of 10% for a maximum period of 8 years.	Resources allocated to the National Agricultural Advisory Services (NAADS) to increase commercialization of improved seeds and other planting materials.	Ush 5 billion to provide irrigation and water harvesting technologies.	Ush 2 billion allocated to the rehabilitation of small scale warehouses	Ush 9.5 billion allocated to strengthen disease and pest control

Table 2: Summary of Uganda Budget estimates FY2011/12 for the grain sub-sector.

3.2 Rwanda

The Rwanda Government also presented its budget estimates FY 2011/12. The key measures put in place were among others the agricultural sector, which is one of the key priority areas for the government. Grain production in the recent past had increased considerably with beans been one of the main crops in intra-regional trade, but Maize trading and production, has taken an increased focus in Rwanda. During the presentation of the budget estimates Agriculture sector, received RWF 67.1 billion has been allocated compared to Rwf 64.4 billion in 2010/11 financial year, an increase of about 5%. The main areas impacting directly on the grain sub-sector included acceleration in the construction of storage facilities in various part of Rwanda to manage the post harvest losses. In the same front, the government has made provisions for the private sector import of food to prevent and shortfalls in the food supply in the country. On the Common external Tarriffs, the government in Rwanda maintained the CET on the main commodities and services in the grain sub-sector. The commodities include rice at 30%, tractors 0%, trucks 10%, wheat grain 0% and wheat flour at CET 35%.

It is also notable that intra-regional trade in Rwanda will also increase considerably citing the progress by the Rwanda Government. This is attributed to the fact that the Government during the 2011/12 financial period plans to establish a One-Stop-Border concept on Kagitumba and Rusumo border posts with 24 hours operations to facilitate cross border trade. This news is well received by traders, processors and farmers across the region as a measure to advance and reduce cost of doing business in Rwanda.

Other provisions for advancement of the grain industry as shown in table 3 below include improvement on irrigation, improvement of the crop intensification process, and seed production process.

Activity	Description
Warehousing	Accelerating the construction of the storage warehouses in various parts of the country including a 20,000 MT capacity warehouse in the Free Trade Zone so that any eventual surpluses could be purchased and stored for food security purposes. RWF 2.5 billion has been allocated
Private sector Food Imports	provisions of US\$ 136.3 million in our balance of payments for private sector imports of food particularly grains to augment our domestic production and prevent any shortfall in food supply
Custom Tarriffs	Regarding the application of the Common External Tariff (CET), it was agreed to stay application for Rwanda for a period of one year on the following products: ii. Rice: CET of 30% iii. Tractors: CET of 0% iv. Trucks carrying capacity exceeding t tonnes but not exceeding 20 tonnes: CET of 10% v. Wheat grain: CET of 0% vi. Wheat flour: CET 35%
One-stop border	Establish a One-Stop-Border concept on Kagitumba and Rusumo border posts with 24 hours operations to facilitate cross border trade.
Agriculture	In the Agriculture sector, RWF 67.1 billion has been allocated compared to Rwf 64.4 billion in 2010/11 financial year, an increase of about 5%.
Irrigation	Support scaling-up of irrigation in both marshland and hillside to protect against soil erosion across the country to increase long-term farmer productivity. About 4,500 Hectares will be developed for irrigation while 2,000 hectares will be protected from soil erosion.
Crop Intensification	Support crop intensification through increasing access to key inputs, such as fertilizer and improved seeds, to further improve agricultural supply. About 40,000 Metric tonnes of fertilizers will be procured and distributed to farmers.
Post Harvest Storage	Support projects to improve post-harvest storage facilities in the farms and villages and using the National Strategic Food Reserve to improve food security and minimize post harvest losses. A strategic grain reserve will be completed in the Kigali Free Trade Zone and will have capacity to hold 20,000 metric tonnes of grain in reserve.
Seed Production	Improve research and extension services to farmers across the country to improve seed productivity for the farmers. About 2,000 metric tonnes of improved seeds will be distributed to farmers.

Table 3: Summary of Rwanda Budget FY 2011/12 for grain sub-sector.

3.3 Kenya

The Budget in Kenya was presented amidst a period food stress for many households in the country. According to recent reviews of the food price situation by RATIN in the country, Kenya recorded the highest food prices in the region. For instance at the time of the budget presentation reports by RATIN showed that Maize in Kenya traded at a record high of USD 485/MT in one of the main markets compared to a low of USD 226/MT in one of the markets in Tanzania during the same budget presentation week.

However, despite the dire need for investment in the sector, the government cut down allocation to the agricultural sector by 13%. This shrinks from 4.7 per cent down to 3.53% of the total government budgets and way below the agreements in the Maputo Declaration for government allocation of 10% to the agricultural sector.

Nonetheless, there are some commendable measures put in to save the gleam situation. In the budget, the government allowed for progressive growth of intra-regional and international trade through provisions for the importation of rice at 35% instead of 75% for a period of one year, remission of import duty on wheat grain at 0% instead of 10% granted last year, for a period of one year for gazetted millers, remission of import

duty on maize grain at 0% instead of 50% for a period of six months for gazetted millers and Reduction of import duty on food supplements from 25% to 10%. Other areas include infrastructure development, support to increase in productivity through irrigation, and support for food security and employment. The government also allocated funds to position Kenya through appropriate economic policy and reforms to reap the benefits from regional integration with opportunities accorded by EAC Common Market Protocol and the wider COMESA market. Below is the summary of the budget provisions FY 2011/12 in relation to the grain sub-sector.

Table 4 : Summary of Kenya's Budget estimates FY2011/12 in relation to the grain sub-sector.

Custom Duties	Infrastructure	Agriculture	Food Security and Employment	East Africa Community
Importation of rice at 35% instead of 75% for a period of one year.	Ksh.100.9 billion has been allocated to the Ministry of Roads to fast track implementation of critical roads to allow Kenyans early opportunity to use them.	Ksh.6.4 million under the Ministry of Agriculture for provision of water in 170 constituencies.	The International Fund for Agricultural Development (IFAD) has extended a generous support of USD.10million as a Risk Sharing Facility to leverage commercial banks to lend about Ksh.10 billion to rural and agriculture development targeting 700,000households.	Continue to position Kenya through appropriate economic policy and reforms to reap the benefits from regional integration with opportunities accorded by EAC Common Market Protocol and the wider COMESA market.
Remission of import duty on wheat grain at 0% instead of 10% granted last year, for a period of one year for gazetted millers.	Ksh.65.7 billion has been allocated to Ministry of Energy.	Ksh.1.1 billion, which translates to Ksh.30 million per constituency for 20 water pans of 100,000 cubic metres in all the 35 needy constituencies.	Establishing a Ksh.5 billion Impact Investment Fund under the Kenya Incentive Based Risk Sharing Agricultural Lending (KIRSAL) to be implemented over a four year period in order to leverage Ksh.50 billion lending to agricultural sector and rural development targeting another 1.5 million smallholder farmers and over 10,000 agribusinesses throughout the country.	Implementation of the provisions of the Common Market Protocol and support of the ongoing negotiations of the East African Monetary Union Protocol to ensure that the exercise comes to a logical conclusion for the benefit of the East African people
Remission of import duty on maize grain at 0% instead of 50% for a period of six months for gazetted millers.	Ksh.3.3 billion as mobilization fund to initiate the implementation of a new Standard Gauge	KSh 7.3 billion for irrigation programmes covering various parts of the country.	Ksh.1 billion as an initial Government contribution to this Fund.	

	Railway(SGR) connecting Mombasa to Kampala with a branch line to Kisumu.			
Reduction of import duty on food supplements from 25% to 10%.		KSh 2.3 billion for basic services - water/irrigation, health, solar power, slaughterhouses - in marginalized areas.		

Table 5 Summary

3.4 Tanzania

Tanzania has been reported to be one of the fastest growing economies in the region according an IMF report. The same report also forecast Tanzania's economy to grow by 7.2 per cent in 2011 and by 7.5 per cent in 2012, especially if the government cushions the rising food prices and global oil prices. It is for this and other reasons that the government has continued investing heavily on the agricultural sector, which is its main economy. To this effect in the budget provisions FY 2011/12, the government of Tanzania increased the sector's budget from 6.4 per cent in 2008/2009 fiscal year to 7.7 per cent in 2010/2011. Other budget priorities provided for in the budget include infrastructure, energy and mineral, water, Education and health.

The areas that will have direct impact on the grain sub-sector include enhancement of the strategic grain reserve, improvement of crop productivity, support to value addition and processing. On support to intra-regional trade the following measures have been provided for in the budget. Extension of the stay of application of CET rate of 35 percent on Wheat grain under HS Code 1001.90.20 and HS Code 1001.90.90 and apply the CET rate at 10 percent for one year, and VAT exemption on spare parts for agricultural equipments such as threshers, rice dryers and mills, planters, trailers and power tillers used in organised farming (registered groups and cooperative unions) and on spare parts for grain conveyors, sprayers and harrows. The table below shows the summary of the budget provisions 2011/12 in relation to the grain sub-sector in Tanzania.

Area	Main Highlights
Budget Priorities	<ol style="list-style-type: none"> I. Infrastructure (roads, railways ports and ICT) has been allocated Tshs 2,781.4 billion compared to Tshs 1,505.1 billion in 2010/2011. This represents an increase of 85 percent; II. Energy and Minerals has been allocated Tshs 539.3 billion compared to Tshs 327.2 billion in 2010/2011. This represents an increase of 65 percent; III. Water has been allocated Tshs 621.6 billion compared to Tshs 397.6 billion in 2010/2011. This represents an increase of 56 percent; IV. Agriculture and irrigation has been allocated Tshs 926.2 billion compared to Tshs 903.8 billion in 2010/2011. This represents a increase of 2.5 percent; V. Education has been allocated Tshs 2,283.0 billion compared to Tshs 2,045.4 billion in 2010/2011. This represents an increase of 12 percent; VI. Health has been allocated Tshs 1209.1 billion compared to Tshs 1,205.9 billion in 2010/2011. This represents an increase of 0.3 percent

Strategic Grain Reserve	Due to recurring food shortages caused by drought in various parts of the country, the Government will continue to purchase food crops in order to enhance the National Grain Reserve
Productivity	The Government will continue to implement reforms in the agricultural sector by improving crop production, livestock keeping and fishery. With regard to crop production, Tanzania has arable fertile basins for rice production in Tabora, Mwanza, Shinyanga, Kigoma, Pwani, Mbeya, Kilimanjaro, Tanga and Morogoro, whereby smallholder farmers will be empowered through provision of loans, extension services and improved farm inputs (seeds and fertilizers)
Value addition	Agricultural processing industries will add value and increase employment. Another area that can increase employment is through linkage between textile industries and agricultural sector.
Common External Tariff (CET)	Extend the stay of application of CET rate of 35 percent on Wheat grain under HS Code 1001.90.20 and HS Code 1001.90.90 and apply the CET rate at 10 percent for one year.
VAT	VAT exemption on spare parts for agricultural equipments such as threshers, rice dryers and mills, planters, trailers and power tillers used in organised farming (registered groups and cooperative unions). Exempt VAT on spare parts for grain conveyors, sprayers and harrows.
Common External Tarrif	Extend the stay of application of CET rate of 35% on wheat grain and apply 10% for a period of one year.

Table 6: Summary of Tanzania Budget FY 2011/12 for the grain sub-sector.

4. Conclusion

1. All the EAC Member states are faced by similar challenges across the region, including rising food insecurity, limited infrastructure development, limited trade and benefits in the agricultural sector, going populations and political and economic growth.
2. The EAC Member countries have agriculture as the main economy and each has put in measure to support agricultural development and food security at all levels.
3. The various governments are keen to support the private sector to reduce the cost of doing business in agriculture and in the grain sub-sector, which in turn has increased the effort towards intra-regional trade.
4. Post harvest losses have been a common challenge for the member countries, and each had adversely addressed this in the national budgets. This is also an opportunity to the private sector to join the government in post harvest loss technologies also supported under the East Africa Grain Council.
5. There is need for infrastructure development and improvement if intra-regional movement of goods will be achieved. It is therefore notable that most of the member states have made provisions for this in the national budget.