

THE 2018/19 BUDGET: PREPARING THE YOUTH FOR AN INDUSTRIALIZED MIDDLE-INCOME ECONOMY



policy forum

Open Mind Tanzania (OMT)

POLICY BRIEF OCTOBER 2018

This policy brief was written by Open Mind Tanzania through a collaboration with and support by Policy Forum. It presents the analysis of youth development and employment creation financing following the 2018/2019 national budget. It is an evidence informed attempt to suggest actions that could be taken to address youth development challenges, especially with a strong focus on making the youth employable in the challenging journey towards making Tanzania an industrialized middle-income country.

INTRODUCTION

The 2018/19 national budget was enacted under some unique contexts that created enthusiasm regarding the extent to which the youth economic potential could be trapped into the economy. It was the third national budget since the fifth phase government formally announced the intended journey towards an industrialized middle-income economy through the Five-Year Development Plan 2016/17-2020/21.

Unlike the two previous budgets, it was awaited by great expectations of economic development stakeholders whose expectations were to see increased financing and attracting investment in fast growing and supportive sectors which could also create more employment. In this respect, the budget was considered instrumental for engaging the youth in the economy as a way of addressing youth unemployment and income poverty. This would accordingly contribute towards addressing other youth development challenges including access to quality education and friendly health services.

YOUTH UNEMPLOYMENT AND EMPLOYABILITY CHALLENGE

The need to harness the youth potential for economic growth and the general path towards an industrialized middle-income economy cannot be overstated. The youth form about 35% of the Tanzanian population. They account for about 65% of the active workforce in Tanzania, whose 11.7% were unemployed in 2014 compared to 4.1% in the general population. Unemployment is higher among the females (14.6%) than males (8.9%). Majority of the employed youth 82.3% are work in vulnerable employment. The proportion is much higher, 93.6% within the rural population. Similarly, urban areas face a challenge of underemployment and lowering labour force participation, which place the youth at risk of engaging in criminal behaviour such as theft, drug abuse, and prostitution.

There are different explanations behind unemployment among the youth in urban populations. However, the design (and quality) of education is identified as one of the critical reasons, which contribute to persistent unemployment, underemployment, and low labour force participation. In connection with this, figure 1 (overleaf) shows unemployment trends according to the International Labour Organization (ILO). Recent studies have also found youth unemployment and underemployment to be challenging since even graduates from higher and Technical and Vocational Education and Training (TVET) institutions lack appropriate skills required in the labour market (see table 1 overleaf). Overall, this implies that the educational system has a limited contribution to making the youth equipped with relevant skills and competencies that could allow them to be employed or become self-employed.

Figure 1: Youth unemployment rate trends for Tanzania (2007-2017)

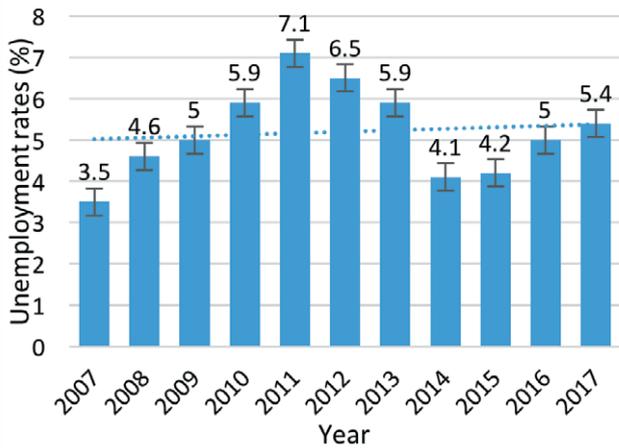


Table 1: Potential employability skills not possessed by graduates in Tanzania

Type of business skills	Description
Subject knowledge and competence	Knowledge about one's specialization and profession
Effective communication	Ability to express ideas clearly in writing and speaking
Team work	Working confidently with a group
General needs and skills commercial awareness	Understanding the commercial realities affecting the organization, computer awareness etc.
Investigative and analytical skills	Gathering information systematically to establish facts and principles
Initiative/self-motivation	Ability to act on initiative, identify opportunities and putting forward ideas and solutions
Drive	Determination to get things done, making things happen, and constantly looking for better ways of doing things
Planning and organizing	Ability to plan activities and carry them out effectively
Flexibility	Adapting successfully to changing business environments
Time management	Managing time effectively, prioritizing tasks, and the ability to meet deadlines

Source: Munishi (2016: 3)

THE YOUTH-EYE IN THE 2018/2019 NATIONAL BUDGET

The government through the 2018/2019 national budget has demonstrated that youth development is an important crosscutting agenda and thus it needs a contribution of different ministries, government agencies, and other actors outside the government. Planning and implementing programs and activities relating to youth development featured in the budgets of several ministries. Among others, they include the bold promises to provide accessible and youth friendly healthcare, collaborating with district councils and training institutions to train the youth in potential skills related to business, entrepreneurship, and agriculture. There is also a plan to concentrate on developing small industries in all regions, which may to a large extent absorb the youth. In the 2018/19 financial year, 11.8 billion has been allocated for the same purpose starting with Manyara, Mtwara, Dodoma, Kagera, Njombe, Katavi, Geita and Simiyu. The shortcoming of these commitments is that they are identified as part of the general considerations for the development of the sectors and not associated with a definite level of funding. With this, it is difficult to both evaluate the contribution of each of sectors to youth development and hold the ministries accountable for the failure to meet youth development goals.

Identifying specific programs for integrating the youth into development of the sectors and the intended funding levels in the next budgets would make this crosscutting consideration of youth development efficacious and realistic and increase accountability for youth development financing and programs' execution. Similarly, empowering the youth received a vivid portrait in the 2018/19 agriculture and livestock development budget. Despite the portrait of agriculture as a push sector for integrating the youth in the industrialization process and addressing unemployment, the interest of the youth (especially the educated) in agriculture remains low. Agriculture is taken as a salvation point for the poor and uneducated. Therefore, the implementation of the current and future budgets needs to include special incentives to attract the youth to participate in agriculture and eliminate potential barriers including limited access to capital, land, market, transportation, and agricultural inputs and reliable extension services.

The budget reveals the recognition that the youth group as a principal 'opportunity' and pointed at unemployment as a leading youth development challenge. The government through the ministry responsible for health managed to set aside 1 billion Tshs for the youth development fund, which was the same as the allocation for 2017/18. This amount remains far from the Parliament's resolution of February 4, 2013, which was to allocate 200 billion Tshs from the national budget for the program with the aim of providing soft loans to the youth to engage in agriculture and agribusiness. However, the youth would be expected to benefit from a budget worth 320.56 billion, which the ministry responsible for youth, labour, and employment has set aside for skills development and decent work (15 billion Tshs) and new employment in the public sector (305.56 billion Tshs). However, a large percent of this funding is more likely to benefit those who qualify for formal public sector employment. Related to this is provision of interest free loans by local government authorities.

Under the Finance Act, 2018, the Local Government Finance Act Cap. 290 2002 (RE) has been amended to empower the minister responsible for local government to require LGAs to allocate 10% of their internal revenue (73.5 billion) for development of the youth (4%), women (4%), and disabled (2%). This makes the funding available for the youth 29.4 billion (40%). If this amount is considered in relation to the current youth population, the odds of having significant impact would be too low. The Act also empowered the minister to issue regulations for enforcing this requirement. This step imposes the legal responsibility to LGAs to support development initiatives of organized groups in their areas of jurisdiction. In favour of the young women and girls, the VAT Act Cap. 148 of 2014 was amended to provide VAT exemption for women sanitary pads to increase their availability, accessibility, and affordability. This would minimize girls' school truancy that is attributed to stigmatization and thus reduce the gender gap in academics which limit women's access to socioeconomic and political opportunities.

Despite the well-established recognition that majority of the youth hardly get access to higher education, and that TVET could provide utility skills for integrating the youth into the industrial economy and thus address youth unemployment, TVET financing appears to be a lesser priority. For example, the budget for TVET development for the 2018/19 fiscal year was 5.29 billion Tshs, equals to 0.57% of the budget for the parent ministry. This was 63.6% less compared to the previous financial year's budget, which was 14.56 billion Tshs. The general reason for this could be the fact that there was no significant increase in the ministry's budget for the financial year –and thus the odds between spending on TVET on one hand, and free education on the other. Overall, TVET and skills' development need to be a funding priority since, as a medium-term measure, has a great potential for transforming the youth into an 'opportunity' and asset in the process of industrialization.

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OUR RECOMMENDATIONS FOR EFFECTIVE YOUTH DEVELOPMENT FINANCING

1. More transparency regarding the available and allocated funds for financing youth development programs through both the ministries and LGAs is important. Whereas most of the youth development programs and projects are implemented at local level, the ministry responsible for local government and LGAs has a pivotal role in financing and execution of youth development programs and their budgets.
2. The government should treat TVET development as a funding priority. Enough investment in TVET is essential for developing the key skills required for maximizing the potential of the youth in the industrialization process. We treasure in TVET as a tool for addressing the most critical youth development barriers such as unemployment and underemployment, poverty, and the skills gap that significantly contributes to unemployment and underemployment.
3. Government should devise mechanisms for coordinating youth development financing and execution of youth development programs and initiatives across the sectors, and between the government and non-government actors including the private and voluntary sectors. There is also a need for joint and participatory monitoring of the contribution of different actors, which should involve the youth as the key partners at local level.
4. The PMO-RALG in collaboration with LGAs and relevant ministries such as the ones responsible for health, agriculture and trade should strategically invest more resources in strengthening rural services delivery to attract the youth to stay and work in the rural economic sectors including agriculture. Priority should be given to friendly health care including sexual and reproductive health services and creating better environments for investing in commercial agriculture that should entail improved access to land, markets, extension, and transportation services.
5. More efforts are needed to ensure that development financing provides mechanisms for ensuring equitable development of both the young men and young women. This should involve directing more resources towards protecting girls and young women from environments that expose them to additional risks such as early pregnancy, early marriage, prostitution, sexual abuse, and indecent employment.

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FOR MORE INFORMATION

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