Eastern and Southern African Small Scale Farmers' Forum (ESAFF)

&

ESAFF Uganda

UGANDA AGRICULTURAL BUDGET ANALYSIS

The Agriculture Budget We Want 2016/17 And Beyond

POLICY BRIEF PAPER NO. 1/2016

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1. Introduction

Agriculture in Uganda is dominated by small holder farmers who occupy the majority of land and produce most of the crop and livestock products (Salami et al. 2010). In Uganda, small scale farmers are the majority constituting about 85% of the farming community; 12% are medium scale farmers while 3% are large scale farmers (Balya C., 2010). One of the key long-standing challenges faced by smallholder farmers is low production and productivity (AfDB, 2010) stemming from lack of sustainable or dependable access to markets; failure to maintain a consistent policy regime and functional institutions; insufficient skilled agricultural labour force; high human disease burdens; and inadequate attention to natural resources sustainability (MAAIF, 2013).

Uganda is among the African countries that signed the Maputo Declaration in 2003 (later the Malabo Declaration June 2014), where they committed to implement the Comprehensive Africa Agriculture Development Program (CAADP) and to raise budget allocations for agriculture to a minimum of 10% of their individual countries' total national budget by 2008 (NEPAD, 2010). However, **since then the share of the agricultural sector budget in the national budget has been declining from 5.0% in 2010/11 to 2.6% in 2015/16.** This means that the Government of Uganda is not committed to meeting the CAADP targets.

This policy brief has been prepared to enhance awareness among Policy makers, Private Sector, farmer organisation and the general public on issues related strategic agricultural financing with the aim of promoting equitable resource allocation for addressing food insecurity and poverty reduction in Uganda.

Sources of Data in this brief

This involved review of all relevant documents from various sources. The documents reviewed were mainly from government agencies especially Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), and Ministry of Finance, Planning and Economic Development (MoFPED); and studies by donor agencies, CSOs, research and academic institutions. The list of documents reviewed is reflected in the References.

2. Agriculture: Key Driver of Uganda's economy

The share of the agricultural sector in Uganda's total Gross Domestic Product (GDP) has been declining from 35.6% in 2004/05 to 24.8% in 2013/14 (see *Table 1*), which has been conceitedly regarded as *a key indicator of socio-economic transformation by some policy makers*. However, it is inconceivable to believe so, since majority of Ugandan households derive their livelihood from agriculture which according to the Uganda Bureau of Statistics (UBOS), 2014, agriculture sector (farming, livestock, fishing and forestry) engaged over 71.9% of the working population. In addition, the real growth rate in agricultural output has performed dismally. **Whereas the industrial and services sectors have in some years hit a 10% growth rate, the growth in the agricultural sector has consistently remained largely below 3%** (*see Table 1*).

Table 1: GDP Growth rates and Shares

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Contribution to GDP growth										
Overall growth in GDP	6.4%	5.1%	6.9%	8.3%	6.7%	5.2%	9.7%	4.4%	3.3%	4.5%
Agriculture	*0.6%*	*0.1%*	*0.1%*	*1.3%*	2.6%	3.2%	2.9%	1.1%	1.8%	1.5%
Industry	2.1%	0.9%	9.6%	9.1%	3.8%	7.8%	11.4%	3.1%	4.3%	4.3%
Services	3.7%	4.0%	8.0%	10.2%	9.4%	5.9%	12.4%	4.9%	4.0%	4.2%
Contribution to GDP										
Agriculture	35.6%	34.0%	31.9%	21.2%	23.7%	23.6%	24.7%	26.5%	25.3%	24.8%
Industry	20.6%	20.5%	21.0%	25.6%	24.2%	24.9%	20.4%	21.3%	20.8%	20.6%
Services	43.8%	45.5%	47.1%	53.2%	51.2%	45.5%	47.7%	45.5%	46.8%	47.0%

Source: MoFPED, Background to the Budgets (various years)

Although the contribution of agriculture GDP has been declining, the sector still provides the basis for growth in other sectors such as manufacturing and services. The sector is the biggest source of foreign exchange[1] and a major source of raw materials to the local industries[2]. The agricultural sector is still the biggest earner of export revenues; export revenue from Agriculture was US$ 1.734 billion in 2012 (MAAIF, 2015).

3. Agriculture key to ending Poverty and Hunger

Uganda has made significant progress not only in reducing the share of people in absolute poverty but also the absolute number. **The proportion of Ugandans living in absolute poverty reduced from 56.4% in 1992/3 to 19.7% in 2012/13** (MoFPED, 2014). However, poverty remains firmly entrenched in rural areas, which are home to 77 per cent of Ugandans, with over 22.8% of people in rural areas in absolute poverty.

Despite the large reduction in the share of Ugandans living in absolute poverty, many remain vulnerable and are unable to access the opportunities created by national development, which in turn undermines the transformation process (MoFPED, 2013). According to the Chronic Poverty report 2013, close to 43% of Ugandans were at risk of falling back into poverty if faced with a shock (DRT and the CPRC, 2013), and they mainly rural and urban middle class. The minimal growth of the agricultural sector is contributing to the increasing unemployment especially the youth and increasing inequality between the rural and urban population in Uganda.

1 Over 95% of the Uganda's exports are primary agricultural commodities.

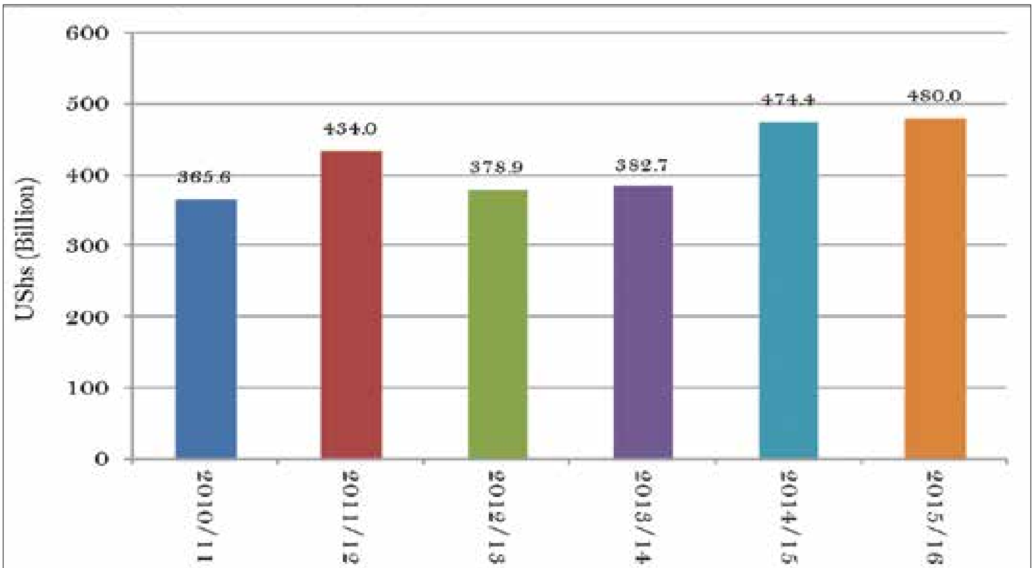
2 Contributed about 40 %of the total goods export earnings in 2012

Although there is enough food in Uganda generally, several parts of the country are still struggling with hunger and malnutrition. For instance, **almost half (48%) of Ugandans were food energy deficient in 2010 (WFP, 2013).** A third of Ugandan children were stunted; rural Ugandans were also more likely to be stunted than urban (37% versus 14%). Poverty is often the root cause of food insecurity because poor households lack the resources required to access enough nutritious food to live a healthy active life (WFP, 2013)

4. Agricultural Sector Budget Allocations: far below the Maputo/ Malabo Declaration

In absolute terms, national approved budget allocation to agriculture (MAAIF and its agencies) has been increasing from UShs 365.6 billion in 2010/11 to UShs 480 billion in 2015/16. This means the **agricultural sector budget has increased by only 30%; which is far less than the 140% increase in the total national budget; which increased from UShs 7,376.86 billion in 2010/11 to UShs 18,310.86 billion in 2015/16** (see *Figure 2*).

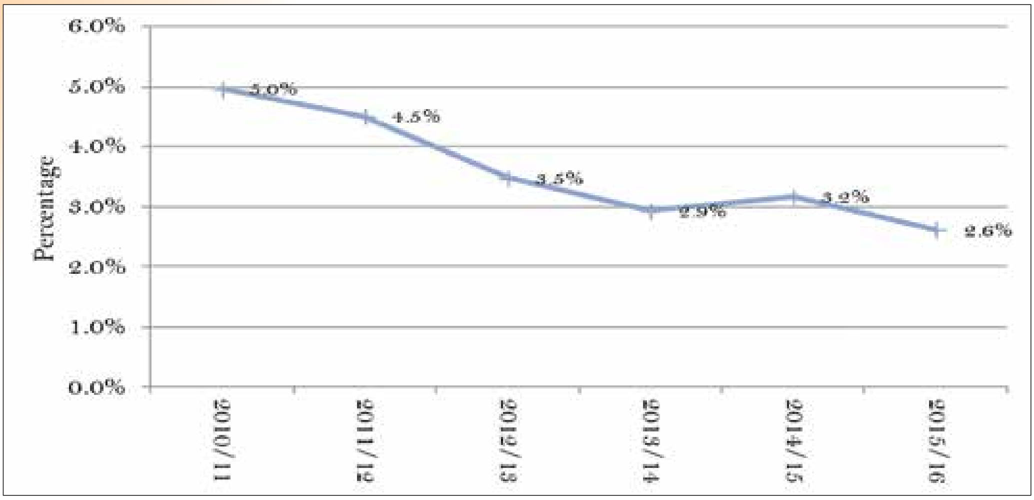
Figure 2: Trends in Agricultural Sector approved budget allocation (UShs)



Source: Author's Computations based on the MoFPED Budget Data

However, as a share of the total national budget, the agricultural sector has been declining from 5.0% in 2010/11 to 2.6% in 2015/16 (see *Figure 3*). This share is far below the Maputo/ Malabo Declaration that committed Uganda to devote at least 10% of the national budget to the agriculture sector. This level of spending on the agricultural sector is grossly insufficient for sustaining any major or substantial investments that can create the necessary institutional and physical infrastructure (ACODE and UNFFE, 2009).

Figure 3: Trends in Agricultural Sector approved budget allocation (share of national budget)



Source: Author's Computations based on the MoFPED Budget Data

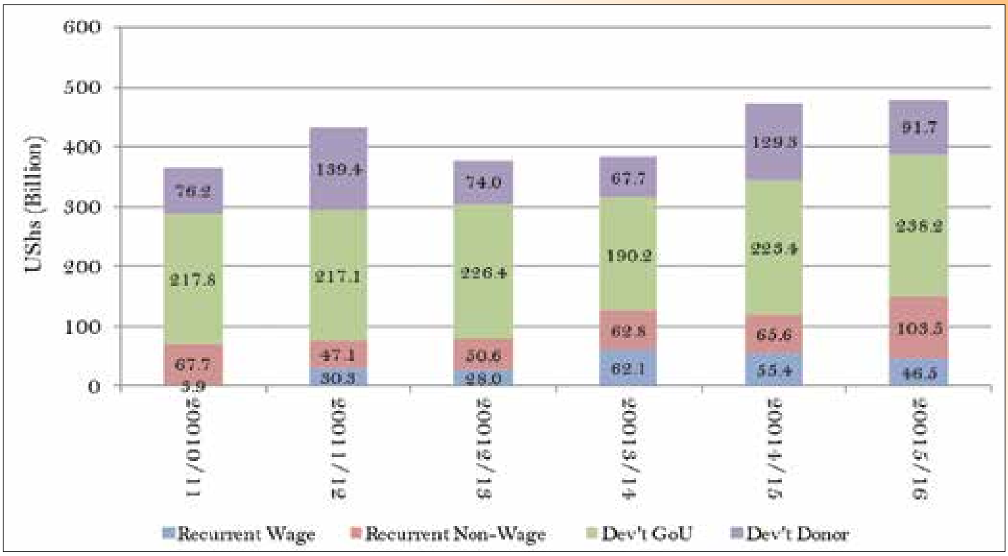
The major argument from policy makers in Uganda is that under-funding of the agricultural sector through MAAIF and its agencies, is that agricultural development is multi-sectoral and is usually compensated by investments in agriculture-related sub-sectors like energy, rural water and roads and project funding outside the agricultural sector budget (PMA Secretariat, 2008). This was affirmed by the President Museveni during the reading of the National Budget - FY 2015/2016, he asserted that "*...when we say that we are spending about Shs. 500 billion on agriculture, some people think that this is not enough. However, when we spend Shs. 3,000 billion on the roads, that money assists agriculture first and foremost. How about Defence and Security? Can you have agriculture without peace?"* Although it is certainly true that promoting agriculture requires investments in areas that are not strictly agricultural, however, there is no mechanism to ensure that agricultural priorities are adequately captured within the budget prioritization.

Budget Share: Recurrent vis-a-vis Development

Figure 4 shows a breakdown of recurrent and development budget of the agricultural sector budget for the period 2010/11 to 2015/16.

Within the recurrent budget, **the wages as a share of total recurrent budget have been increasing from 5% in 2011/12 to 31% in 2015/16**. This partly is attributed to high staff related costs of MAAIF and its affiliate agencies.

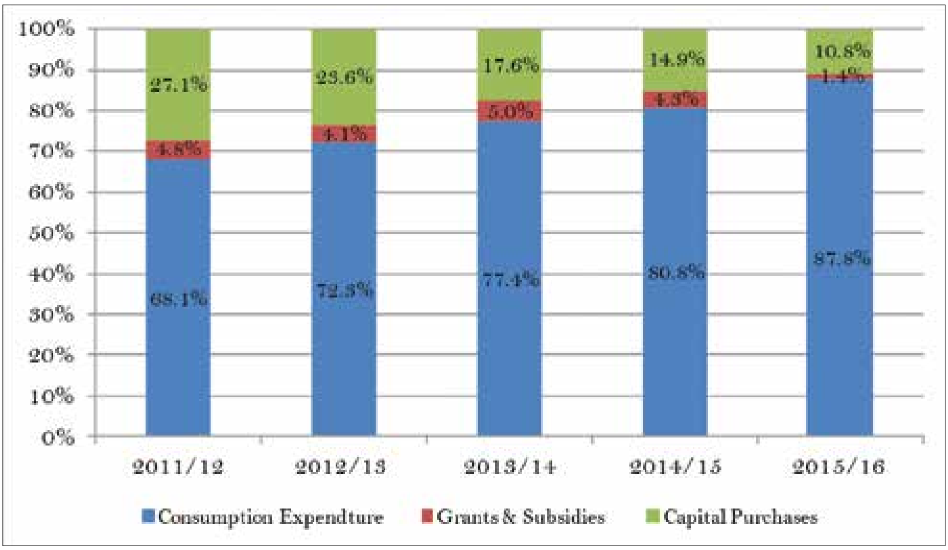
Figure 4:Trends in agricultural sector Recurrent and Development Budget



Source:Author's Computations based on the MoFPED Budget Data

During the last six years, the development budget accounted on average for around 75% of total sector budget. However, it should be noted that the sector "development expenditure" is not synonymous with "capital expenditure" as is usually assumed (Lukwago, D., 2010). Capital investment is far less than that of the development budget, which means that not all development budget allocation is capital investment. The development expenditure is heavily oriented towards non-wage recurrent expenditures rather than to capital expenditures. For instance, *the share of capital purchases in the 2011/12 budget was only 27.1%, but it is expected to decline to 10.8% in 2015/16* (see Figure 5).

Figure 5: Composition of Expenditure by Output



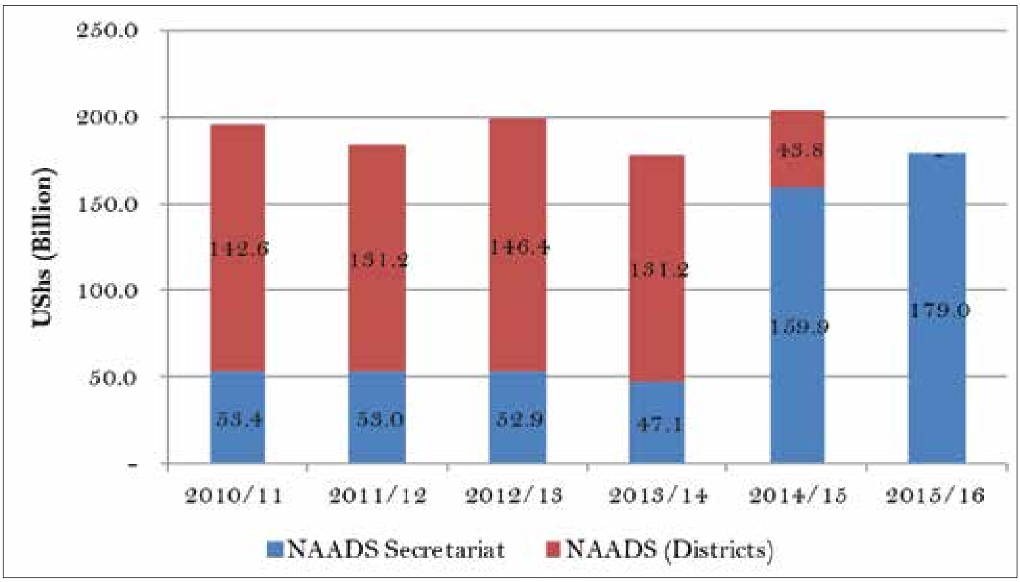
Author's computations based on the MoFPED, NBFPs (various years)

5. Insufficient Budget allocation to Extension Services

Since the introduction of National Agricultural Advisory Services (NAADS) in 2002, government has been implementing a partly-privatized system of 'demand-driven' extension services. Government has been providing agricultural inputs to farmers as part of the NAADS package. However, the implementation of NAADS over the years attracted both high expectations and mixed controversy among stakeholders and farmers. On several occasions the top leadership in Uganda suspended the NAADS programme in 2007, 2010 and 2014 this resulted into major changes in the NAADS implementation especially providing agricultural inputs to farmers.

The NAADs budget averaged UShs 190 billion (45% of the total agricultural sector), between 2010/11 and 2015/16 (see *Figure 6*).A large chunk of the NAADS budget is spent on provision of inputs to farmers. Prior to 2013/14, the largest portion of the NAADS funds were spent by local governments, however, this changed in 2014/15 when the NAADS was restructured. In 2014, the President of Uganda scraped the position of NAADS Coordinators and ordered the deployment of Uganda People's Defence Forces (UPDF) to distribute inputs through the Operation Wealth Creation (OWC). Currently, all the NAADS funds (which used to be spent by Local Governments) are spent by the UPDF under the Operation Wealth Creation (OWC)[3] through the NAADS Secretariat.

Figure 6:Trends in NAADS budget allocations



Author's computations based on the MoFPED, NBFPs (various years)

However, the use of the army in NAADS implementation has generated mixed reactions both in the policy making circles and the public. Though some support the army as the best

3 The OWC was launched in July 2013 by the President of Uganda, with the objective of creating a system that facilitates effective national socio- economic transformation with a focus on raising household incomes for poverty eradication and sustainable wealth creation. The OWC is operating in 18 zones, and 112 districts.

institution to do so[4], others contend that the army does not have expertise to do so and it's against the NAADS act, 2001. Some key Opposition Political Parties have warned that militarization of NAADS is not good for agricultural extension in Uganda[5].

Apart from providing information on the amount of inputs supplied, there is minimal information on how much is spent. In addition, there are concerns on the quality of inputs provided, to the extent that some districts have rejected some of the seeds provided by UPDF. For instance, the Daily Monitor of May 14th, 2015, reported that Nebbi District leaders rejected at least 10 tons of bean seeds of NABE 17 variety supplied under the OWC due to poor quality[6]. Furthermore, there is no information how the OWC mainstream gender and how the distribution of inputs to farmers pay attention to women, youth and poor men. Inputs are distributed through a central location at the sub county headquarters where interested farmers collect inputs that are distributed by UPDF officials. The distribution of inputs follows the agricultural zoning strategy developed by the NAADS Secretariat. However, the zoning method makes it hard for farmers to choose the enterprises they prefer or which they can easily manage. The "one size fit all" enterprise distribution does not address gender peculiar needs and preferences of farmers. Most of the enterprises with high value such as livestock are male-dominated; women are biased towards low-value enterprises especially food crops (FRA, 2015).

Government is the process of restructuring the agricultural extension through implementing a Single Spine Agricultural Extension System (SSES) and transferring the extension function back to the Ministry (MAAIF) from NAADS Secretariat. This is envisaged to enable the MAAIF take responsibility of coordinating extension service delivery in the whole country both in private and public sectors. MAAIF established a Directorate of Agricultural Extension Services (DAES), and **the National Agriculture Extension Policy (NAEP) is being drafted**. However, the SSES has not been fully implemented due to inadequate funding. ***To fully operationalise the SSES, a total of 3,236 critical officers[7] are required at sub county level, however, only 12% (389) positions are filled.*** In addition, ***a total of 672 critical officers[8] are required at district level, however, only 11% (77) positions are filled (MAAIF, 2015).*** Furthermore, the Production and Marketing Grant (PMG) to districts which is meant to implement the single spine extension system has been constant at UShs 10.4 billion for the last 8 years (ibid, 2015). The PMG is important because it helps the local governments to fulfill their mandate of implementing the agricultural activities in tier areas of jurisdiction.

Consequently, there is minimal provision of agriculture extension services in Uganda. For instance, statistics by UBOS show that **only about 22% of the communities had access to agricultural extension workers within their communities** (UBOS, 2014). The

4 http://mobile.monitor.co.ug/Oped/Use-of-military-in-civil-sectors-is-not-a-strange-phenomenon/-/691272/2348470/-/format/xhtml/-/8ubjvez/-/index.html

5 http://www.nbs.ug/details.php?option=acat&a=3885#.VAaH_qOtwfU

6 http://www.monitor.co.ug/News/National/Nebbi-leaders-reject-10-tonnes-of-beans/-/688334/2715662/-/i0f9tez/-/index.html accessed on 1st August 2015.

7 Veterinary Officer, Agriculture Officer and Fisheries Officer

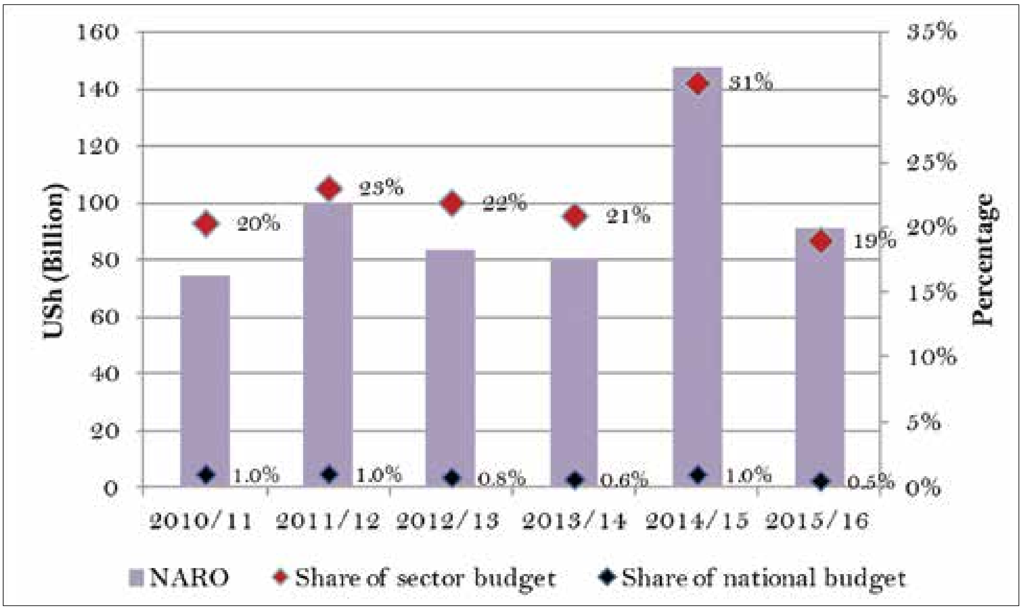
8 District Production Coordinator, Principal Agricultural Officer, Principal Veterinary Officer, Principal Fisheries Officer, Principal Entomologist and Senior Agricultural Engineer

situation differed across sub regions. The proportion of communities that had access to agricultural extension workers was highest in Western (34%) followed by Eastern (26%), Northern (13%) and Central (12%) (ibid, 2014). However, only 38% of the communities felt that agricultural extension services were good.

6. Inadequate Budget allocation to agriculture research

Empirical studies (for example Fan, Zhang and Rao, 2004), in Uganda have shown that investment in agricultural research and development offers the greatest potential among agricultural investment areas for enhancing productivity. However, agricultural research spending is low compared to expenditure on the provision of other public agricultural goods and services (Benin, S., et al., 2007). **Budget allocation for research through the National Agricultural Research Organization (NARO) budget has stagnated at one-quarter of the total agricultural sector budget and less than one percent of the total national budget during the last five years (2011/12 – 2015/16)**; averaging UShs 100 billion (see *Figure 7*).

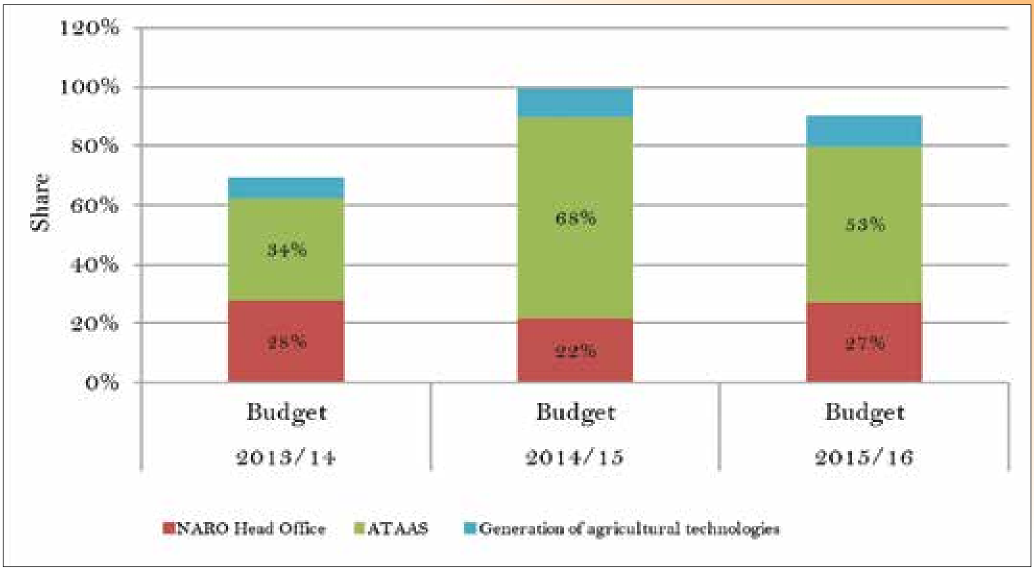
Figure 7: Trends in NARO budget allocations



Author's computations based on the MoFPED, NBFPs (various years)

One of the mandates of NARO is generation of agricultural technologies; however, spending on this component is very small**; less than 10% of the NARO budget is allocated to generation of agricultural technologies** (see *Figure 8*). The situation is further worsened by the fact that NARO is weak at designing research for the real needs of farmers especially small scale farmers and in actually disseminating appropriate technology. As of end 2006, just 55% of NARO's research outputs had been disseminated and these had reached less than half of all crop farmers and 30 per cent of livestock farmers (Action Aid, 2010).

Figure 8: Composition of NARO Budget and spending



Source: Author's Computations based on the MAAIF Policy Statements and Performance reports

Consequently, majority of research and development funding is by international agencies, which poses sustainability and sovereignty concerns. Due to minimal government funding to the major research institutions, most of them are unable to utilise the research and development infrastructure such as land, consequently, some have lost it to private investors, a case in point is the National Crops Resources Research Institute (NaCRRI), Namulonge[9].

7. Mutual Accountability

Sector coordination remains a huge challenge for Uganda. The different policy frameworks in the agricultural sector have operated sometimes in parallel, and this has raised concerns with regard to issues of policy consistency (MAAIF, 2010). This has led to uncoordinated multiple initiatives that have created unnecessary bureaucracy, struggle for recognition, uncertainty among farmers and other stakeholders

9 http://www.monitor.co.ug/OpEd/Commentary/Namulonge-land-re-development-project-was-approved-on-merit/-/689364/2848978/-/708ft6z/-/index.html accessed on 15th August 2015

leading to duplication of efforts and wastage of resources (ACODE and UNFFE, 2009). Sector coordination will be boosted if there is harmonisation of institutions and agencies that promote agriculture in Uganda.

Involving non-state actors and famers in agricultural reforms is key to promoting ownership of agricultural policies and effective implementation. As mentioned above, agriculture in Uganda is dominated by smallholder farmers, who need to be consulted in case of any policy reforms. **However, smallholder farmers have had little input towards policy formulations thus, do not demonstrate understanding of most programmes and strategies being promoted as achievable and in their own interest.**

While farmers' organizations such as Uganda National Farmers Federation (UNFFE) have made great strides in recent years in defending the interest of farmers, difficulties and weaknesses still remain. These organizations lack certain capacities that are necessary for their effectiveness including expertise and finances.

8. Conclusion and Recommendations

Despite the fact that Uganda is subscribing to the the Maputo/Malabo Declaration on Agriculture and Food Security in Africa in 2003 and 2014 respectively, where African countries committed to raise budget allocations for agriculture to a minimum of 10 % of their individual countries' total national budget, however, government of Uganda has not prioritized the agricultural sector in form of funding. The share of the agricultural sector budget in the national budget has been declining from 5% in 2010/11 to 2.6% in 2015/16. This means that the Uganda is not committed to meeting the CAADP targets.

In view of the analysis and evidence presented above, we recommend to government the following in 2016/17 budget and beyond:

a. Government should tremendously increase budget allocation to the agricultural sector beyond the current 3% to at least 5% in 2016/17 of the total national budget. This will require re-orienting the national budget through curtailing the cost of public administration, and other wasteful expenditures.
b. Ministry of Finance, Planning and Economic Development (MFPED) should provide adequate funding to operationalize the Single-spine extension system (SSES) especially increasing staffing at local government levels.
c. MAAIF should strategically shift development resources from non-wage recurrent to capital expenditures. Agriculture spending should focus on areas that contribute to increased productivity, including disease and pest control, irrigation, basic storage and post-harvest technologies, and the effective use and management of natural resources.
d. Government should transform the various agricultural financing initiatives into an *Agricultural Development Bank* that will explicitly focus on small and medium farmers credit needs, hedge against risks like crop failures and price volatilities of agro-products.
e. The National Agriculture Extension Policy (NAEP) that is being drafted should be finalized in the 2015/17 budget with input from smallholder farmer's organisations.
f. The year 2015/17 should see the *fully operationalization of the Single Spine Extension Services by employing at least 2,000 critical agriculture officers at count level and 672 at district level.*

g. Government needs to increase its own funding to agricultural research and development to at least 40% from 15.6 Billion (2015/16) to 21.8 Billion (2016/17) especially to NARO, Makerere University, and other organizations conducting agricultural research, as well as organizations promoting the transfer of technology.
h. Government should ensure greater non-state actors and famers involvement in the designing, implementation, monitoring and evaluation of agricultural programs and policies. This will require reorienting of structures, policy and practice in the agriculture sector.

- UBOS and MAAAIF should expedite the Agricultural Census, to establish the exact number of farmers especially the smallholder farmers in the country so that they can be served better as there -there is no data.

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About ESAFF

ESAFF is a small scale farmer's movement that empowers small scale farmers to reduce poverty, vulnerability and hunger by influencing agriculture policies and budgeting processes in Eastern and Southern Africa (ESA) region. ESAFF works on public social accountability monitoring (PSAM) approach to increase agriculture budget efficiency and effectiveness through meaningful farmers participation in planning, budgeting and performance monitoring in 32 districts in Eastern and Southern. ESAFF members are: Burundi (ESAFF Burundi), DRC – FOPAC, Kenya – KESSFF, Lesotho – ESAFF Lesotho, Madagascar – CPM, Malawi – NASFAM, Seychelles – SEYFA, South Africa – ESAFF South Africa, Swaziland – CIEAS, Rwanda – ESAFF Rwanda/APPPE, Tanzania – MVIWATA, Uganda – ESAFF Uganda, Zambia – ESAFF Zambia, Zimbabwe - ZIMSOFF

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