



Is Government Doing Enough to Support Agricultural Development in Uganda?

A Review and Analysis of the Agricultural Sector Budgets at National
and Local Government Levels (FY 2005/06 - FY 2009/10)

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Foreword

Agriculture is the most important sector in Uganda's economy because it employs over 80 percent of the population. In 2008/09, the sector accounted for 23.7 percent of total GDP. Agricultural exports accounted for 47 percent of total exports in 2007. The sector is also the basis for much of the industrial activity in the country since most industries are agro-based. Even though its share in total GDP has been declining, agriculture remains important because it provides the basis for growth in other sectors such as manufacturing and services. Despite the importance of the sector, reviews of public expenditure reveal that there is inadequate funding to agriculture, both public and private.

Participatory Ecological Land Use Management (PELUM) Association has over the years supported agricultural development in East, Central and Southern Africa. In 2005, PELUM Association launched a campaign on Making agriculture work, aimed at influencing an increase in funding to agriculture in Africa. This campaign motivated PELUM Uganda to commission this analysis of the agriculture sector budget in Uganda, with the aim of providing evidence for advocating for increased financial resource allocation to the sector, in order to enhance its development.

This publication therefore highlights 5-year trends in agriculture financing at national, district and sub county levels, as well as priority subsectors and their performance. In addition, the study also presents the strengths and weaknesses of the budgets as well as the budget processes.

The study acts as a valuable source of information on the Uganda Government investment in agriculture. It is also an excellent resource for civil society and other stakeholders in implementing agriculture budget related advocacy work.



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List of Acronyms

ACODE	Advocates Coalition for Development and Environment
AU	African Union
BFP	Budget Framework Paper
CAADP	Comprehensive Africa Agriculture Development Program
CG	Central Government
COFOG	Classification of Functions of Government
CPRC	Chronic Poverty Research Centre
CS BAG	Civil Society Budget Advocacy Group
CSO	Civil Society Organization
DFID	Department for International Development
DSIP	Development Strategy and Investment Plan
EAC	East African Community
EPRC	Economic Policy Research Centre
FDG	Focus Group Discussion
FIEP	Farm Income Enhancement Project
FOWODE	Forum for Women in Democracy
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IFPRI	International Food Policy Research Institute
IPFs	Indicative Planning Figures
ISFG	Integrated Support to Farmer Groups
ITAD	International Training and Development
LG	Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Department and Agencies
MDI	Micro-finance Deposit Institutions
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MGLSD	Ministry of Gender, Labour and Social Development
MJCA	Ministry of Justice and Constitutional Affairs
MLUD	Ministry of Lands and Urban Development
MoES	Ministry of Education and Sports
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MTEF	Medium Term Expenditure Framework
MTTI	Ministry of Trade, Tourism and Industry
MWE	Ministry of Water and Environment
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NBFP	National Budget Framework Paper
NDP	National Development Plan

NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPA	National Planning Authority
NRM	National Resistance Movement
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PELUM	Participatory Ecological Land Use Management
PFA	Prosperity for All
PIP	Public Investment Plan
PMA	Program for Modernization of Agriculture
PSC	Public Service Commission
RDS	Rural Development Strategy
SACCOs	Savings and Credit Cooperatives
SWAPs	Sector Wide Approaches
SWG	Sector Working Group
UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UCDO	Uganda Cotton Development Organization

Executive Summary

This study was motivated by the continued observation that the Agricultural sector continued to receive limited funding despite its recognized importance both to the overall economic growth and poverty reduction. All the efforts based on researched evidence and international declarations have yielded little or no increase to the budgetary allocations for the sector. Even passionate appeals to the feelings of those involved in the allocation of resources did not make the situation any better.

Despite the impressive growth that Uganda has registered over the last two decades, the Agricultural sector has experienced a tremendous decline in both its share and contribution to Gross Domestic Product (GDP). Real growth rate in agricultural output is the lowest among all the sectors of the economy and far below the National Development Plan (NDP) target of 4.9%. Even though the agriculture share in total GDP has declined from 37.3% in 2003/04 to 23.7% in 2008/09, the sector is still the mainstay of the Ugandan population. Most households derive their livelihood from agriculture, either directly or indirectly. In 2005/06, agriculture employed over 73% of the working population.

Uganda is a signatory to international and regional declarations aimed at increasing funding to agriculture. Uganda adopted the principles of the Comprehensive Africa Agriculture Development program (CAADP) in 2003 and the Maputo pledge of 10% budget allocation to agriculture with a broader objective of achieving and sustaining 6% growth target. Despite empirical evidence and international declarations, the Government of Uganda has not prioritized agriculture in her public spending to the extent that agriculture receives less than 5% of the national budget.

With these observations, PELUM Uganda was convinced that a new strategy is required beyond recitation of the importance and declarations of the sector. Consequently, the main study objective was to provide research evidence for use in advocating for increased prioritization and resource allocation to the agricultural sector. Government, at national, district and sub county levels, and existing reports, would obtain the required evidence through a critical analysis of trends in budget allocations to the agricultural sector, including the underlying decisions at all levels.

Methodology and Scope

The adopted methodology was to rely on literature review, statistical and qualitative methods. The reviewed literature revealed findings and recommendations from related efforts by scholars and international organizations. The statistical tools of analysis helped to interpret the actual trends in resource allocations for the agricultural sector. Actual budget releases were analyzed using tabular and graphical tools. Finally, qualitative methods were used to understand the underlying factors for low agricultural budget allocation.

The study mainly focused on the national agriculture budget allocations and outturns for fiscal years 2005/06, 2006/07, 2007/08 and 2009/10; district budget allocations and outturns for five districts: Arua, Kamuli, Ntungamo, Moroto and Luweero for fiscal years 2006/07, 2007/08 and 2009/10; and budget allocations and outturns for four sub-county: Nyakyera in Ntungamo, Katikamu in Luweero, Kisozi in Kamuli and Pajulu in Arua, for fiscal years 2006/7, 2007/08-2009/10.

The Budget Process

The Budget process in Uganda is a consultative process in that all levels of Government and major stakeholders are involved in contributing views and ideas for consideration in the budget. The consultations are mainly done at the national, sector and local governments levels. Sectors budget

are mainly determined by major Government policy decisions or direction provided by the political leadership.

Institutional spaces are provided for stakeholder participation in the national budget processes. Though CSOs have an opportunity to participate in the national budget formulation process, they mainly engage at the level of Sector Working Group (SWG) discussions, but their participation is lacking. Many CSOs do not have the adequate capacity (technical and financial among others) to present a strong case to influence the prioritization process. Instead, their participation in the process is characterized by mere presence in the discussions as opposed to influencing and shaping budget decisions.

The budget formulation process at the local government levels is highly politicized. The political institutions largely determine the key elements of the local government (LG) budget. Whereas one would expect that the agriculture sector, because of its potential impact upon the electorates, to receive a sizeable share of the budget, the absence of a significant allocation to the sectors shows that the budget process does not depend on a single institutional factor.

The Central Government wields a lot of power, both directly and indirectly, on the budget priorities at the districts. The direct effects operate through both conditional grants and budget IPFs. The IPFs set by the CG limit the range of possibilities for investment, especially in agriculture. This renders LG budgets a mere ritual and a necessary condition for disbursement of funds from the CG. Since LGs are increasingly relying on conditional grants from the CG as a result of diminishing local revenue, most LGs tend to concentrate on managing these resources and dedicate less time and attention to devise means of mobilizing alternative sources of revenue.

National Budget Allocations

The agricultural sector has not received more than 4% of the Government of Uganda (GoU)- financed budget since 2005/06. The budget allocation to the agricultural sector has stagnated at about 3.2% between 2005/06 and 2009/10. Although adding donor funded projects (projects reflected in the budget) raises the total allocation to the agricultural sector, the share of the agriculture spending in the total national budget is still below 5%. It is important to note that the above analysis is based on the approved budget figures; however, the released budget (on average 10% lower) could reduce the share of the agricultural sector expenditure in the total budget.

Looking into the future, the share of agricultural sector budget in the national budget is projected to marginally increase over the next three years, rising to 5.2% by 2013/14. However, much of the proposed increase in expenditure will be driven by donor funding. This creates skepticism regarding the commitment of government to use domestically generated funds for sustained expenditure to agriculture.

The slow growth in public agricultural expenditure is in stark contrast to relatively high public expenditure in other sectors such as public administration, security and interest payments. For instance, in the 2009/10 national budget, General Public Administration, Security and Parliament were allocated Ug.Shs 1,376.53 billion; Ug.Shs 503.40 billion and Ug.Shs 122.18 billion respectively compared to only Ug.Shs 331.18 billion that as allocated to the agricultural sector.

The argument is that the low funding for the agricultural sector is compensated for by the higher proportion of resources devoted to the Plan for Modernisation of Agriculture (PMA). For instance, in the FY 2007/08, US\$772 billion of the PMA resources was directed towards 181 projects with Ministries of; Energy and Mineral Development, MAAIF and MFPED taking the lions share. The biggest challenge with the multi-sectoral approach of the PMA is that there is no mechanism to ensure that PMA priorities are adequately captured within the budget prioritization.

Intra-Sectoral Allocations

In absolute terms, the amount of money allocated to agriculture in the national budget has been increasing from US\$ 148 billion in 2005/06 to US\$ 320 billion in 2009/10. This means the agricultural sector budget has more than doubled over the last five years. However, this increment is too small to address the challenges agriculture faces. The biggest consumer of the agricultural sector budget are Local Governments (mainly agricultural advisory services), MAAIF-Headquarters and NARO (agricultural research).

It's important to note that although the share of the MAAIF headquarters budget has been declining from 57% of total sector spending in 2005/06 to 2009/10, it's still too high given the headquarter mandate. In addition, the budget allocations at MAAIF-headquarters are inefficient. This is mainly because most the resources are spent on activities which are administrative in nature, than improving agricultural productivity. Though staff related costs are generally low, other expenditures on various ministers, vehicles, maintenance of vehicles, fuel and lubricants, workshops and seminars and consultancy services augment the high cost of running MAAIF and its sister agencies.

Agricultural extension services (mainly through National Agricultural Advisory Services) are taking a rising share of agricultural sector expenditures. The overall allocation to agricultural extension has increased from 25% of total sector spending in 2005/06 to nearly 43% in 2009/10. There has been tremendous increase in allocation of funds towards agricultural extension services at local government level mainly towards farmers' forums, technology development sites and agri-processing facilities. This is a good policy shift by government towards supporting the agriculture development in rural areas.

The biggest challenge with the NAADS approach is that there is no common agreement on the concept and practice of agricultural extension in Uganda among the politicians who make policies and technocrats who implement the policies. Funding dynamics of NAADS also contribute significantly to the stand-off between politicians and the technocrats (Namara, R. B., 2009). The impromptu intervention and suspension of the NAADS program by the President in recent years is causing a lot of inefficiencies in the implementation of the program.

Agricultural research and development spending is low compared to expenditure on the provision of other public agricultural goods and services. The agricultural research budget accounted for on average 18% between 2006 and 2009. Lack of funding for agricultural research at local levels is undermining the effectiveness of the advisory services as well as overall production and productivity. In addition, NARO is weak at designing research for the real needs of small scale farmers and in disseminating technology to the farmers. 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% of livestock farmers.

Development spending accounts for approximately 85% of total agricultural sector spending. However, the development expenditure is not synonymous with capital expenditure as is usually assumed. The sector development expenditures are heavily oriented towards non-wage recurrent expenditures rather than to capital expenditures. For instance, the share of capital outlays in the 2009/10 agriculture budget is only 12%, which is far less than that of the (85%) perceived development budget.

District Budget Allocations

Most district policy documents recognise agriculture as the engine of growth in their districts, but it's surprising that the budget allocations do not reflect this stance. This is because district budget allocations to agriculture are largely dependent on the central government transfers. Districts largely depend on Central Government transfers in form of Unconditional Grants, Conditional Grants and Equalization

Grants. At the moment there are about 43 central government grants. The Central Government transfers constitute over 85% of the district budgets.

Districts tend to implement national priority areas, of which agriculture is low ranking due to the factors explained in the next section. With exception of Moroto district, less than 10% of the total central government releases to districts studied goes to agriculture, of which over 85% are NAADS grants. It is important to note that the share of agriculture in total release from the central government is slightly higher than the share of agriculture in the national budget. Despite this, resource allocation for agriculture is inadequate to address the agriculture development challenges faced by local governments.

At the district level, agriculture is placed under the production sector which includes spending on agriculture production, office, crops, veterinary, fisheries, vermin control, entomology, commercial services and trade. The trends in allocations to the production sector are consistent with the trends in central government transfers. That is to say, districts with higher/lower central government transfers tend to have higher/lower allocations to the production sector. This means, budget allocations to the production sector are low and not stable in most districts compared to allocation to the education and health sector.

The fact that agriculture is low ranking is based on the fact that it does not have too much political backing at both national and local levels. Consequently, its budget is not so much protected and even allowed to grow more than others such as education, health, defense and public administration. Increasing allocations to agriculture requires strong and important lobby groups both local and national levels, but this is not the case. Unlike other players in the budget process such as teachers, farmers are not so organized to effectively lobby increased funding. If organized farmers groups (district farmers' forums) were able to lobby policy makers and even donors, it is plausible that agriculture funding will increase.

For all the districts studied, development spending is the largest, taking over 80% of the sector budget. Development spending has been increasing over years. However, the very low allocations to wages and non-wage expenditures are an issue of concern since implementation of activities is dependent on individuals who have to be well remunerated and motivated. In all the districts studied, low human capacity in the agricultural sector is a big concern. For instance, districts have extension staff that only stay at the district head offices, doing nothing, because they don't have transport to visit farmers.

Sub County Budget allocations

Sub counties depend on the releases from the districts which in turn depend on releases from the central government. Budget decisions at the district levels have direct effects on the sub counties. For all the sub-counties studied, funding for agriculture is through the PMA and NAADS grants. Generally sub-counties allocate more funds in their budgets to agriculture compared to the national and district levels. Over half of the entire sub-county budget is spent on agriculture related programmes. The higher share of agriculture in the sub-county budget is more encouraging especially given the fact that the sub-county is final service delivery organ; where actual service delivery takes place. The biggest challenge is that the actual amounts are too meager to create meaningful impact on the agricultural development.

The biggest challenge at the sub-county level is the lack of access to budget information by key stakeholders such as farmers. First, it's difficult to obtain copies of the sub-county development plans, budgets and work plans mainly, because most of the sub-counties are unable to produce enough copies and do not have computers to store electronic copies. Secondly, even in cases where these documents are available, it was difficult to discern how much they spend on agriculture, since they do not provide accurate data over years regarding their budgets. In addition, most beneficiaries especially farmers are

not aware of the budget process, don't participate in the budget conferences, and know little how much is being spent.

Policy Recommendations

This paper notes that although the role of agriculture in poverty reduction and overall growth in Uganda is well-recognized, investment in the sector remains minimal. The paper asserts that for Uganda to achieve meaningful poverty reduction, agricultural growth must be accelerated through increasing public spending even beyond the 10% agreed upon under CAADP. Against this background, we recommend the following:

- Resource Mobilization for Agricultural Development. Government needs to curtail the cost of public administration in order to avoid crowding vital sectors such as agriculture. In addition, government can mobilize more resources from oil revenues towards agricultural sector development.
- Government should expeditiously increase budget allocation to the agricultural sector even beyond the Maputo commitment of 10% of the total national budget. The MTEF should be restructured to accord more resources towards the agriculture sector.
- Resource re-allocation within the agricultural sector. Given the low levels of capital spending within the sector, MAAIF should strategically shift the development budget from non-wage recurrent to capital projects expenditures.
- Prudent utilization of budget resources. MAAIF and LGs need to be more effective in planning and implementation of their activities.
- Improve MAAIF collaboration with LGs. Since more resources will continue to shift from the central government to local governments, it's vital for MAAIF to improve its collaboration with the LGs to ensure effective implementation of agricultural programmes.
- Agricultural extension services. MAAIF needs to develop a comprehensive agricultural extension policy to guide implementation of agricultural extension in Uganda.
- Strengthen research and extension service linkages. Government should ensure that increases in agriculture extension funding is matched with the increased in funding for agricultural research.
- Both districts and sub counties should ensure that all stakeholders especially farmers are involved in the budget process, through increasing access to budget information.

The whole book is available on request. Please contact PELUM Uganda for a copy.

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