CSBAG Position paper on Agriculture MPS FY 2015/16

About CSBAG

Civil Society Budget Advocacy Group (CSBAG) is a coalition formed in 2004 to bring together civil society actors at national and district Levels to influence Government decisions on resources mobilization and utilization for equitable, gender responsive and sustainable development.

Since 2004, CSOs under the umbrella of CSBAG have engaged Government in influencing the budget process to ensure that both the local and national budgets address the needs and aspirations of the poor and marginalized groups of people in Uganda.

Introduction

The sector is composed of Ministry of Agriculture Animal Industry and Fisheries (MAAIF), National Agriculture Advisory Services (NAADS), Dairy Development Authority (DDA), National Agricultural Research Organization (NARO) National Animal Genetic Research Center and Data Bank (NAGRIC-DB), Uganda Cotton Development Organization (UCDO) and Uganda Coffee Development Authority UCDA).

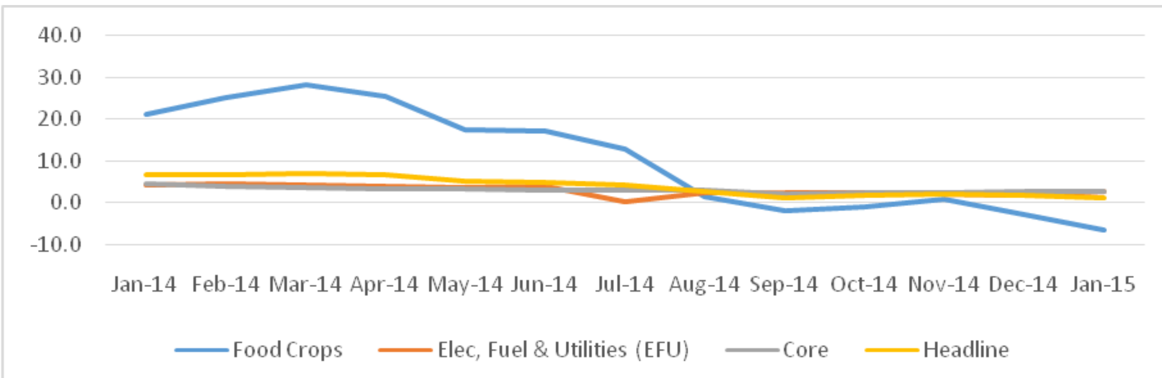
The Agriculture Sector employs about 66% of Uganda's total labour force, and the vast majority especially, the poor men and women in the rural areas who directly or indirectly depend on it. It not only generates incomes and betters livelihood for the majority of Ugandans, but has a great potential to transform the economy. This demonstrates the importance of the sector to the poor, especially women who derive their livelihood from agriculture. The sector is largely private sector led, with government left with expenditure in research, seed multiplication and certification, extension services and disease control. However, this does not bar government from intervening in the sector through establishing the necessary infrastructure for private sector to prosper.

Although the contribution of agriculture to total GDP has been fluctuating since 2001/02, the sector continues to dominate the Ugandan economy. It contributed approximately 24.8% of GDP during the FY 2013/14.[1]

Agriculture and inflation

The agriculture sector is equally important in stabilizing inflation. In February 2015, **headline inflation** continued to decline, only now reaching an all-time low of 1.4%, last seen in November 2010 and September 2014. Year on year, headline inflation has reduced from 6.9% in February 2014 to 1.4% in February 2015. Core inflation has reduced from 3.9% in February 2014 to 3% in February 2015

Figure 1: Inflation trend from January 2014 to January 2015



Source: Bank of Uganda statistics as at February 2015

Figure 1 above further highlights the down ward trend of the headline inflation over the past twelve months. The biggest single factor that possibly has contributed to this down ward trend is the declining food crop inflation as highlighted in figure 1.

Agriculture and international trade.

Collectively, exports earnings from selected national priority commodities (coffee, maize, tea, beans, bananas, fish, milk and its products, meat, cassava and fruits) increased by about 25%, from USD $ 129.2 million in the first half of the FY 2012/13 to USD $ 160.9 million in the first half of the FY 2013/14 as shown in the table below. However, exports volumes indicated a 7% decline from 116,660 Tonnes in the first half of the FY 2012/13 to 108,567 Tonnes in the first half of the FY 2013/14.

[1] Rebased GDP estimates for 2013/14

Table 1: Comparison between Agriculture Export performance H1 FY 2012/13 and H1 FY 2013/14

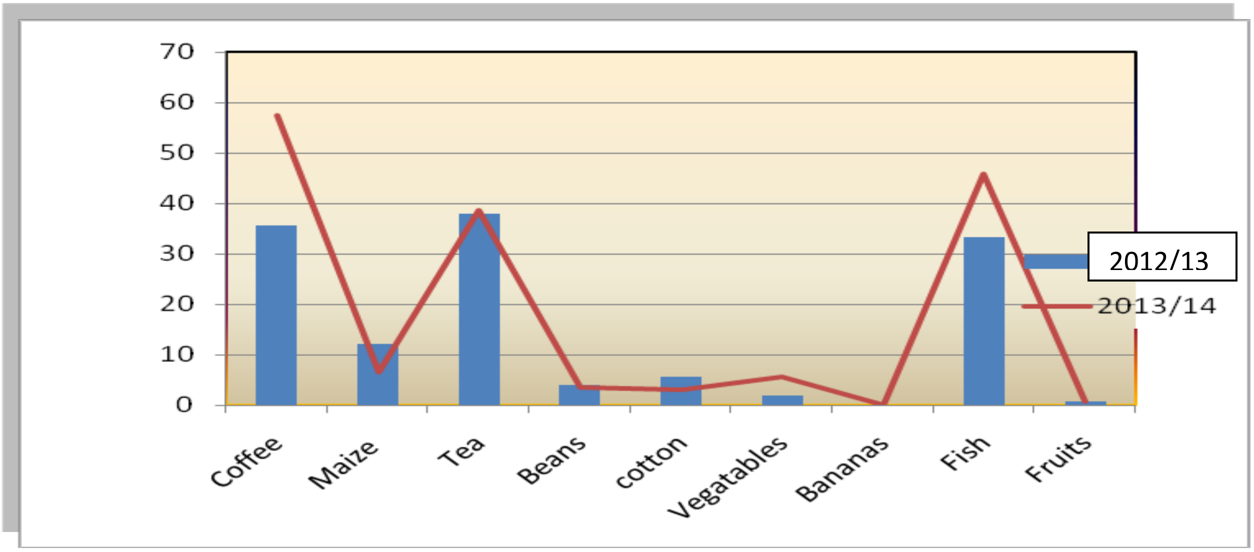
	H1 FY 2012/13		H1 FY 2013/14		Growth	
Commodity	Volume (tonnes)	Value (US$ millions)	Volume (Tonnes)	Value (US$ millions)	Volume (Tonnes)	Value (US$ millions)
Coffee	16,312	35.6	28,988	57.6	77.71%	61.80%
Maize	52,893	12.2	30,230	6.5	-42.85%	-46.72%
Tea	27,058	38	26,059	38.7	-3.69%	1.84%
Beans	8,439	3.9	8,345	3.5	-1.11%	-10.26%
Cotton	5,314	5.7	8,636	3.1	62.51%	-45.61%
Vegatables	1,279	1.9	3,842	5.6	200.39%	194.74%
Bananas	35	0.0151	66	0.021192	88.57%	40.00%
Fish	7,223	33.3	7,769	45.9	7.56%	37.84%
Fruits	1,287	0.749	720	0.69	-44.06%	-7.88%

Source: Uganda Revenue Authority

Commodities like cocoa beans and vegetables (not in table 1 above) had very strong performances with each of them increasing by more than 100% in exports quantities from the first half of the FY 2012/13 to the first half of the FY 2013/14. Their exports values generally followed a similar trend.

Coffee exports increased from 16,312 Tonnes in the first half of the FY 2012/13 to 28,988 Tonnes in the first half of the FY 2013/14 (a significant increase of about 78%). These exports earned Uganda approximately USD $ 57.6 million in the first half of the FY 2013/14, in contrast to USD $ 35.6 million in the FY 2012/13 (an increase of about 62%). This maintained coffee’s stand as the most valuable agricultural commodity, contributing 31% of income from agricultural exports in the first half of FY 2013/14. Fish remained the second most valuable commodity, contributing 25% to income from agricultural exports, by earning Uganda about USD $ 45.9 million in the first half of 2013/14. This was a 39% increase from the USD $ 33.0 million recorded in the first half of the FY 2012/13. The volume of fish exported increased from 7,223 Tonnes in the first half of the FY 2012/13 to 7,769 Tonnes in the first half of the FY 2013/14 (An increase of about 8%). Fish exports were strongest in the second quarter of the FY 2013/14. Fruits exports decreased from 1,287 Tonnes to 720 Tonnes in the first half of the FY 2012/13 and the first half of the FY 2013/14 respectively (a decline of about 44%). This was echoed by an 8% decline in revenue, from USD $ 749,859 in the first half of the FY 2012/13 to USD $ 690,288 in the FY 2013/14.

Figure 2: Contribution of key selected crops for 2012/13 and 2013/14



Source: CSBAG computations

From figure 2 above, coffee, fish and vegetables had the biggest improvement in the FY 2013/14 compared to the other enterprises in the FY 2012/13.

As a strategy to support production in key crops government has started the provision of seeds and other inputs to increase production of commodities under the commodity approach. This approach is priority that government is implementing under the mandate of the leaner NAADS Secretariat.

It should be noted that increasing production without strategies for value addition will mean that our exports will remain raw material oriented rather than processed and therefore giving support to farmers across the entire value chain is critical to increasing production and productivity. In the FY 2015/16, out of the required UGX35bn for this activity, there is however a budget provision of UGX15billion; creating a funding gap of UGX20 billion to boost value addition efforts in the 10 priority commodities.

We appreciate government‘s desire to promote value addition in priority commodities and we recommend that funds be sourced to support this initiative in order to bolster the value of agriculture exports. Better yet, the MAAIF should unpack the value addition initiatives for the propriety commodities so that civil society and parliament can analyze their viability to ensure value for money.

Financial performance and funding for the sector FY2015/16

Release performance

During the FY 2014/15, the sector was allocated Ushs billion 436.663bn which was 2.9% of the national budget. At 3/4 period, Ushs340.855 billion (78%) of the sector budget was released. For the period under review MAAIF recorded 79% release performance which was largely influenced by the development budget-(GOU) where out of the budgeted UGX 33.275bn, UGX 35.777bn reflecting 108% was released. In contrast out of the UGX 18.6bn budget for external financing, only UGX 7.6bn was released which is only 41% performance.

DDA recorded strong release performance at 71% arising out of receiving UGX 3.57bn out of the budgeted UGX 5.044bn. This was influenced by 88% release performance in the wage category while Development (G.O.U) performed poorly at 44%.

NAADS also performed well by recording a 99% release performance resulting from a strong posting from development budget at 100% and Recurrent budget 82% respectively.

The overall release performance in the sector was undermined by NAGRIC& DB received 54% of its annual approved budget by 3rd quarter of the FY 2013/14.

Table 2: Release performance for Agriculture sector by Q3 FY 2014/15

VOTE	MDA	2014/15	Release.	2015/16 Budget	Release perf	Y-Y %
10	MA AIF	84.075	66.622	142.53	79%	70%
121	DDA	5.044	3.57	5.044	71%	0%
125	NAGRCDB	4.05	2.173	4.95	54%	22%
142	NARO	154.62	93.195	98.2	60%	-36%
152	NAADS	160.703	159.19	183	99%	14%
155	UCDO	5.991	2.405	7.786	40%	30%
160	UCDA	22.18	13.7	43.79	62%	97%
	Grand Total	436.663	340.855	485.3	78%	11%

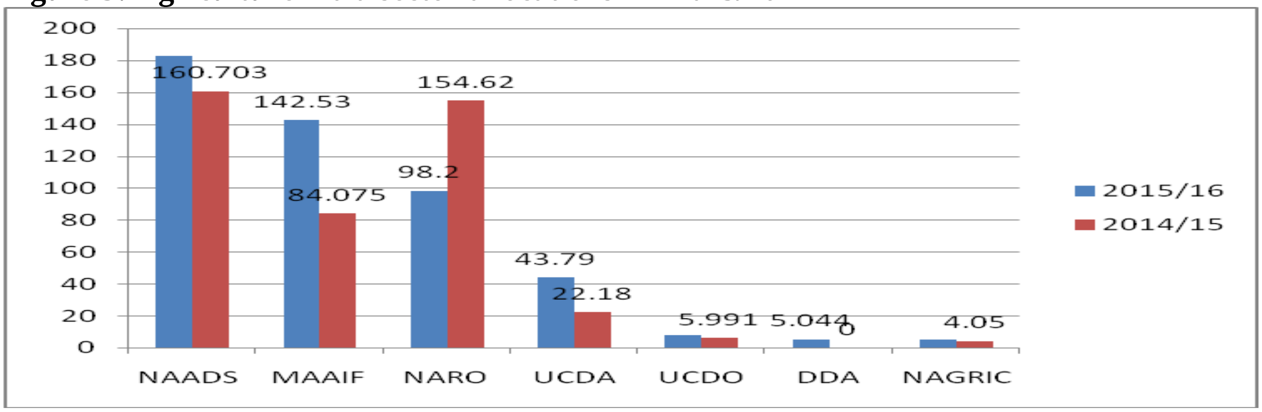
Source: Agriculture Ministerial Policy statement FY 2015/16

Intra sectoral allocations for FY 2015/16.

Over all, the gross budget for the sector is expected to grow by 11% from UGX 436.6bn in FY 2014/15 to UGX 485.3bn for FY 2015/16. Although an increment has been realized for the sector, it is still below the 10% requirement set by the Malabo declaration on agriculture financing. Inability to move at pace with Malabo declaration implies that the strategic investments that would revolutionize agriculture will not be adequately funded and consequently Poverty reduction will be a challenge and GDP growth rate at 6% will be hard target to reach. Lack of enough funds to facilitate value addition will mean that Uganda will continue to export largely raw material and the overall trade balance will remain unfavorable in both short term and long term as long as government doesn't not adequately fund the sector.

The budget for MAAIF will grow by 70% from UGX 84.075bn to UGX142.5bn in FY 2015/16.This is largely attributed by the increment in the development budget by 93%.

Figure 3: Agriculture intra sector allocations FY 2015/16



Source: CSBAG calculations and computations

Other notable increments have been noted in UCDA, UCDO and NAGRIC-DB which all registered 97%, 30% and 22% respectively.

NARO is projected to see the budget decline from UGX 154.62bn FY 2014/15 to UGX 98.2bn in FY 2015/16 representing a reduction of 36% where as DDA's budget will be maintained at FY2014/15 level. The drastic fall in the budget for NARO has been occasioned by a decline in external Financing to NARO arising from reduction in ATAAS funding and closure of EAAPP project Phase I.

Observation.

From the analysis above we observe that sector is still inadequately funded and such will not be able to transform our economy in the medium term. We also note with concern that the Policy statement is missing important information in material aspects in respect to out, approved budget at vote function level across the sector.

Recommendations

1. We request government to make a commitment to fund agriculture sector to at least 6% of the total budget. We aspire for that Financial Year when government will make it a first priority like it has done for physical infrastructure.

2. On the issue of inadequate data in the policy stament.While it may be understand able due changes brought about by the Public Finance Management Act,2015 going forward Parliament should ensure that all the budget documents that come to parliament disclose all material information in order to be considered.

Foot and Mouth Disease (FMD)

Although the sector prioritized enhancing control and averting the spread of livestock diseases especially FMD, in the FY 2014/15 they allocated 2.710Bn, the vector and disease in priority animal commodity has only increased by 0.2Bn in the FY 2015/16. This increment is insufficient especially now when five risk factors for FMD have been identified by the sector baseline.

Recommendation:

In order to improve production and productivity of animals, there is need for vigilance in surveillance activities in animal disease and control.

Water for production

Uganda's agriculture has remained significantly rain fed despite recent changes in weather the country has not invested strategically in Irrigation despite the availability of water sources all over the country. Access to appropriate technologies for irrigation among smallholder has remained a challenge as major focus is given to large scale irrigation schemes that can only serve farmers in proximity and in FY2015/2016 there are no planned targets for small scale irrigation demonstrations.

Recommendation:

In the FY 2015/16, focus should be given to investing in the promotion and availability of appropriate irrigation technologies that can widely be adopted by smallholder farmers

Sector Specific issues

- **Acute staffing gap in the districts and sub counties**

According to the Ministerial Policy Statement of the sector, the implementation of the single spine extension system is a priority in 2015/16 and in the medium term. MAAIF requires UGX 39bn to fully staff and pay salaries for the vacant extension staff in all districts and sub counties in accordance with the new staff structure.

a) Sub county level;

The new structure provides for one Veterinary Officer, one Agriculture Officer and one Fisheries Officer where necessary. A total of 3,236 officers are required at Sub county level for implementation of Single spine extension system. Out of the 3,236, three hundred eighty nine (389) positions are filled. Hence there is a staffing gap of 2,847 positions.

b) District level;

The new structure provides for one District Production Coordinator, one Principal Agricultural Officer, one Principal Veterinary Officer, one Principal Fisheries Officer, one Principal Entomologist and 1 Senior Agricultural Engineer for Water for Agricultural Production. A total of 672 officers are required at District Level. Out of the 672 officers, 77 positions are currently filled. Thus a staffing gap of 595 positions.

Observations

It is observed that at the current staffing level only 129 out of 1,392 sub counties[2] which is only 9.26% staffing level if we assumed every sub county to have three officials. Every district requires 6 officials and bearing in mind that only 77 positions are filled against the required 672, that the staffing capacity is only 11.4%. Going by number of the districts in the country at 112 it implies that on average only 12 districts have full staff capacity.

It is further observed that the figures presented in the policy statement at page 22 is confusing in respect to the actual over all funding gap for the implementation of the single spine system.

Recommendations.

1. We strongly recommend for the provision of funds for the staff structure under the single spine system at least to achieve a minimum 60% staffing capacity to ensure that that activities envisaged are kicked off.

2. We further argue the Ministry to provide clear information on what actually is the funding gap for staff recruitment.

- **Poor funding for implementation of the single spine extension system**

There is need to increase the Agricultural conditional grants to districts; following the closure of district NAADS operations and giving a larger mandate of implementing extension to the district/sub county Production Departments. The Departments therefore require operational funding. The current Production and Marketing Grant (PMG) to districts has been constant at UGX 10.4 billion for the last 8 years.

Observation.

Operation funds are critical otherwise the officers going to be recruited will remain redundant leading to further wastage of resources. It should be remembered that the number of districts has increased to 112 districts; including KCCA. The sector requires UGX 50bn to offset the stopping

[2] National Population and Housing Census Provisional Results 2014.

of district operational funds formerly in NAADS, and so government should avail operational resources for the single spine extension system at the district and sub county level, facilitate collection of statistics as well as facilitating all other functions of disease control, regulation and enforcement.

Recommendations

1. We strongly associate ourselves with the need to provide financial capacity for the district extensions services to perform under the new strategy. In the interim we recommend that UGX25billion be allocated.

2. We further recommend that FY 2015/16 be used as base so that in the subsequent financial years a properly costed implementation plan be made for single spine extension service

- **Agricultural exports inspection and certification**

The Fresh fruit flower and vegetable exports contribute about 30% of Uganda's agricultural Exports revenue[3]. MAAIF requires an additional UGX 5.5 billion to equip and boost the work of the newly recruited crop and animal inspectors at the airport and border posts with an urgent need to buy heavy duty x-ray at the airport and hand scanners for the inspectors to use at the Entebbe airport. It is further stated that the inspectors are also needed to assist farmer's eradication of the self codling month and any other harmful organisms in the exportable agriculture produce.

Observation

We observe inspection and certification is a very important activity in the sustainable export strategy of the country to ensure quality assurance and customer confidence. MAAIF requires UGX 12.5bn for this activity against the budget provision of UGX 7bn hence funding gap of UGX5.5bn.

Recommendations

1. We strongly recommend that that the funding gap be closed by allocating additional 5.5Bn for the purchases of the required inspectional apparatus.

- **Poor commitment towards implementation of irrigation scheme development**

The Ministry in FY 2015/16 seeks to implement The Project on Irrigation Scheme Development in Central and Eastern Uganda under (PISD)-JICA whose main objectives are Improvement of

[3] MAAIF Policy statement.

national food security and farmer household income through increased sustainable irrigated rice production.

Observation.

We observe that the ministry has implemented a number of irrigation projects before which have not been successful. For example the Farm Income Enhancement and Forest Conservation Project (FIEFOC) under the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) commenced in 2005 and was scheduled to end in 2010. The mid-term review conducted in April 2009 recommended a further extension of this project to December 2012 to complete unfinished activities. Within the Agriculture Enterprise Development component was a sub-component to build small scale irrigation schemes. During FY 2009/10, the bulk of expenditures on the four irrigation schemes (87%) was on general operating expenses, indicative of poor allocative efficiency.

Recommendations

1. The funds under this project should be well utilized and translated into tangible outputs

2. There is need for the ministry to design a strategy aimed at improving absorption of funds especially for the projects.

- **Unfinished projects proposed in FY 2014/15**

MAAIF in January 2014 submitted a number of project proposals to MFPED for the Development Expenditure so as to be included into the Public Investment Plan (PIP); beginning 2014/15. At the start of the Financial Year MAAIF had not received MFPED clearance on all the project proposals.

- Enhancing National Food Security through Increased Rice Production in Eastern Uganda; a PPP with M/s Pearl Rice and M/s Tilda; to be financed by IDB and GOU. The project was approved by IDB and the financing agreement signed. The Project also requires counterpart funding for especially Land Compensation of UGX 6bn annually.
- Regional Pastoral Livelihoods Resilience Project (RPLRP) to be implemented in the Karamoja sub region. This is financed by the World Bank and GOU. The project was approved by the World Bank and is slated to commence in FY 2014/15; but has not yet been approved by the DC/MFPED and thus has no project Code.
- The National Agriculture Leadership Training Centre – Kampilingisa by KOICA and GOU. The construction of buildings (civil works) is 80% completed; and is due to be handed over to MAAIF.

Observations.

We note with concern that the Policy statement doesn't have information about the herein mentioned projects and their plans for implementation.

Recommendations

1. We strongly recommend that MAAIF should always liase with MFPED to ensure that proposed projects are cleared in time for commencement at the beginning of the year.
2. We further recommend that government should put in a place a budget line for counterpart funding so that projects don't stall for lack of GOU commitments.
3. Also Parliament should seek for more information about the status of the projects highlighted above.

- **Limited funding for NAGRIC&DB**

In FY 2014/15 government sought to establish an animal law enforcement unit; stock government farms with heifers, and exotic bulls establish district Artificial Insemination (AI) centers; construct animal holding grounds at major boarder points; avail pure Mubende and small East African goats to farmers; import Kuroiler hatching eggs; and mobilize and recruit farmers into Open Nucleus Breeding system.

Observation

The NAGRIC &DB funding has remained static but is there is no concrete information about the outputs highlighted above. We also observe that the institution has a potential to be self reliant if adequately funded.

Recommendation

1. We strongly recommend that the institution gives an account of the outputs for FY 2014/15.
2. We further recommend that NAGRIC&DB carries of out a study to find out the minimum investments required to guarantee self reliance.

- **SPECIFIC ISSUES FOR NARO**

While it is true that NARO is experiencing a budget decline for FY 2015/16, it is indicated on page 480 that a budget of UGX4.8bn will be spent on the purchase of motor vehicles.

Observation

We have observed that in FY 2015/16 the institution was given clearance to purchase only one vehicle and therefore there is need for clarity on what the 4.8bn will do exactly

Recommendation.

We strongly recommend that the Parliament should pick interest in issue and where possible earmark that money for other pressing priorities with in the sector.