CIVIL SOCIETY BUDGET ADVOCACY GROUP (CSBAG)[1]

POSITION PAPER ON AGRICULTURE FINANCIAL YEAR 2013/14

2013

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[1] 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.

1.0 Introduction

The Agriculture Sector largely employs the poor, especially women in the rural areas. This demonstrates the importance of the sector to the poor people. The sector is largely private sector led, with government left to regulation. Although the contribution of agriculture to total GDP has been fluctuating since 20008/09, the sector continues to dominate the Ugandan economy in terms of percentage of population employed (over 70%). It contributed approximately 22.9% of GDP in 2011, 24% in 2011/12 and 23.2% in 2012/13. The agricultural sector is composed of Ministry of Agriculture, Animal Industry and fisheries (MAAIF), Coffee Development Authority (CDA), Coffee Development Organization (CDO), National Agricultural Advisory Services (NAADS) Secretariat, Dairy Development Authority (DDA), National Agricultural Research Organization (NARO) and Kampala City council Authority (KCCA).

Sector priorities according to the 2013/14 budget speech

- Modernization of the Agriculture Sector through increased production and productivity through the commodity approach for 10 strategic commodities
- Improving competitiveness and promoting private sector development in agriculture through support for infrastructure development of water for production
- Provision of agriculture services through the decentralized system of government and strengthen it.

The Agriculture Sector Development Strategy and Investment Plan (DSIP 2010/11-2014/15) define the agriculture sector development agenda and is the source of the sector priorities. The DSIP is being implemented through the Agricultural Technology and Agribusiness Advisory Services (ATAAS).

Sector Budgetary allocations

Table 1: The Agriculture sector budget for FY 2013/14

Subsector	Budgetary allocation (*Excluding taxes and arrears)*		
	2011/12	2012/13	2013/14
MAAIF	42.258	80.604	83.563
NARO	29.596	34.088	80.060
NAADS Secretariat	45.962	52.910	52.119
UCDO	1.9	3.607	3.586

UCDA	1.064	2.912	2.912
DDA	3.555	4.033	5.044
NAGRC	-	-	3.450
Local Governments	143.104	150.498	150.585
Total	**267.439**	**328.652**	**381.319**

Source: MPS MAAIF 2013/14

Financial performance

In 2012/13, UGX 378.99bn was approved; UGX 171.727bn was released by December 2012. UGX 126.765bn was spent (73.8% absorption rate). UGX 680 million released to KCCA for urban commercial services; only 40m was spent (6.6% absorption rate). UGX 31.08bn released to NAADs; only 8.37bn was spent (26.9% absorption rate). NAADs Secretariat had the largest number of underperforming outputs; Secretariat program management & coordination performed at 59.3%, Agribusiness development for priority commodities performed at 0% and Purchase of office equipment and ICT performed at 0%.

CSO concerns and recommendations

Issue 1: Low budgetary allocations to Agriculture

Agriculture is the main stay of Uganda's growth and poverty reduction. Its performance is critically important for a pro-poor pattern of growth since it employs over75% of the country's population; majority of whom are in rural areas. It provides a base for the improvement of the livelihoods of both rural and urban populations. Despite the importance of the sector, reviews of public expenditure and programs clearly show that the agriculture sector has been declining; agricultural output is the lowest in all the sectors of the economy and is far below the National Development Plan (NDP) target of 4.9%. Besides the decline in agriculture, Uganda has up to now not prioritized agriculture in her public spending to the extent that the sector receives less than 4% of the national budget (BFP 2013/14). The sector allocation of 3.3% (FY 2012/13) and 3.2% (FY 2013/14) is not in tandem with the Comprehensive Africa Agriculture Development Programme (CAADP) declaration target of at least 10%, allocation of the National Budget. This has been accelerated by poor absorption capacity of budget resources with regard to expenditure as such; service delivery related activities have been negatively affected thus; performance compromised.

Recommendation

- Government should consider the allocation of the additional resources to agriculture to meet the minimal Maputo commitment of 10 % of the total national budget.

Issue 2: Neglect of Irrigation as a method of production

Uganda's agriculture is still rain-fed despite the abundance of water in the country as provided both by rains and water bodies. This has rendered the sector's output erratic, inefficient and unpredictable. The bulk of financing in regard to water for production has consistently been left to donors under such projects as Water for Production, Livelihoods Support Programme, and Community Agricultural Infrastructure Improvement Programme (CAIIP) among others. Irrigation as a method of production has been neglected, despite the simplicity of its basic technology and its enormous potential in Uganda's agricultural sector. The 2012/13 national budget allocated funds of irrigation however it was shifted to Ministry of Water and Environment, up to now; no physical irrigation schemes have been established or renovated. The BFP 2013/ 2014, indicates irrigation as a non-funded priority. This will compromise the previous attempts and frustrates its potential to attract financial support and adoption.

Recommendation

- Government should invest more in irrigation as a method of crop production and this will among other things increase productivity especially during the dry season.

Issue 3: Limited Access to credit

Shortage of capital and credit is a serious constraint to improving farming; mechanization, improved productivity and production. Government has not provided adequate funding towards improving access to credit by farmers. Government also spends very little to expand poor farmers' access to credit. Despite the rapid growth of the financial industry and its penetration in rural areas, the contribution of formal financial institutions in bridging the agricultural gap remains low. SACCOs are the most common source of agricultural financing with close to 22% of farming households accessing credit from them.

Recommendation

- We propose that, earmarked funds for lending to small scale farmers at affordable interest rates at least 2%.

- Increase Farmers Access to Agriculture Financing by establishing a Farmer's Bank to provide the much needed appropriate credit – this will support transformation of agriculture.

Issue 4: Limited access to the market

The Marketing boards in agriculture that used to help the poor farmers access the markets were left to the private sector. The private sector has no interest in the plight of the majority engaged in the agriculture sector. Its profit maximization goal exploits all those in the value chain; and consequently makes agriculture unprofitable for those that are involved at a subsistence level.

Recommendation

- The government should revamp the various marketing boards so as to make access to the market easier for our farmers
- The Government should set up produce storage points to buy excess produce from the farmers during bumper harvests and stabilize the price of crop produce during the period of scarcity.

Issue 5: Limited Value Addition

Vision 2040 recognizes that there is massive opportunity for value addition through agro processing. This will enhance Uganda's competitiveness on the world market, boost foreign exchange earnings and employment. It can also reduce wastage, enhance food security, improve livelihoods for low-income groups and empower disadvantaged groups of society like; rural women and youth. The BFP 2013/ 2014 proposes a budget cut against value addition from 4.352 to 0.576 billion shillings. The reduction is in contradiction with the Vision 2040, objectives. Aware that, majority of agricultural production takes place in rural areas and therefore; adding value to agricultural produce requires investment in based infrastructure especially energy. The BFP further suggest a cut in budget allocation on rural electrification from 7.640 in 2012/ 2013 to 3.608 in FY 2013/2014 despite an over expenditure in the last FY from 7.640 – 11.365.

Recommendation

- The fact that, more enterprises are being proposed for consideration in value addition investment and the potential it holds to refurbish the economy , investment in the Teso fruit processing factory should be fast tracked.

- Rural electrification should be elevated to meet more producing communities and investment has yielded results and demand for resources has been exhibited in an over expenditure in the last FY.

Issue 6: Ineffective Agriculture Extension Services

The National Agriculture Advisory Service (NAADS), created by an Act of Parliament, 2001, is mandated to provide agriculture extension services through provision of information about the prevailing condition of the farmers' crops, possible pest and disease attacks and how to mitigate them, and on how to use improved crop and animal varieties for better yield. This has however persistently failed as the programme is mired by corruption, politics and wrong mindset of the farmers due to bad past experiences with the programmes extension workers. The commencement of NAADS distribution of agriculture inputs, only worsened its extension service provision became worse.

Recommendation

- Government needs to restructure extension services to ensure that there is a multidirectional flow of information that reaches both the NAADS Secretariat and farmers in a timely manner.