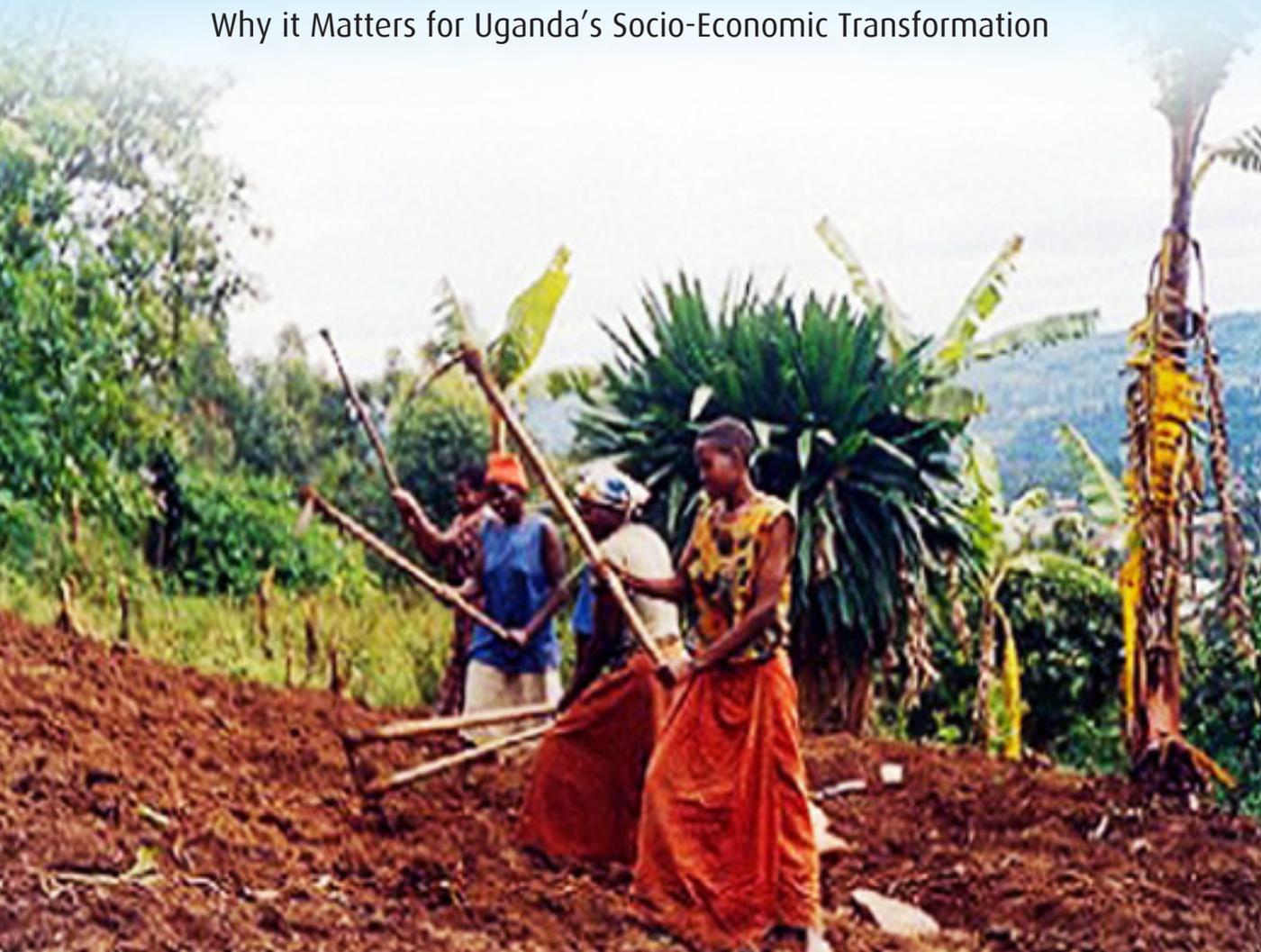




INCREASING AGRICULTURAL SECTOR FINANCING

Why it Matters for Uganda's Socio-Economic Transformation



Daniel Lukwago

ACODE Policy Research Series No. 40, 2010

Published by ACODE
P.O Box 29836, Kampala
Email: library @acode-u.org, acode@acode-u.org
Website: <http://www.acode-u.org>

Citation:

Lukwago, D. (2010). Increasing Agricultural Sector Financing: Why it Matters for Uganda's Socio-Economic Transformation. ACODE Policy Research Series, No.40, 2010. Kampala.

© ACODE 2010

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the publisher. ACODE policy work is supported by generous donations and grants from bilateral donors and charitable foundations. The reproduction or use of this publication for academic or charitable purpose or for purposes of informing public policy is excluded from this general exemption.

ISBN 978-9970-07-001-5



INCREASING AGRICULTURAL SECTOR FINANCING

**Why it Matters for Uganda's Socio-Economic
Transformation**

Daniel Lukwago

ACODE Policy Research Series No. 40, 2010

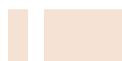


Table of Contents

List of Figures	iv
List of Tables	iv
List of Abbreviations	iv
Acknowledgements	vii
Executive Summary	viii
1. Introduction	1
2. Conceptual and Analytical Framework	5
3. Agricultural Public Spending	7
3.1 Composition of Government Spending	8
3.2 Intra-sectoral Budget Allocations	11
3.2.1 Agricultural Sector Priorities	11
3.2.2 Agriculture Research and Development	14
3.2.3 Agriculture Extension	16
3.2.4 Recurrent versus Development Spending	20
3.3 Budget Allocations through the Plan for Modernization of Agriculture	22
3.4 Agricultural Credit	24
4. Why the Agricultural Sector Receives Minimal Funding?	26
4.1 Lack of Strategic Leadership	26
4.1.1 Political Leadership	27
4.1.2 Policy Leadership	27
4.2 Distortions in the Budget Architecture	29
4.2.1 Medium Term Expenditure Framework (MTEF)	29
4.2.2 Ministry of Finance, Planning and Economic Development (MFPED) Perception	30
4.2.3 Donor Preference for Social Sectors	30
4.3 Failure of the Private Sector Model	31
5. Policy Recommendations	33
5.1 Re-orient the National Budget	33
5.2 Promulgate the National Agriculture Policy	34
5.3 Resource re-allocation within the Agricultural Sector	34
5.4 Utilize budget resources prudently	34
5.5 Improve the sector absorption capacity	34
5.6 Agricultural extension services	35
5.7 Strengthen research and extension service linkages	35
5.8 Improve MAAIF collaboration with LGs	35
5.9 Improve access to credit	35
5.10 Improve on Human Resources	35

References	36
Publications in this Series	41

List of Figures

Figure 1: National Budget Allocations for FY 2009/10	8
Figure 2: Economic Composition of the Agricultural Sector Budget, FYs 2005/06–2008/09	12
Figure 3: Intra-sectoral Allocation of the NARO Budget, FY 2009/10	15
Figure 4: PMA PIP Project Relevant Budget by Ministry, FY 2007/08	23
Figure 5: Loan Applicants by Purpose of Loan and Sex (%)	25
Figure 6: Trends in Sector Share of Donor Projects in National Budget FYs 2001/02 – 2009/10.	31

List of Tables

Table 1: Sector Contributions to GDP and GDP growth (at basic prices)	2
Table 2: Comparison of budgets for agriculture, average for 2002–2004	3
Table 3: National Budget Allocations (including donor projects)-US\$ Bn	7
Table 4: Agriculture's share of the national budget (excl. donor projects) in relation to other sectors, FYs 2001/02-2009/10	9
Table 5: Agriculture's share of the national budget (incl. donor projects) in relation to other sectors, FYs 2001/02-2009/10	10
Table 6: Proportion of agriculture budget allocated to DSIP priority areas, compared with DSIP projections, FYs 2005/06 to 2007/08	11
Table 7: Trends in intra-sectoral allocation in the agriculture budget (including donor projects) FYs 2001/02 -2009/10	13
Table 8: NAADS policy priorities and their assumptions	18
Table 9: Agricultural sector Recurrent and Development Spending (Ug.Shs Billion), FYs 200/1 -2009/10	20
Table 10: Trends in PMA Allocations by PIP Project Pillar	24
Table 11: Planned Investment Levels in 2008/09	32

List of Abbreviations

ACODE	Advocates Coalition for Development and Environment
AU	African Union
BFP	Budget Framework Paper
CAADP	Comprehensive Africa Agriculture Development Programme
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
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
ISFG	Integrated Support to Farmer Groups
ITAD	International Training and Development
LG	Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
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
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
PFA	Prosperity for All
PIP	Public Investment Plan

PMA	Programme for Modernization of Agriculture
PSC	Public Service Commission
RDS	Rural Development Strategy
SWAPs	Sector Wide Approaches
UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UCDO	Uganda Cotton Development Organization
UNFEE	Uganda National Farmers Federation

Acknowledgements

This paper is part of ACODE's overarching effort to promote evidence-based policy debate on increasing public expenditure in critical sectors of economic development and socio-economic transformation in Uganda. Similar studies have been conducted in the area of budget policy and public administration expenditure. This study is among the products of the Citizens' Budget Tracking and Information Centre (CBTIC) project, being supported by the Netherlands Embassy in Uganda and the International Budget Partnership (IBP). The overall goal of the CBTIC is to increase accountability and transparency in the allocation and utilization of both local revenue and donor funds by raising citizens' awareness. We highly appreciate the financial support from the Netherlands Embassy in Uganda and the International Budget Partnership (IBP).

During the course of the research, I received significant help from a number of people whose input was helpful in accomplishing this study. I am particularly grateful to all ACODE staff who provided useful comments and thoughts during the research seminars that were organized to review the paper. Special thanks go to Godber Tumushabe and Ronald Naluwairo for their strategic and intellectual support that shaped the analysis presented in this paper.

Finally, I extend special thanks to Boaz Blackie Keizire of the African Union Commission in Addis Ababa, Ethiopia, for conscientiously peer-reviewing the paper and providing insightful comments and additions to it, and Blythe Austin for providing technical editing support.

I have taken care and due diligence to ensure the accuracy of information and data provided in this paper. Any errors or omissions are my responsibility as the author.

Advocates Coalition for Development and Environment

Executive Summary

Despite the tremendous reduction in income poverty and impressive economic growth, Uganda is still languishing in a low-income trap, with low levels of socio-economic transformation. The share of the agricultural sector in Uganda's total Gross Domestic Product (GDP) has been declining from 39.9% in 2001/02 to 23.7% in 2008/09, which has been erroneously regarded as a key indicator of socio-economic transformation by some policy makers. However, it is inconceivable to believe that Uganda's economy has been transformed. This is because most of Uganda's social indicators have not improved considerably. There is serious imbalance between the structural change in the economy and the labour force. Whereas the contribution of the service and manufacturing sectors to the economy is increasing, their share of the labour force is falling. This means that the current economic growth is not having an impact on labour movement and employment.

The slow pace of socio-economic transformation in Uganda can be attributed to the neglect of the agricultural sector as an engine of growth. The growth strategy for Uganda has not been anchored on getting agriculture moving. Over the last decade, the agricultural sector in Uganda has had a raw deal in terms of budget allocations. The sector has also suffered poor prioritization of the limited resources it is allocated. ACODE, as part of her advocacy work, is producing this paper to better understand the nature and composition of the agriculture public expenditure with the view of providing practical proposals for enhancing socio-economic transformation.

This paper identifies and discusses a number of challenges for the financing of the agricultural sector in Uganda. The 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. For effective poverty reduction, agricultural growth in Uganda needs to be accelerated. This requires investments in critical areas to enhance productivity and transformation of the sector.

I. Budget allocation to the agricultural sector

Since agriculture interventions are scattered across many sectors and do not give an accurate picture of the public resources committed to agriculture, it is difficult to analyse trends in public spending on agriculture. This constraint notwithstanding, budget allocations to the following core agencies: (i) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), (ii) National Agricultural Research Organization (NARO), (iii) National Agricultural Advisory Services (NAADS), (iv) Uganda Cotton Development Organization (UCDO), (v) Uganda Coffee Development Authority (UCDA), (vi) Local Governments (agricultural extension and production services), and (vii) Plan for Modernization of Agriculture (PMA) non-sectoral conditional grants, are by far the most important indicator of the amount of

public resources directly devoted to agriculture.

Over time, the approved budget for agriculture (core agencies mentioned above) in relative terms has declined from an estimated 5.1% of total government spending in 2001/02 to 4.3% in 2009/10. The decline in agriculture's share of expenditure is in stark contrast to the strong growth in social sectors such as education, general public sector management and public administration sectors. Though the share of spending allocated to agriculture is projected to marginally increase over the next three years; rising to 5.2% of the total government spending by 2013, much of the proposed increase in expenditure is driven by a projected rise in development spending projected to come, directly or indirectly, from donor funding. This shows little commitment by government to use domestically generated funds for sustained expenditure on agriculture. The low levels of agriculture spending are grossly insufficient to sustain any major or substantial investments that can create the necessary institutional and physical infrastructure required to transform the economy.

II. Allocative efficiency

Analysis of the allocation of the resources within the agricultural sector shows many gaps with regard to allocative efficiency. The priorities of the agricultural sector are defined in the MAAIF Development Strategy and Investment Plan (DSIP). However, the DSIP has not been used to draw up sub-sector budgets. Advisory services and research are accorded the highest priority; taking about 59% of the sector budget. However, many other core public goods remain underfinanced, undermining the potential impact of research and advisory services. The critically underinvested areas are rural infrastructure, livestock, plant pest and disease control, regulatory services and institutional development. For instance, plant pest and disease control has received less than 1% of total resources, while the proportion of funding allocated to livestock disease control has continued to fall over the last three years.

The MAAIF headquarters takes nearly half of the entire budget. However, this has been declining from 70% in 2000/01 to 40% in 2009/10. The high allocation to the headquarters is partly due to higher wage allocations for senior staff; high transport costs to Kampala from Entebbe where the ministry headquarters are located; and other recurrent expenses such as fuel and vehicle maintenance. In addition, there are value for money concerns as regards procurement of goods and services, especially at the MAAIF headquarters. For instance, according to a report by Economic Policy Research Centre (2009), a total of US \$225,007.9 (Ug.Shs.427,515,010) was wasted in the procurement of vehicles that worked for less than two years and are currently grounded.

The agricultural sector's recurrent budget is relatively small and the share of wage to non-wage expenditures appears well balanced. Though the 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. For instance, travel costs (inland and abroad), cost of vehicle maintenance and fuel account for 23% and 20% respectively of the non-wage recurrent.

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

III. Multi-sectoral approach through PMA

The major argument from policy makers in Uganda is that under-funding of the agricultural sector (MAAIF) is compensated for by the higher proportion of resources devoted to the PMA's multi-sectoral approach. Resources are spent on other sectors which are presumed to have a direct impact on sustaining Uganda's long-term economic development, notably infrastructure and social sectors, which are expected to support agricultural development.

In FY 2007/08 Ug.Shs 772 billion of the PMA resources was directed towards 181 projects. Four ministries of Energy and Mineral Development (22.8%), Agriculture Animal Industry and Fisheries (19.9%), Finance Planning and Economic Development (19.2%) and Works and Transport (14.0%), accounted for over 76% of the total PMA project relevant budget allocations. However, although it is certainly true that promoting agriculture requires investments in areas that are not strictly agricultural (such as infrastructure), other critical production and productivity drivers like research and technology development and access to credit have been neglected. In addition, there is no mechanism to ensure that PMA priorities are adequately captured within the budget prioritization, partly because several line ministries and agencies do not take the agreed PMA undertakings seriously. Furthermore, the disbursement rates on PMA projects is very low at 54% of the levels budgeted. The unbalanced implementation of the PMA is typified by that fact that the highest level of disbursements is registered with policy and institutional reform (77%), and lowest with marketing (14%) and rural finance (24%).

IV. Agricultural research and development

Despite the fact that empirical studies have shown that research and development has the greatest impact on labour productivity and poverty reduction among all type of agricultural spending, funding towards agricultural research is declining. Funds allocated for research through NARO accounted for on average 24% of sector spending between 2000 and 2005

and 18% between 2006 and 2009. The situation is further worsened by the fact that NARO is weak at designing research for the real needs of farmers and actually disseminating 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% of livestock farmers (Action Aid, 2010).

V. Agricultural extension services

Agricultural extension services (mainly allocations to NAADS and local governments) are taking an increasing share of 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. Spending on extension is projected to rise further to 49% of sector spending in 2012/13. Increasing resource allocations to agricultural extension at local government level shows a good policy shift by government towards supporting agricultural development in rural areas.

Though the success of NAADS remains contested, two major independent evaluations by ITAD (2008) and IFPRI (2007) described the programme as successful mainly in the area of farmer empowerment and adoption of improved technologies. The biggest challenge with the NAADS approach is that there is no common agreement on the concept and practice of agricultural extension among the politicians who make policies and technocrats who implement them. The impromptu intervention and suspension of the NAADS programme by the President in recent years is causing a lot of inefficiencies in the programme's implementation. This is denting the success so far registered.

VI. Agricultural Credit

The government and donors recognize the need to increase the availability of credit to farmers, but there is general belief among policy makers that credit is a private rather than a public good. Despite the fact that farmers cite shortage of capital and credit as their single biggest constraint to improving farming, the government is not investing enough resources in providing credit to farmers. Only 4% of the PMA funds are allocated towards rural finance services, which include increasing access to credit. Worse still, most financial institutions have not developed suitable lending instruments for agriculture, in that agriculture receives less than 10% of lending from commercial institutions. Consequently, most farmers cannot access credit from such institutions because they lack the required collateral security for the loans. Without access to credit, many farmers are unable to invest in future production, to expand their farming or take a risk.

VII. Key policy recommendations

The central argument of this paper is that the current poor agricultural performance is attributed to limited public spending in agriculture. Unless the Government of Uganda heavily invests in the agricultural sector, the country will not achieve socio-economic

transformation. It is against this background that, I recommend the following:

1. Re-orienting the national budget. Government should tremendously increase budget allocation to the agricultural sector even beyond the Maputo commitment of 10% of the total national budget. This can be done through curtailing the cost of public administration and prudent utilization of oil revenues towards agriculture development.
2. Promulgating the National Agriculture Policy. Government should expedite the process of promulgating the National Agriculture Policy with a clear definition of public and private sector interventions to integrate and harmonize all the sub-sectors and programmes under agriculture with the objective of improving service delivery and support to the poor farmers.
3. Re-allocating budget funds within the agricultural sector. MAAIF needs to strategically shift development resources from non-wage recurrent to capital expenditures. In addition, MAAIF needs to devise ways to re-balance the operational costs structure towards the operational or technical departments whose effectiveness is currently constrained due to lack of funds.
4. Prudently utilize allocated budget funds. MAAIF needs to be more effective in the planning and implementation of its activities and to show how agriculture can become a driving force in economic growth and sustainable poverty reduction. In addition, the sector should devise means of increasing its absorption capacity.
5. Revamping the agricultural extension services. MAAIF should review of the regulatory, policy and legal framework with the aim of guiding implementation of the agricultural extension programmes in Uganda. In addition, the sector should ensure that the increase in extension service funding is matched with increase in funding for agricultural research.
6. Improving collaboration between MAAIF and Local Governments. Since more resources will continue to shift from central to local governments, mainly to NAADS, it is vital for MAAIF to improve collaboration with the local governments to ensure effective implementation of agricultural programmes.
7. Improving access to agricultural sector credit. Government through the MFPED should exploit the possibility of establishing an Agricultural Bank that will explicitly focus on farmers' credit needs, hedge against risks like crop failures and volatilities in the prices of agro-products.

1

Introduction

After decades of political turmoil and economic decline, Uganda has been able to register some improvement in the wellbeing of its citizens. The number of people living in absolute poverty reduced from 56% in 1992 to 31% in 2006. Despite the tremendous reduction in income poverty and impressive economic growth,¹ Uganda is still languishing in a low-income trap with minimal socio-economic transformation.² Income inequality as measured by the Gini Coefficient³ increased from 0.365 in 1992/03 to 0.408 in 2005/06.⁴ A sizeable number of Ugandans (over 26% of households) were living in chronic poverty⁵ in 2006.⁶ The percentage of household that are food secure dropped from 83% in 1992 to 66% in 2005.⁷

The share of the Agricultural sector⁸ in Uganda's total Gross Domestic Product (GDP) has been declining from 39.9% in 2001/02 to 15.4% in 2008/09 (Table 1), which has been erroneously regarded as a key indicator of socio-economic transformation by some policy makers. However, some key factors that characterize Uganda's economy do not show evidence that it has been transformed. This is because most of the social indicators have not improved considerably. For instance, out of the 30.66 million Ugandans,⁹ 85% live in rural areas of which 73.3% are engaged in subsistence agriculture and hunting.¹⁰ Most of the agricultural holdings are characterized by small land holdings with a few who have isolated commercial holdings.¹¹

¹GDP (at factor cost) growth of 7.2% between 1997/98-2000/0, 6.8% between 2000/01 – 2003/04 and 8% between 2004/05-2007/08.

²Characterized by low life expectancy at birth, high mortality (infant and maternal) rates), high levels of unemployment, high levels of people living in poverty especially chronic poverty, high levels of gender inequality, among others.

³Measures inequality in household consumption per adult equivalent.

⁴UBOS (2009). Statistical Abstract 2009.

⁵Chronically poor people are mainly those living in rural areas and engaged in agriculture, especially crop farming

⁶CPRC (2008). The Chronic Poverty Report 2008-09: Escaping Poverty Traps; Chronic Poverty Research Centre.

⁷UBOS (2006). Uganda National Household Survey 2005/06: Report on Socio-economic module.

⁸Cash crops, food crops, livestock, forestry and fishing activities.

⁹Population Secretariat; accessed at http://www.popsec.org/key_facts.php#population_size [30 November 2009].

¹⁰UBOS (2009). Statistical Abstract 2009.

¹¹Musiime, E., et al., (2005). Organic Agriculture in Uganda: The need for a Coherent Policy Framework. ACODE Policy Research Series No. 11, 2005.

Table 1: Share of primary growth sectors in GDP and growth performance in Uganda

	% share in GDP					% annual growth				
	1988	1997	2004	2007	2008	1988-97	1998-02	2004-08	2007	2008
Agriculture	51.1	33.1	17.3	14.5	15.4	3.9	5.4	1.1	1.7	2.2
Forestry	2.2	1.7	3.3	3.5	3.4	4.7	7.0	3.9	2.2	4.2
Manufacturing	5.9	8.4	7.0	6.9	7.2	13.2	7.2	6.3	7.6	6.7
Hotel & Restaurants	1.1	1.9	4.0	4.1	4.1	13.1	3.8	9.6	9.2	12.5
Mining	0.1	0.6	0.3	0.3	0.4	34.6	8.0	13.0	5.0	10.4
Posts & Telecom	0.2	0.6	2.0	3.0	3.4	10.1	22.8	26.2	16.1	39.6
Construction	4.1	6.5	11.9	12.2	12.2	6.5	6.3	6.3	4.8	5.8

Source: NDP (2010).

There is a serious imbalance between the structural change in the economy and the structural change of the labour force. Whereas the contribution to the economy of the service and manufacturing sectors is increasing, their share of the labour force is falling. For example, the proportion of persons engaged in agriculture increased from 65.5% in 2002/03 to 73.9% in 2005/06, while real agricultural growth declined from 7.9% in 2000/01 to 2.2% 2008/09. The percentage of employment in manufacturing decreased from 6.8% to 4.2% and in services decreased from 26.8% to 20.7% while their share in GDP was rising.¹² This clearly shows that the current economic growth is not having an impact on labour movement and employment. The inelasticity of labour movement from agriculture to other fast growing sectors such as services is a clear indication of diminutive socio-economic transformation of the Ugandan economy.¹³

The slow pace of socio-economic transformation in Uganda can be attributed to the neglect of the agricultural sector as an engine of growth. Whereas national GDP has been growing above five per cent per year over the last decade, during this same period, the agricultural sector experienced very low growth of about two per cent per year. Furthermore, agricultural growth has been erratic, with agricultural GDP rising during 2002-2003, falling in 2004, and then remaining stagnant during 2005-2006.

Agriculture has a well-established record as an instrument for poverty reduction. Success stories of agriculture as the basis for growth are well documented; agricultural growth was the precursor to the industrial revolutions in England in the mid-18th century and Japan in late-19th century. More recently, rapid agricultural growth in China, India, and Vietnam was the precursor to the rise of industry.¹⁴ However, evidence has shown that the growth strategy for Uganda has not been anchored on getting agriculture moving.

¹²NPA (2010). National Development Plan (2010/11-2014/15). Republic of Uganda, Kampala, Uganda.

¹³Uganda National NGO Forum (2009). Unlocking Uganda's Development Potential: 8 Fundamentals for the Success of the National Development Plan, A Civil Society Perspective Paper, July 2009.

¹⁴World Bank (2008). World Development Report 2008: Agriculture for Development, World Bank, Washington D.C

The Government of Uganda is among the African Union states that adopted the principles of the Comprehensive Africa Agriculture Development Programme (CAADP)¹⁵ in 2003 and the Maputo pledge of 10% budget allocation to agriculture with a broader objective of achieving and sustaining 6% growth target. Unlike some countries such as Burkina Faso, Chad, Mali, Niger, Ethiopia, Malawi and Cape Verde that have met the 10% goal,¹⁶ Uganda is yet to make any progress towards achieving these agreed targets. In addition, Uganda spends relatively less than other countries (*Table 2*), when spending is measured as the share of agricultural budget in GDP.

Table 2: Comparison of budgets for agriculture, average for 2002–2004

Income group and country	Agriculture as a percentage of GDP	Agriculture budget as percentage of GDP	Agriculture budget as percentage of GDP, adjusted to the size of the agricultural sector in each country
Middle-income countries			
Turkey	13.0%	2.0%	0.15
Mexico	4.0%	0.7%	0.18
Venezuela	5.0%	0.5%	0.12
China	15.0%	1.2%	0.08
Brazil	9.3%	0.7	0.08
Russia*	6.0%	0.95%	0.16
Ukraine	11.6%	1.3%	0.11
Low income countries			
Uganda	32%	1.5%	0.05
Tanzania	45%	1.2%	0.03
Ethiopia**	44%	2.7%	0.06
Kenya	29%	1.3%	0.04

*Note: * Data for Russia are for 2003. ** Data for Ethiopia are for 2004/05. To make the data for Ethiopia comparable to data for other countries, transfers under the vulnerability and food security programme and expenditures on rural energy, mining, federal roads, and water supply are excluded.*

Source: World Bank, AgPER, 2009 (p.12)

After years of silence, the debate over the role of agriculture in development in low income countries has gained momentum. Much of this debate, often spearheaded by the international development agencies,¹⁷ has not effectively spurred government to galvanise strategies and mobilize more resources to invest in the agricultural sector.

¹⁵CAADP was endorsed and adopted by the African Heads of State and Government at the Summit of the African Union in July 2003 in Maputo, Mozambique, as a framework for the restoration of agriculture growth, food security and rural development in Africa.

¹⁶Mkandawire, R., (2009). Investment in Agriculture Africa's Path to Prosperity. The New Vision, Thursday November 19, 2009.

¹⁷See World Bank (2008). World Development Report 2008: Agriculture for Development, World Bank, Washington D.C

Despite proclamations in the policies¹⁸ and budget speeches,¹⁹ the Government of Uganda has not prioritized agriculture in her public spending, as manifested in the fact that agriculture receives less than 5% of the national budget.²⁰ The minimal public spending on agriculture has been associated with, among other things: lack of strategic leadership; distortions in the budget architecture; and the failure of the market-based model of agricultural development.

The central argument of this paper is that the current poor agricultural performance is attributed to limited public spending in agriculture. Unless the government of Uganda invests heavily in the agricultural sector, the country will not achieve socio-economic transformation. Government should allocate more resources for agriculture even beyond the Maputo Declaration of allocating at least 10% of government's total budget. In addition to meeting and exceeding the Maputo target, government should improve efficiency of its agricultural spending. Public expenditure should be concentrated on investment research and development; extension services; provision of credit; and rural infrastructure, especially feeder roads and markets. Resources should also be allocated to activities that, although considered to be non-agricultural, will promote agricultural processing and marketing, such as investments in rural electrification and community roads.

This study was undertaken by mainly relying on comprehensive review of literature comprising official government documents, budget speeches, ministerial policy statements, international publications and scholarly papers. The study provides systematic and comprehensive analysis of the agricultural sector financing by civil society. The paper is intended to act as a policy guide to enable Ugandan policy makers prioritize agricultural sector spending so as to achieve greater impact. It also helps to augment the case for an appropriate level of funding for the sector as per the Maputo Declaration.²¹

The paper is divided into five sections. Section 2, following this introduction, is a discussion of the key concepts used in the paper. Section 3 analyses sectoral and intra-sectoral budget allocation to the agricultural sector. Section 4 provides some of the major reasons why agriculture ranks low in the sectoral allocations. Section 5 provides the conclusion and policy recommendations.

¹⁸NPA (2010). National Development Plan (2010/11-2014/15), p.52. Republic of Uganda, Kampala.

¹⁹For instance, the theme for the 2009/10 National Budget was 'Enhancing Strategic Interventions to Improve Business Climate and Revitalize Production to Achieve Prosperity For All'.

²⁰Agricultural sector ranked 9th (4.3%) of the total national budget allocations according to the approved estimates of revenue and expenditures for FY 2009/10.

²¹Governments agreed to adopt sound policies for agricultural and rural development, and committed to allocating at least 10% of national budgetary resources for their implementation within five years.

2

Conceptual and Analytical Framework

The starting point to providing a conceptual framework for this paper is to define the concept of “socio-economic transformation”. In this paper, socio-economic transformation is used to refer to systematic and measurable improvements in macro economic performance as well as micro and household-level indicators in which the majority of the population is being lifted out of poverty leading to economically-based industrial skills and intellectual labour rather than archaic human muscle.²² Socio-economic transformation therefore, should be seen as a qualitative and quantitative positive movement from a bad to a better situation. The movement can be incremental or dramatic. Socio-economic transformation is also not an event but a process. For example, the economic development status achieved by the Asian Tigers is considered to be one of the most dramatic economic transformations of our times.²³

Transformation can be accomplished by doing what it takes to launch political, social, cultural and economic reforms in a multi-sectoral manner. In most agricultural-based economies such as Uganda, economic transformation depends on a number of factors which include increased production, higher productivity, marketing infrastructure and pricing systems. Unfortunately, Uganda has had problems of increasing agricultural productivity. This has led to low socio-economic transformation.

Agriculture is the most important source of employment, income and overall well-being in Uganda. Most households directly or indirectly derive their livelihood from agriculture. Agriculture provides the basis for growth in other sectors such as manufacturing and services. The sector is also the basis for much of the industrial activity in the country since most industries are agro-based. The agricultural sector is the biggest source of foreign exchange²⁴ and is a major source of saving and investment for many Ugandans.

Empirical studies have shown that increased agricultural growth is the most efficient way of reducing inequality, and that agriculture matters more than manufacturing growth for poverty reduction. A study by Benin, et al. (2007)²⁵ showed that if agriculture in Uganda

grew at 6% per annum, the poverty rate would be cut by an additional 7.6 percentage

²²Tumushabe, G., W., et al., (2007). Transforming Commonwealth Societies to achieve Political, Economic and Human Development: Technical Background Paper Prepared for Kampala CHOGM 2007.

²³Ibid.

²⁴Over 95% of the Uganda's exports are primary agricultural commodities.

²⁵Benin, S., et al., (2007). Agricultural Growth and Investment Options for Poverty Reduction in Uganda. International Food Policy Research Institute (IFPRI), Discussion Paper 00790.

points to 18.9%, much lower than the 26.5% that would be reached if agriculture continued to grow at the average rate of 2.8% per year. It follows, therefore, that any strategy for sustained growth with socio-economic transformation must centre on rapid growth of the agricultural sector.

The other key concept employed in this paper is “public agricultural expenditure”. The definition of public agricultural expenditure is contestable, such that there is no common understanding of what it encompasses. A Public Expenditure Review (PER) done in Uganda in 2007 that followed the United Nations definition of agriculture spending - Classification of Functions of Government (COFOG)²⁶ - indicated that Uganda was spending about 6% of its budget in the sector in 2007/08.²⁷ However, the government definition of public agricultural spending following the seven PMA pillars showed that in 2007/08 government spending to the sector was about 8%, more than half of which goes to MAAIF and its agencies.²⁸

However, in this paper, I define public agricultural expenditure as the amount of funds allocated in the national budget for agriculture under the following core agencies: (i) Ministry of Agriculture, Animal Industry and Fishery (MAAIF), (ii) National Agricultural Research Organization (NARO), (iii) National Agricultural Advisory Services (NAADS), (iv) Uganda Cotton Development Organization (UCDO), (v) Uganda Coffee Development Authority (UCDA), (vi) Local Governments (agricultural extension and production services), and (vii) Plan for Modernization of Agriculture (PMA) non-sectoral conditional grants. Nevertheless, whichever definition one uses, public spending on the agricultural sector is still too low to meet Uganda’s commitment according to the Maputo Declaration.

It should be noted that there is substantial off-budget spending by some donors and NGOs estimated to be equivalent to 10 – 20% of the agriculture budget. Since the information about the off-budget spending remains fragmented and difficult to obtain, no attempt is made in this paper to analyse it.

The lack of reliable data makes it difficult to analyse trends in public agricultural spending. Agricultural interventions are scattered across many sectors and do not give an accurate picture of the public resources committed to agriculture. This constraint notwithstanding, budget allocations to the above-mentioned core sector agencies are by far the most important indicator of the amount of public resources devoted to agriculture.

²⁶Includes budget allocations for forestry, water for production, agricultural land, and agriculture-related services.

²⁷MAAIF (2009). National Agricultural Policy (draft). Kampala, Uganda.

²⁸Ibid.

3

Agricultural Public Spending

Public spending is one of the most effective instruments in promoting agricultural growth and poverty reduction in Uganda. In absolute terms, government spending on agriculture (national budget allocation to agriculture) has been increasing from US\$ 135 billion in 2000/01 to US\$ 320 billion in 2009/10. This means the agricultural sector budget has more than doubled over the last ten years. However, this is less than the growth in the total national budget; which increased more than three-folds during the same period.

Table 3: National budget allocations (including donor projects)-US\$ Bn

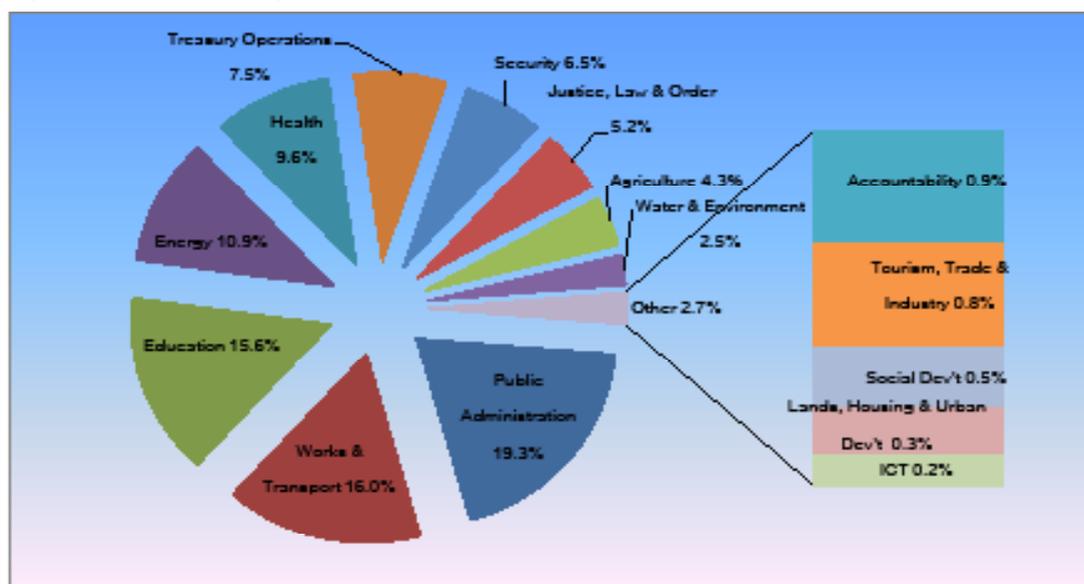
Sector	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Roads & works	346.89	316.65	325.25	402.33	374.15	464.88	625.59	1,083.73	1,214.83
Education	514.29	550.79	587.31	618.93	635.72	720.81	767.09	899.34	1,079.62
Public admin & sector management	347.61	380.63	373.46	421.52	505.55	576.67	739.36	784.18	1,045.04
Economic functions & social services	361.92	337.50	279.11	313.47	406.38	671.38	532.44	535.14	808.53
Health	314.13	337.92	385.56	383.44	506.06	381.84	428.26	628.46	735.67
Security	229.24	261.66	331.15	371.84	373.88	377.26	443.24	477.24	487.68
Accountability	23.67	27.31	254.50	204.97	174.35	197.11	336.19	417.60	461.89
Interest payments	155.10	144.60	227.80	258.90	290.63	253.90	289.12	379.05	368.22
Justice, law & order	131.31	147.51	162.55	177.22	181.59	195.75	234.56	280.42	359.57
Agriculture	135.21	133.11	99.37	115.64	148.85	146.58	202.47	223.22	310.73
Water & environment	107.34	126.05	96.59	111.05	110.08	121.23	156.31	150.28	172.24
Total	2,669.74	2,763.73	3,122.65	3,379.31	3,707.24	4,107.41	4,754.63	5,858.66	7,044.02

Source: Author's computations based on the MFPEP Approved Estimates of Revenue and Expenditure (various years).

3.1 Composition of Government Spending

Examining the composition of total government expenditures reflects that the top three prioritized sectors for Uganda in 2009/10 were roads and works, education and public administration²⁹ (Figure 1). The agricultural sector is among the lowest ranked sectors in the national budget. For instance, in the 2009/10 national budget, General Public Administration³⁰, 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 was allocated to the agricultural sector. The cost of public administration (uncontrolled expansion of the Executive³¹, Presidential Advisors³² and districts³³) is imposing a huge toll on the national budget.³⁴ The budget for public administration and public sector management has grown rapidly over years and in addition, it claims a lion's share of supplementary budgets, which negatively affects budget allocations and releases to other sectors especially agriculture.

Figure 1: National budget allocations for FY 2009/10



Source: Author's computations based on the MFPED, Approved Estimates of Revenue and Expenditure FY 2009/10.

²⁹Mainly on State House and the Office of the President, Parliament and Districts.

³⁰Includes: MFPED (Ug.Shs 262.19 bn), URA (Ug.Shs 107.99), Office of the Prime Minister (Ug.Shs 144.32 bn), MoPS (Ug.Shs 144.78bn), MoLG (Ug.Shs 124.18 bn), EAC (Ug.Shs 15.13 bn), NPA (Ug.Shs 9.8 bn), PSC (Ug.Shs 3.48bn), LGFC (Ug.Shs 2.14), LGs (Ug.Shs 261.17 bn), Office of the President (Ug.Shs 36.96 bn), State House (Ug.Shs 76.43bn), MoFA (Ug.Shs 9.43bn), Electoral Commission (Ug.Shs 47.45bn), Missions Abroad (Ug.Shs 46.73 bn).

³¹In less than a decade, the size of the Cabinet increased from 42 ministers originally provided for in the constitution to approximately 75 in 2009.

³²From 4 in 1994 to 71 in 2003.

³³From 30 in 1990 to 100+ in 2010; with this number of districts, Uganda surpasses Russia to become the first country with the largest number of the highest level sub-national administrative units in the world.

³⁴Tumushabe, G., W., (2009). Trends in Public Administration Expenditure in Uganda: The cost of the Executive and its Implications on Poverty Eradication and Governance. ACODE Policy Research Series, No. 27.

Investment in agriculture has been found to contribute to growth and poverty reduction, yet the development of the sector remains poor. The agricultural sector has not received more than 4% of the Government of Uganda (GoU)-financed budget in any year since 2000/01. As shown in *Table 4*, budget allocation to the agricultural sector (MAAIF and its agencies) in relative terms has slightly increased from 2.6% in 2000/01 to 3.8% in 2009/10. It is vital to note that this is based on approved budgets; however, the released budget (on average 10% lower) could reduce the share of the agricultural sector expenditure in the total budget.³⁵ 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 infrastructure³⁶ required to transform the economy.

Table 4: Agriculture's share of the national budget (excl. donor projects) in relation to other sectors, FYs 2001/02-2009/10

Sectors	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Education	24.1%	24.8%	23.0%	22.8%	21.6%	22.3%	20.3%	17.3%	17.4%
Roads & Works	8.9%	7.4%	7.3%	6.5%	5.8%	5.8%	8.2%	16.2%	16.0%
Public Admin & Sector Management	17.1%	17.8%	15.5%	16.5%	17.9%	17.5%	16.7%	14.1%	15.2%
Security	12.0%	12.9%	14.4%	15.3%	13.9%	12.3%	12.5%	10.5%	9.1%
Economic Functions & Social Services	7.4%	7.4%	5.7%	4.9%	6.7%	11.6%	7.8%	7.1%	8.4%
Health	8.9%	9.6%	9.5%	9.7%	9.0%	7.9%	7.8%	8.3%	8.1%
Interest Payments	8.2%	7.1%	9.9%	10.6%	10.8%	8.3%	8.1%	8.4%	6.9%
Justice, Law & Order	6.8%	7.0%	6.6%	6.8%	6.5%	6.2%	6.4%	5.9%	6.4%
Accountability	1.2%	1.3%	3.5%	2.9%	3.1%	2.9%	6.2%	6.4%	6.4%
Agriculture	2.6%	2.3%	2.1%	2.0%	3.0%	3.0%	3.3%	3.5%	3.8%
Water & Environment	2.8%	2.4%	2.7%	2.1%	1.5%	2.3%	2.7%	2.2%	2.3%
Total	100.0%								
Agric Budget Allocation as a Percentage of GDP (current prices)	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.6%

Source: Author's computations based on the MFPED, Background to the Budgets (various years) and UBOS; Statistical abstracts (various years).

Although combining the Government of Uganda-financed budget with donor financing (projects reflected in the budget) raises the total agriculture public expenditure substantially, it has not yet exceeded 5% of the total national budget (*see Table 5*). In fact, agriculture public expenditure as a percentage of the national budget declined from about 5.1% in

³⁵World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C.

³⁶ACODE and UNFFE (2009). Farmers' Petition to the President and Members of Parliament of the Republic of Uganda. INFOSHEET No. 7, 2009.

the year 2001/02 to 4.4% in 2009/10. Donor funding accounts for a substantial portion of agricultural funding in Uganda; however, it is usually under-reported or not accounted for in calculating the total agricultural spending, which complicates spending estimates to agriculture.

Table 5: Agriculture's share of the national budget (incl. donor projects) in relation to other sectors, FYs 2001/02-2009/10

Sectors	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Education	19.3%	19.9%	18.8%	18.3%	17.1%	17.5%	16.1%	15.4%	15.3%
Roads & Works	13.0%	11.5%	10.4%	11.9%	10.1%	11.3%	13.2%	18.5%	17.2%
Public Admin & Sector Management	13.0%	13.8%	12.0%	12.5%	13.6%	14.0%	15.6%	13.4%	14.8%
Security	13.6%	12.2%	8.9%	9.3%	11.0%	16.3%	11.2%	9.1%	11.5%
Economic Functions & Social Services	11.8%	12.2%	12.3%	11.3%	13.7%	9.3%	9.0%	10.7%	10.4%
Health	8.6%	9.5%	10.6%	11.0%	10.1%	9.2%	9.3%	8.1%	6.9%
Interest Payments	0.9%	1.0%	8.2%	6.1%	4.7%	4.8%	7.1%	7.1%	6.6%
Justice, Law & Order	5.8%	5.2%	7.3%	7.7%	7.8%	6.2%	6.1%	6.5%	5.2%
Accountability	5.0%	5.3%	5.2%	5.2%	4.9%	4.8%	4.9%	4.8%	5.1%
Agriculture	5.1%	4.8%	3.2%	3.4%	4.0%	3.6%	4.3%	3.8%	4.4%
Water & Environment	4.0%	4.6%	3.1%	3.3%	3.0%	3.0%	3.3%	2.6%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agric Budget Allocation as a Percentage of GDP (current prices)	1.2%	1.1%	0.7%	0.7%	0.8%	0.7%	0.8%	0.7%	0.9%

Source: Author's computations based on the MFPED, Background to the Budgets (various years) and UBOS; Statistical Abstracts (various years).

The share of spending allocated to the agricultural sector is projected to marginally increase over the next three years, rising to 5.2% of the total government spending by 2013. However, much of the proposed increase in expenditure is driven by a projected rise in development spending under the Local Government Agricultural Advisory Services, which will come directly or indirectly from donor funding. This creates skepticism regarding the commitment of government to use domestically-generated resources to fund the agricultural sector.

3.2 Intra-sectoral Budget Allocations

3.2.1 Agricultural Sector Priorities

The priorities of the agricultural sector are defined in the Development Strategy and Investment Plan (DSIP). *Table 6*, shows the extent to which MAAIF's annual budgets³⁷ are aligned with projections for the three years covered in the DSIP. According to the analysis by the World Bank,³⁸ the DSIP has not been used to draw up sub-sector budgets. Advisory services and research are accorded the highest priority, taking about 59% of the sector budget. However, many other core public goods remain underfinanced, thus undermining the potential impact of research and advisory services. The critically underinvested areas are rural infrastructure, livestock, plant pest and disease control, regulatory services, and institutional development. For instance, plant pest and disease control receives less than 1% of total sector budget, while the proportion of funding allocated to livestock disease control has continued to fall over the last three years. As a result, veterinary services in most districts are very weak since less support is extended to the sub-sector.³⁹

Table 6: Proportion of agriculture budget allocated to DSIP priority areas, compared with DSIP projections, FYs 2005/06 to 2007/08

Priority Areas	Budget Allocations			Average over the period	DSIP average
	2005/06	2006/07	2007/08		
Research	17%	19%	23%	20%	19%
Advisory Services	30%	45%	41%	39%	29%
Livestock Disease	9%	7%	4%	7%	6%
Plant pests and diseases	1%	1%	0%	1%	5%
Livestock and fish regulatory services	2%	2%	2%	2%	5%
Planning and policy	2%	2%	1%	2%	1%
Institutional development	4%	1%	0%	2%	9%
Water capacity development	3%	4%	4%	4%	10%
Seed capacity development	9%	3%	3%	5%	8%
Processing and marketing	7%	2%	2%	3%	3%
Physical infrastructure	12%	14%	18	15%	5%
Promotion	3%	1%	1%	2%	1%

Source: World Bank, *AgPER, 2009* (p.27)

Despite the fact that poor infrastructure still limits farmers' access to markets and capacity to diversify, the capital investment budget has been declining between 2005/06 and 2008/09 (see *Figure 2*). As a result, capital outlays constitute only 8.5% of the agriculture budget, with the wage bill absorbing 31.5% and non-wage recurrent expenses 60.1%.⁴⁰ The

³⁷Including expenditures for development, recurrent costs, and District grants, which fall within the MAAIF portfolio.

³⁸World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C. Draft

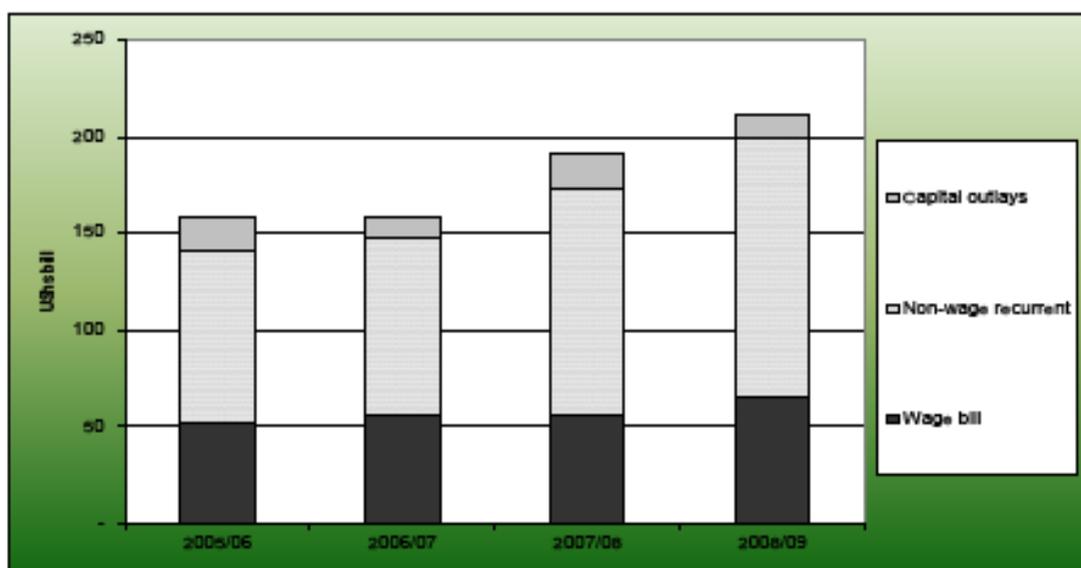
³⁹EPRC (2009). Agricultural sector Public Expenditure Review, Phase Three: Efficiency and Effectiveness of Agricultural Expenditures.

⁴⁰World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region,

current economic composition of sector expenditure is inappropriate to enhance pro-poor agricultural growth in Uganda. Too little capital funding is allocated to construct markets, link remote areas with road networks, rehabilitate and expand irrigation systems, upgrade veterinary and sanitary and phyto-sanitary laboratories, and improve access to livestock breeds. Consequently, high marketing costs caused by poor rural infrastructure have left many Ugandan farmers with little choice but to produce staple food crops for domestic consumption and avoid commercial agriculture.⁴¹

IFPRI studies in other countries, including Ethiopia, Ghana and Zambia, emphasize the importance of rural roads for increasing smallholder access to agricultural inputs and product markets. Roads enable farmers to participate in higher value-added market chains, thereby contributing significantly to poverty reduction.⁴² For the last two years, the Government of Uganda has dramatically increased its spending on roads, with special focus on national roads. Research by Fan, et al (2004)⁴³ shows that investment in rural road infrastructure in Uganda, particularly feeder roads, has a high return and can have large effects on growth and poverty reduction. The marginal returns to public spending on feeder roads on agriculture output and poverty reduction is three to four times larger than the returns to public spending on murrum and tarmac roads.

Figure 2: Economic composition of the agricultural sector budget, FYs 2005/06–2008/09



Source: World Bank, *AgPER, 2009* (p.22)

MAAIF Headquarters, NARO and the NAADS Secretariat receive the largest share of the sector budget, although their share has been declining over time. For instance, the share of MAAIF Headquarter's budget has declined from 70% of total sector spending

The World Bank. Washington D.C. Draft

⁴¹Balat, J., et al., (2008). Realizing the Gains from Trade: Export Crops, Marketing Costs, and Poverty. The World Bank Development Research Group, Policy Research Working Paper 4488. Washington D.C.

⁴²Benin, S., et al (2007). Agricultural Growth and Investment Options for Poverty Reduction in Uganda. International Food Policy Research Institute (IFPRI), Discussion Paper 00790.

⁴³Fan, S., et al (2004). Public Expenditure, Growth, and Poverty Reduction in Rural Uganda. International Food Policy Research Institute (IFPRI), DSG Discussion Paper 4. Washington, DC.

in 2000/01 to 40.4% in 2007/08. This share fell further, to 29.4% in 2008/09, before rising again to around 39% in 2009/10 (*Table 7*). The high allocation to Headquarters is partly explained by higher wage allocations for senior staff; high transport costs to Kampala from Entebbe since many meetings taken place in Kampala; and other recurrent expenses paid from headquarters for services used by all MAAIF departments, such as telecommunications, electricity, water and security guards (25% of the Headquarters budget).⁴⁴ This hampers the effective delivery of services in the sector. It is thus important that MAAIF Headquarters reduces her costs with the objective of shifting more resources to other sub-sectors especially those with high impact on agricultural productivity.

Table 7: Trends in intra-sectoral allocation in the agriculture budget (including donor projects) FYs 2001/02 -2009/10

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
MAAIF HQs	69.8%	66.3%	59.0%	59.8%	57.2%	45.8%	40.4%	29.4%	39.0%
NARO*	24.2%	25.0%	23.5%	20.6%	17.0%	18.2%	21.4%	17.6%	14.0%
NAADS Secre- tariat					3.3%	7.0%	7.3%	7.6%	5.5%
UCDO						0.9%	2.8%	2.6%	1.8%
UCDA						0.4%	0.4%	0.4%	0.3%
Local Govern- ment**	5.9%	8.7%	17.5%	19.6%	22.5%	27.7%	27.7%	39.6%	37.7%
Non-Sectoral Conditional Grant								2.8%	1.6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Author's computations based on the MFPEd, estimates of revenue and expenditure (various years).

* *Agricultural Research*

** *Agricultural Advisory & Extension Services*

There are value-for-money concerns as regards the procurement of goods and services especially at the MAAIF headquarters. For instance, according to a report by EPRC (2009)⁴⁵, a total of US \$225,007.9 (Ug.Shs 427,515,010) was wasted in the procurement of vehicles that worked for less than two years and are currently grounded. In addition, there is evidence that goods procured at the local levels cost less and are less prone to wastage and leakage than goods procured centrally.⁴⁶ For instance, the cost of procuring a Boer goat is Ug.Shs 892,000 compared to Ug.Shs 250,000-300,000 at the district level. A local goat was procured at Ug.Shs 70,000 through central government procurement arrangements as compared to Ug.Shs 50,000 at the local government level.⁴⁷

⁴⁴World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C. Draft

⁴⁵Ibid

⁴⁶Ibid

⁴⁷EPRC (2009). Agricultural Sector Public Expenditure Review, Phase Three: Efficiency and Effectiveness of Agricultural Expenditures.

Over years, the agricultural sector has exhibited low absorption capacity. According to the Semi Year Budget Performance Report 2009/10, the sector was only able to utilize 47% of its appropriated development budget. Though the low level of absorption of funds is characteristic with most sectors of government, the Agricultural sector absorption capacity was even below entire government absorption capacity of 55%. The danger with this low absorption capacity is that the sector is likely to suffer budget cuts in subsequent financial years, and also weakens its capacity to advocate for resources.

Low staffing levels due to delayed restructuring have created inefficiencies in delivery of services in the sector. According to the Auditor General's report (2009)⁴⁸, MAAIF is supposed to have 340 staff. However, only 290 positions have been filled. Fifty (50) positions including key positions in the ministry were vacant at the time of audit in December 2009. This, coupled with large remuneration disparities among MAAIFs and its affiliate agencies, make the situation worse. For instance, heads of NAADS Secretariat and Uganda Coffee Development Authority (UCDA) earn 70% more than a corresponding civil servant in the MAAIF.⁴⁹ This is creating discontent among staff of MAAIF and its affiliate agencies.

In the following sections, this paper concentrates on analyzing public spending on the two sub-sectors of agricultural research and extension services given their relevance in enhancing growth and poverty reduction. The research by Fan, Zhang and Rao (2004)⁵⁰ on Uganda confirms that investment in agricultural R&D and extension offers the greatest potential for enhancing productivity and reducing poverty. Therefore, a key investment area to support technology generation and dissemination is agricultural research and development (R&D) and extension.

3.2.2 Agriculture Research and Development

A key investment area to support technology generation and dissemination is agricultural research and technology development (R&D) and extension. Previous research in Uganda confirms that investment in agricultural R&D and extension offers the greatest potential among agricultural investment areas for enhancing productivity and reducing poverty.⁵¹ As demonstrated empirically by Fan, Zhang and Rao (2004)⁵², public spending on agricultural advisory services and research has the highest return to labour productivity and poverty reduction. For each marginal shilling invested, 12 Ug.Shs was returned. These investments have had the largest impact on poverty reduction, followed by investment in feeder roads (7 Ug.Shs), and education (3 Ug.Shs).⁵³

⁴⁸Office of the Auditor General (2010). Annual report of the Auditor General for the year ended 30th June, 2009; Volume 2, Central Government.

⁴⁹The Independent (2009). Gov't stuck over big salary gaps, Issue 086, November 13-19, 2009.

⁵⁰Fan, S., et al (2004). Public Expenditure, Growth, and Poverty Reduction in Rural Uganda. International Food Policy Research Institute (IFPRI), DSG Discussion Paper 4. Washington, DC.

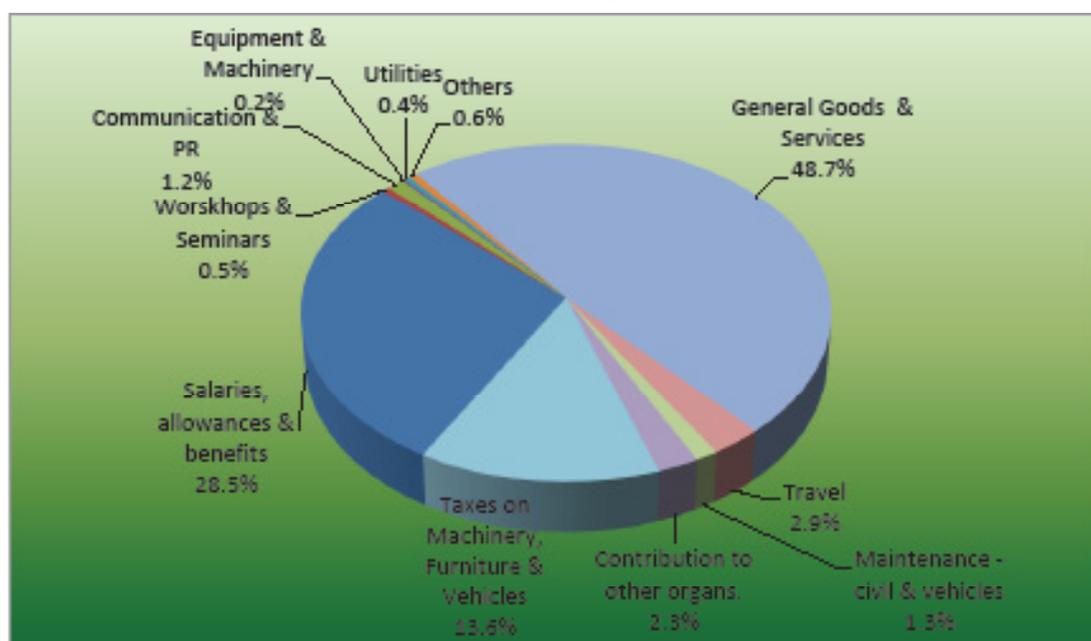
⁵¹Oxford Policy Management (2007). Review of Public Spending to Agriculture: A joint DFID/ World Bank Study, Uganda Case Study. Oxford Policy Management, UK.

⁵²Fan, S., et al., (2004). Public Expenditure, Growth, and Poverty Reduction in Rural Uganda. International Food Policy Research Institute (IFPRI), DSG Discussion Paper 4. Washington, DC.

⁵³Oxford Policy Management (2007). Review of Public Spending to Agriculture: A joint DFID/ World Bank Study, Uganda Case Study.

However, agricultural research and development spending in Uganda is low compared to expenditure on the provision of other public agricultural goods and services.⁵⁴ On average the agricultural research budget accounted for 24% of sector spending between 2000 and 2005 and 18% between 2006 and 2009. The National Agricultural Research Organization (NARO), the main institution responsible for agriculture R&D, has continued to receive less funding over years. Even within NARO, very little funds are devoted entirely to research. An analysis of the Ug.Shs 52.473 billion allocated to NARO during the FY 2009/10, shows that 49% is spent on general goods and services which comprise inputs⁵⁵; 29% on staff salaries, allowances and benefits; 14% on taxes on machinery, furniture and vehicles and 3% on travel (inland and abroad) (*Figure 3*). It is hard to establish exactly how much is allocated for substantive research activities.

Figure 3: Intra-sectoral allocation of the NARO budget, FY 2009/10



Source: Author's computations based on the MFPED, *Approved Estimates of Revenue and Expenditure FY 2009/10*.

Despite minimal funding, there have been some recent successes in agricultural research and development work. NARO is often highly regarded for producing technologies for improving crop productivity. NARO claims to have developed over 200 improved varieties for cereals such as maize, legumes and root crops, and to have disseminated over 70 strategies for the control of poultry and livestock diseases.⁵⁶ However, NARO is weak in disseminating its technology to farmers, especially small scale farmers.⁵⁷ 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.⁵⁸

⁵⁴Benin, S., et al (2007). *Agricultural Growth and Investment Options for Poverty Reduction in Uganda*. International Food Policy Research Institute (IFPRI), Discussion Paper 00790.

⁵⁵The information is, however, insufficient to disaggregate this category into specific input sub-categories.

⁵⁶MAAIF (2009). *Development strategy and investment plan, 2009/10-2013/14*, Second Draft, p.48

⁵⁷Action Aid (2010). *Invest in Small Holder Farmers: Six Areas for improvement in Agricultural Financing*.

⁵⁸ibid

In addition, household involvement in technology generation is minimal, with participation rates of 5-17% of households.⁵⁹

3.2.3 Agriculture Extension

Extension is a critical component of agricultural development. It helps to bridge the gap between the farmer and source of knowledge required to improve productivity. Often such knowledge is generated from research institutions and universities or even from farmers' own indigenous knowledge and then transferred through extension services to those farmers who lack such information.⁶⁰

Agricultural extension services (mainly allocations to NAADS and Local Governments) are taking a rising share of 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. Spending on extension is projected to rise further to 49% of sector spending in 2012/13. Increasing resource allocations to agricultural extension at local government levels⁶¹ shows a good policy shift by government towards supporting agricultural development in rural areas.

Over the last 30 years, Uganda's extension service has used various policy approaches and practices, largely influenced by the political priorities of the time. The extension approaches during the 1980s and early 1990s centred around projects, with lots of duplication and confusion. The late 1990s saw a change of strategy towards a unified extension approach aimed at integrating and harmonizing the use of scarce resources. Government was a key player in providing extension services. Since 2001, NAADS has changed extension services from a government-run service and introduced a partly-privatized system of 'demand-driven' services; which are provided by private sector suppliers in order to promote the commercialization of agriculture.⁶² The government, however, recognizing the poor quality of the services provided by NAADS, restructured the service again in 2007/08. It said that government officers would again play the main role in service provision, alongside private sector providers. At the same time, it began providing inputs (such as livestock) at supposedly lower prices to farmers as part of the NAADS package.⁶³

Though the success of NAADS remains contested, two major independent evaluations by ITAD (2007) and IFPRI (2007) described the programme as successful. The NAADS programme is having a positive impact on increasing the availability and quality of advisory services provided to farmers; promoting the adoption of new crop and livestock

enterprises; and improving the adoption of modern agricultural production technologies and practices. In addition, NAADS also appears to have promoted greater use of post-harvest technologies and commercial marketing of commodities, consistent with its mission to promote more commercially-oriented agriculture.⁶⁴ Furthermore, between

⁵⁹Oxford Policy Management (2005). Evaluation report: The plan for the modernization of agriculture, Annex B2, .18

⁶⁰Namara, R. B., (2009). Public Policy Management: Uganda's Experience in Agriculture Extension Policies. Paper presented at the Symposium on the 40th UMI anniversary celebrations, October, 2009.

⁶¹mainly for towards farmers' forums, technology development sites and agri-processing facilities and district production services

⁶²Action Aid (2010). Invest in Small Holder Farmers: Six Areas for improvement in Agricultural Financing

⁶³ibid, p 24

⁶⁴MAAIF (2009). Long-term Funding for agricultural growth, Poverty Reduction, and Food and Nutrition Security. Brochure

2004 and 2007, NAADS was associated with an average of 42-53% greater increase in the per capita agricultural income of the programme's direct participants compared to their non-participant counterparts. A significantly larger proportion of NAADS participants than non-participants perceived that their standard of living had improved compared to what it was in 2000.⁶⁵

The early success of the NAADS can be attributed to the fact that there was no apparent contradiction between the political agenda and the technocratic agenda.⁶⁶ However, NAADS has been hijacked by the politicians. NAADS has become a political project and its guiding principles have been oriented towards political machinations. For instance, attaining farmer empowerment means more than occupying farmers' institutional structures; it involves changing the structural inequalities which might not be the choice for government that needs to create faster results to retain the commitment of voters. It is not surprising that the empowerment activities focus on material gains rather than on shifting power relations.⁶⁷

The NAADS programme has been surrounded by uncertainties and ambiguities. Currently, there is no clear direction for NAADS, and this has been happening for the past two years, mainly because of unharmonized political and technical expectations. The President has hijacked the programme and he continues to send mixed messages to the farmers. Secondly, NAADS technocrats have been disempowered and cannot stand up to political pressures. As shown in *Table 8*, both politicians and technocrats have different expectations of NAADS. There is no common agreement on the concept and practice of extension in Uganda among the politicians who make policies and technocrats who implement the policies. There are probably three or four major unharmonized policy priorities in the current 'confusion' of NAADS. These relate to what kind of extension services should be given to farmers; which farmers should be targeted; what approaches should be used; and, who should offer those services.⁶⁸ Funding dynamics of NAADS also contribute significantly to the stand-off between politicians and the technocrats.

To lessen this stand-off among politicians, technocrats and donors, two major working compromises have emerged. First, NAADS is running a two-track extension service delivery system. On one hand, NAADS delivers information, training and technologies to farmers. This is in line with the NAADS Act and is supported by donors through the basket funding.

On the other hand, NAADS offers inputs to farmers through the Integrated Support for Farmer Groups (ISFG). This is equally funded by donors but under the pretext of technology development. Secondly, in addition to ISFG, NAADS also offers inputs to the six model farmers as suggested by politicians and funded by government. Politicians reluctantly accepted that the six farmers' households to receive comprehensive inputs should be selected by the farmers' fora rather than the NRM committees in the sub counties.⁶⁹

5, October, 2009.

⁶⁵Benin, S., Nkonya, E., et al (2007). Assessing the Impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods, IFPRI, Discussion Paper 00724

⁶⁶ibid

⁶⁷Namara, R. B., (2009). Public Policy Management: Uganda's Experience in Agriculture Extension Policies. Paper presented at the Symposium on the 40th UMI anniversary celebrations, October, 2009

⁶⁸ibid

⁶⁹ibid

Table 8: NAADS policy priorities and their assumptions

Political direction	Assumptions/arguments by politicians	Technocrats direction	Assumptions/arguments by technocrats
Provide agriculture inputs to farmers	<ul style="list-style-type: none"> The people have said they need inputs. They are the owners of NAADS & and also wield electoral power. The electorates must be satisfied. NAADS has spent money on training for years and there are limited tangible results. The entire PMA has not yet started because of resource constraints yet inputs to farmers are needed now not later. 	<ul style="list-style-type: none"> Spend money on providing knowledge and technology development regarding production. 	<ul style="list-style-type: none"> Farmers do not have the required agricultural skills, once they acquire the skills they will go to microcredit institutions, borrow money and buy inputs. The supply of inputs to farmers is not sustainable. Asking farmers for NAADS inputs is asking the wrong agency. Let the entire PMA operate to enhance synergies.
<ul style="list-style-type: none"> Work with model farmers; give them a wholesome agricultural package, they will teach others to get out of poverty. These families should be selected by the NRM cadres in the area. 	<ul style="list-style-type: none"> If you spend money on groups you are scattering resources. The Group approach presents to farmers new dynamics of management where farmers spend most of their time managing those conflicts. 	<ul style="list-style-type: none"> Work through groups and support technology development through demonstration sites hosted by few members of the group. 	<ul style="list-style-type: none"> The Group approach will increase efficiency and availability of services to several people. The farmers' groups are the right entities to select those model families.
<ul style="list-style-type: none"> Politicians should be allowed to be part of the farmers' organization and if not they should be the ones to distribute the inputs to farmers. 	<ul style="list-style-type: none"> The NRM political leaders should be in charge because other people may sabotage government programmes. 	<ul style="list-style-type: none"> Politicians should not be members of the farmers' fora even when they are members of farmers' groups. 	<ul style="list-style-type: none"> Farmers' fora are to enhance accountability, they are not a political caucus. Politicians may politicize the programme.

Source: Namara (2009)

The unharmonized expectations between technocrats and politicians are denting the little success NAADS has so far registered. The impromptu intervention and suspension of the

NAADS programme by the President in recent years⁷⁰ is causing a lot of inefficiencies in the implementation of the programme. The interventionist approach by politicians will compromise the more sustainable market-based developments that are occurring along the value chains that technocrats are anxious to see established and that, once these programmes of subsidy have outlived their political life, there will be a vacuum in the continued delivery of services.⁷¹ For instance, in 2008/09, NAADS received an additional Ug.Shs 37 billion for small-scale farmers who cannot afford to purchase the necessary inputs.⁷² However, little has been done to strengthen private networks of agro-dealers and input suppliers.

The provision of inputs as currently implemented does not meet the requirements for market-supporting smart subsidies,⁷³ especially because it tends to benefit the wealthiest rural households.⁷⁴ Results from the household survey carried out in 2007 show that public expenditures tend to benefit wealthier households more. The Integrated Support to Farmer Groups (ISFG) grants, as well as non-ISFG NAADS support are mostly heavily concentrated on the higher quintile.⁷⁵

Local governments and farmers are supposed to co-fund NAADS in order to build ownership and a sense of sustainability. However, most local governments have been challenged by limited resources with the exception of a few districts. In 2006, the performance survey of NAADS showed a local government co-funding rate of 40.9%, i.e. a total of 38.1% of the district achieved 100% of the co-funding and 20.1% of the sub counties achieved 100%

while 32-5% failed to achieve any co-funding.⁷⁶ This is partly because of the abolition of graduated taxation which contributed significantly to local government revenues. At the same time, farmers have been skeptical and hardly comprehend the reason behind co-funding because they are poor and they need to be helped by their own government instead of being asked to contribute.⁷⁷ In addition, weak community participation in decisions over how funds are allocated, suggests that local political leaders and technicians have the major influence over the identification and selection of projects and enterprises, fueling corruption and misuse of resources.

⁷⁰The New Vision of September, 2007 stated that President Museveni had suspended NAADS funding until Cabinet decided on the way forward. This led to high-level discussions among donors, technocrats and politicians, where an agreement was reached to continue the funding.

⁷¹Joughin, J., and Kjær, A., M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

⁷²MFPED (2008). Budget Speech financial year 2008/09: Strategic Priorities to Accelerate Prosperity for All. Republic of Uganda, Kampala.

⁷³To be "market smart," input subsidies should: (i) be directed at poor farmers to encourage incremental input use by people would not otherwise use inputs; (ii) not displace existing commercial sales; (iii) use vouchers, matching grants, or other instruments and strengthen existing private distribution systems; and (iv) be introduced for a limited period, with a clear schedule for phasing out once their purpose has been achieved. The benefits of a smart subsidy include increased agricultural output, the promotion of private input markets, and increased adoption of new technologies by poor farmers, all of which ultimately result in sustained poverty reduction (World Bank, 2009).

⁷⁴World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C. Draft.

⁷⁵Ibid

⁷⁶Kato, J., and Kayango, R., (2007). NAADS: Is local government funding slowing down progress. New Vision, Thursday, March 15, 2007

⁷⁷Namara, R.B., (2009). Public Policy Management: Uganda's Experience in Agriculture Extension Policies. Paper presented at the Symposium on the 40th UMI anniversary celebrations, October, 2009

3.2.4 Recurrent Versus Development Spending

Table 9 provides a breakdown of recurrent⁷⁸ and development spending of the agricultural sector budget under MAAIF for the period 2001/02 -2009/10.

Table 9: Agricultural Sector Recurrent and Development Spending (Ug.Shs Billion), FYs 200/1 -2009/10.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Recurrent	12.55	13.82	13.23	17.44	20.48	20.48	37.74	39.37	37.45
O/w Wages	3.90	5.13	5.51	5.16	5.46	5.46	6.03	6.43	2.52
O/w Non-wages	8.65	8.69	7.72	12.28	15.02	15.02	31.71	32.94	34.93
Percentage	9%	10%	12%	15%	14%	15%	21%	18%	12%
Development	122.67	119.28	94.96	98.19	128.37	116.73	138.65	182.68	273.29
O/w Domestic	36.51	32.95	32.64	30.34	60.69	51.22	53.43	118.82	168.20
O/w Donor	86.16	86.33	62.32	67.85	67.68	65.51	85.22	63.86	105.09
Percentage	91%	90%	88%	85%	86%	85%	79%	82%	88%
Total	135.22	133.10	108.19	115.63	148.85	137.21	176.39	222.05	310.74

Source: Author's computations based on the MFPEd, Estimates of Revenue and Expenditure (various years).

Within the recurrent budget, the share of wage to non-wage expenditures appears well balanced. Wages as a share of total recurrent budget have declined from 42% in 2004/05 to 19% in 2007/10, and are projected to decline further to 7% of the recurrent budget in 2009/10. Though staff-related costs are generally low, other expenditures on various ministers,⁷⁹ vehicles, maintenance of vehicles, fuel and lubricants, workshops and seminars and consultancy services augment the high cost of running MAAIF and its affiliate agencies. For instance, travel costs (inland and abroad), cost of vehicle maintenance and

fuel account for 23% and 20% of the non-wage recurrent, which is high.⁸⁰

Development spending consistently accounts for around 85% of total sector spending. Within development spending, donors⁸¹ have traditionally provided the majority of funding. However, this is beginning to change with domestic funding of the development budget exceeding donor funding in 2008 and 2009. However, it should be noted that the sector "development expenditure" is not synonymous with "capital expenditure" as is usually assumed. The development expenditure is heavily oriented towards non-wage recurrent expenditures rather than to capital expenditures. The share of capital outlays in

⁷⁸Consists of employee costs, use of goods and services, grants to other organizations, and domestic arrears.

⁷⁹These include: 1 cabinet minister and 3 state ministers.

⁸⁰EPRC (2009). Agricultural sector Public Expenditure Review, Phase Three: Efficiency and Effectiveness of Agricultural Expenditures.

⁸¹The main donors are African Development Bank, World Bank, International Fund for Agricultural Development (IFAD), the EU, the Danish International Development Agency (DANIDA), and UNDP.

the 2009/10 agriculture budget is only 12%. The share of capital expenditures is higher in MAAIF's budget than in the total sector budget, being at about 24% in 2009/10. But this budget share is far less than that of the development budget, which may convey the wrong impression that capital expenditures dominate public spending.

It is important to note that most of the capital spending goes to around 30 projects, presumably government-run, many of which are hangovers from ancient projects kept going to facilitate field activities. Some other MAAIF projects have had the same outputs year after year and often these do not show what the project is actually doing or intends to do.⁸² Most of the projects overlap and experience delays in implementation, sometimes for a year or more; unrealistic cost estimates; procurement delays; and inadequate counterpart funding by the government. Most particularly, the effort and resources of the ministry as a whole are distorted by the existence of stand-alone projects with their own priorities and funding.⁸³ The impact of individual projects is considerably circumscribed by the lack of a strategic approach for using public expenditures to support agriculture.

Some top managers of the ministry are assigned additional responsibilities of being project coordinators with some of them coordinating more than one project. For example, one of the Commissioners is a coordinator of three projects and another senior officer at the rank of Assistant Commissioner coordinates two projects.⁸⁴ The extra responsibilities affect the performance of the officers on their normal duties. In addition, weak coordination between central and local governments and inadequate incentives for local monitoring cause many projects to be implemented inefficiently.⁸⁵

The above challenge is compounded by the fact that the policy environment is not entirely conducive for implementing agricultural projects. It takes about one-and-a-half years for Parliament to ratify a loan, which reduces project benefits. After Parliament ratifies a project, one year is typically needed to establish a procurement and management unit that meets domestic and local requirements and open special project accounts, especially if a project includes more than one Ministry.⁸⁶ Though not all of the blame for this problem rests with the sector; however MAAIF should keep raising these important issues and actively seek concerted remedies.

3.3 Budget Allocations through the Plan for Modernization of Agriculture

The major argument from policy makers in Uganda is that under-funding of the agricultural sector (MAAIF) is compensated for by the higher proportion of resources devoted to the PMA's multi-sectoral approach. Resources are spent on other sectors which are presumed to have direct impact on sustaining Uganda's long-term economic development, notably infrastructure (roads, energy) and social sectors (health, education), which are expected

⁸²MAAIF (2009). Development strategy and investment plan, 2009/10-2013/14, Second Draft, July 2009, pp.36, 46

⁸³MAAIF (2009). National Agricultural Policy (draft). Kampala Uganda

⁸⁴Office of the Auditor General (2010). Annual report of the Auditor General for the year ended 30th June, 2009; Volume 2, Central Government.

⁸⁵World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C. Draft

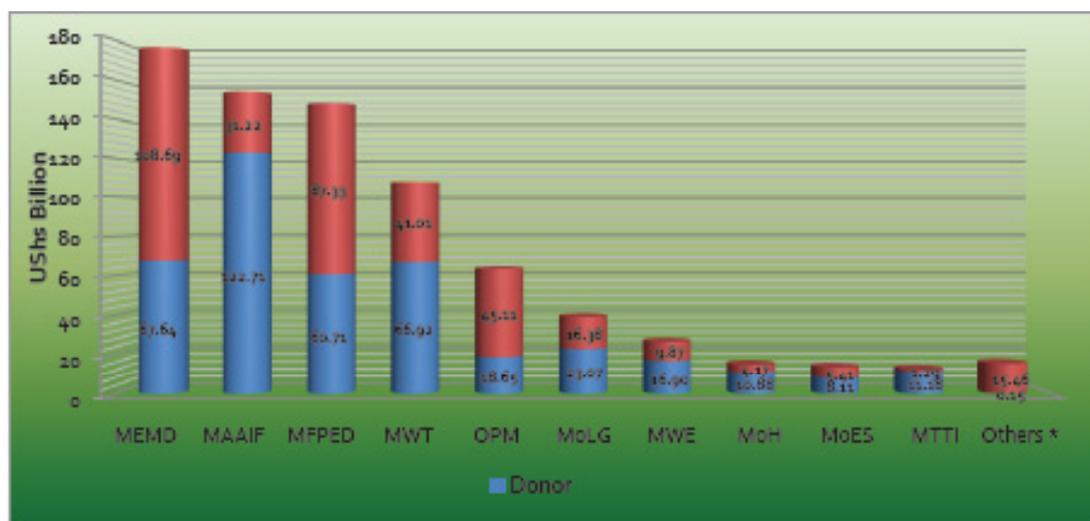
⁸⁶Ibid.

to support agricultural development, with better access to markets, opportunities for developing agro-processing industries and better human capital.

The PMA emerged from the 1996 Presidential Manifesto with a promise to modernize agriculture. The design took over four years until 2000, another year of elections. In August 2000 the PMA, which has seven key pillars⁸⁷ and implementation mandates spread across 13 ministries and agencies, was launched with a promise to transform the structure of the agricultural sector by transforming subsistence farming into smallholder commercial agriculture.

The PMA accounted for 10 -11% of government spending from 2001/02 to 2003/04,⁸⁸ increasing from 13 to 19% in the period 2005/06 to 2007/08.⁸⁹ In FY 2007/08, Ug.Shs 772 billion (of which Ug.Shs 365 billion - 47% were local resources and Ug.Shs 406 billion -55% were donor funds) of the PMA resources was directed towards 181 projects. Four ministries accounted for over 76% of the total GoU PMA project-relevant budget allocations. These are Ministry of Energy and Mineral Development (22.8%), Ministry of Agriculture, Animal Industry and Fisheries (19.9%), Ministry of Finance Planning and Economic Development (19.2%) and Ministry of Works and Transport (14.0%) (*See Figure 4*).⁹⁰

Figure 4: PMA PIP project relevant budget by Ministry, FY 2007/08.



*MJCA, MLUD, State House, MGLSD & MoPS

Source: Author's computations based on PMA Secretariat (2008) report.

However, although it is certainly true that promoting agriculture requires investments in areas that are not strictly agricultural (such as infrastructure), other critical production and productivity drivers like research and technology development and access to credit have

⁸⁷Research and technology development, national agricultural advisory services, rural finance, agro-processing and marketing, agricultural education, physical infrastructure, and sustainable natural resource utilization and management.

⁸⁸Oxford Policy Management (2005). Evaluation report: The plan for the modernization of agriculture, September 2005, p.107

⁸⁹PMA Secretariat (2008). Government of Uganda Funding of Agriculture related activities during the Financial Year 2007-2008, p. 4-7.

⁹⁰Ibid

not been given adequate attention.⁹¹

The challenge with the multi-sectoral approach of the PMA is that the PMA was a conceptual framework that described some intermediate policy objectives that were required for rapid and holistic agricultural development. However, it did not clearly delineate who would be responsible for these different objectives, or what sort of incentives would motivate them.

Thus, of the seven pillars of the PMA, only two pillars are ever regarded as being successfully implemented: NAADS and NARO.⁹² This can be attributed to several factors: both pillars were more conventionally “agricultural” than the other five pillars; both were created by Acts of Parliament, whereas the other five pillars relied on soft political pressure; and both were created (or re-created) as agencies that were largely autonomous from the MAAIF.⁹³

Secondly, there is no mechanism to ensure that PMA priorities are adequately captured within the budget prioritization,⁹⁴ mainly because several line ministries and agencies are not fully aware of the PMA undertakings they agree on during the PMA Joint Annual Reviews. At the same time, the preferential treatment under the Poverty Action Fund (PAF) does not apply to the PMA priorities. Thus, although some line ministries held a perception that prioritizing PMA activities within their budgets would result in additional funding,⁹⁵ this is not the case. This discourages some ministries from putting emphasis on PMA priorities.

Thirdly, disbursement rates on PMA projects is relatively low, at 54% of the levels budgeted.⁹⁶ The unbalanced implementation of the PMA is typified by the fact that the highest level of disbursements is registered with policy and institutional reform (77%), and lowest with marketing (14%) and rural finance (24%). The low disbursements can be attributed to the relatively large share of PMA project spending financed by donors, for whom projected expenditure is over-optimistic and releases are erratic.⁹⁷

3.4 . Agricultural Credit

Despite the fact that farmers cite shortage of capital and credit as their single biggest constraint to improving farming,⁹⁸ government has not provided adequate funding towards improving access to credit by farmers. As shown in *Table 10*, only 4% of the PMA funds are allocated towards rural finance services, which include increasing access to credit. To make matters worse, according to the 2005 PMA evaluation, only 24% of the planned expenditure on rural finance is actually disbursed. Lack of credit for agriculture has resulted in locking many farmers in poverty. Without access to credit, many farmers are unable to invest in future production, to expand their farming or take a risk.

⁹¹Action Aid (2010), *Invest in Small Holder Farmers: Six Areas for improvement in Agricultural Financing*

⁹²Headley, D.D., et al (2009). *Why African governments under-invest in agriculture: Results from an expert survey.* IFPRI, Washington DC.

⁹³Ibid

⁹⁴Oxford Policy Management (2007). *Review of Public Spending to Agriculture: A joint DFID/ World Bank Study, Uganda Case Study.* Oxford Policy Management, UK

⁹⁵Ibid

⁹⁶Oxford Policy Management (2007). *Review of Public Spending to Agriculture: A joint DFID/ World Bank Study, Uganda Case Study.* Oxford Policy Management, UK

⁹⁷Ibid

⁹⁸According to Benin, S., et al (2007). *Assessing the Impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods*, 45% of the farmers highlighted this factor.

Table 10: Trends in PMA allocations by PIP project pillar

PMA Pillars	2005/06 UGX Bn	2006/07 UGX Bn	2007/08 UGX Bn
Infrastructure	23%	36%	40%
Agriculture Advisory Services	23%	20%	21%
Other, Policy and Institutional	29%	23%	18%
Agro-processing and Market	8%	7%	8%
Research and Technology	7%	5%	4%
Rural Finance	4%	3%	4%
Agriculture Education	2%	2%	2%
Natural Resource Management	4%	4%	3%
Total	100%	100%	100%

Source: Author's computations based on PMA Secretariat (2008) report.

To address the above-mentioned constraint, Government is currently working to improve micro-credit, especially in rural areas. The Microfinance Outreach plan, which began in 2003 is the main initiative to provide financial services, targeting areas not serviced by financial institutions. It is also helping to establish member-owned and controlled Savings and Credit Cooperatives (SACCOs) throughout the country to provide loans at affordable interest rates. In addition, government is providing resources in the national budget for agricultural lending. For instance, in the 2009/10 National Budget government provided Shs 30 billion for agricultural credit to medium and large-scale commercial agricultural farmers.⁹⁹

However, the process of acquiring this credit is so complicated for most smallholder farmers, who lack most of the requirements as per the guidelines set by the Microfinance Support Centre. For a SACCO to access credit, it must, inter alia: be registered; have minimum one-year experience in running the activity for which the organization is registered; clear ownership, governance structures and management capacity; adequate staffing with knowledge and skills in microfinance and / or basic accounting. In addition, the process of formation of SACCOs is marred with high levels of political interference, which stifles the organic development of cooperative societies.

Though Government recognizes the need to increase the availability of credit to farmers, there is general belief among policy makers that credit is a private rather than a public good. The biggest challenge is that most financial institutions have not developed suitable lending instruments for agriculture. They consider lending to agriculture as a risky venture. As a result agriculture receives less than 10% of lending from commercial banks and MDIs.¹⁰⁰ Consequently, most farmers cannot access credit from such institutions because they lack the required collateral security for the loans.¹⁰¹ As shown in *Figure 5*, very few households (less than 10%) demand credit for agriculture-related activities.

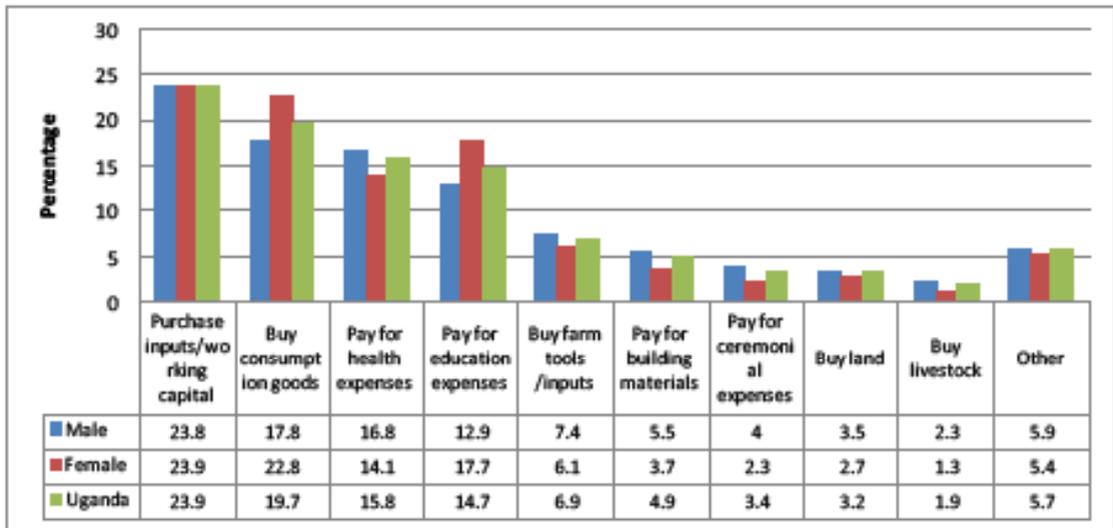
⁹⁹MFPED (2009). Budget Speech Financial Year 2009/10: Enhancing Strategic Interventions to Improve Business Climate and Revitalise Production to Achieve Prosperity for All (page 16).

¹⁰⁰Bank of Uganda reports show that less than agriculture receives less than 10% of lending from commercial banks and MDIs.

¹⁰¹19 per cent of households do not apply due to inadequate collateral (UBOS, UNHS 2005/06)

There are also differences between sexes; with a higher proportion of men (10.9%) taking more agriculture-related loans than females (8.8%).

Figure 5: Loan applicants by purpose of loan and sex (%)



Source: Author's calculations based on the UBUS (2006), Uganda National Household Survey 2005/06 data.

4

Why the Agricultural Sector Receives Minimal Funding?

Though the agricultural expenditure may not be properly measured to include spending on roads, water, the environment, and so on, the above analysis shows that it is very low. This section tries to provide an understanding of what kinds of factors may be restricting larger expenditure shares for agriculture, beyond the “urban bias paradox” discussed extensively by Bates (1981)¹⁰², Krueger, Schiff et al. (1991)¹⁰³, Palaniswamy and Birner (2006)¹⁰⁴, Bezemer and Headey (2008).¹⁰⁵

4.1 Lack of Strategic Leadership

Uganda has prominent planning documents and political manifestos that attach a great deal of importance to agricultural development. Agriculture has never been entirely ignored by the leadership, especially in terms of rhetoric. However, there is weak leadership at the operational level in agriculture (manifested by failure to put words into actions), and inconsistent and stop-start leadership of agricultural development.¹⁰⁶

Implementation or lack of implementation of agricultural policies has been greatly affected by weak national leadership. For instance, the Cabinet and Parliament do not exert enough pressure on the MAAIF and or MFPED, and do not push harder for better agricultural policies and better results. The situation is exacerbated by inconsistency in leadership from the Executive and Cabinet. For example, the President has continued to send mixed messages to the public: on several instances he has suspended NAADS funding without offering credible alternatives.

¹⁰²Bates, R. H., (1981). *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Berkeley, University of California Press.

¹⁰³Krueger, A. O., M. Schiff, et al., Eds. (1991). *Political economy of agricultural pricing policy*. Baltimore, John Hopkins University Press.

¹⁰⁴ Palaniswamy, N. and R. Birner (2006). *Financing Agricultural Development: The Political Economy of Public Spending on Agriculture in Sub-Saharan Africa*. Proceedings of the German Development Economics Conference, Berlin, Verein für Socialpolitik

¹⁰⁵Bezemer, D., and Headey, D., (2008). *Agriculture, development and urban bias*. *World Development* 36(8): 1342-1364.

¹⁰⁶Headey, D.D., et al (2009). *Why African governments under-invest in agriculture: Results from an expert survey*. IFPRI, Washington DC.

4.1.1. Political Leadership

The amount of resources allocated to agriculture is a political question and is the outcome of political decisions on resource allocation during the budget processes. Decisions about the sectoral allocation of public expenditure are made by the Ministry of Finance, Planning and Economic Development delivered through the Medium Term Expenditure Framework (MTEF), responding to political imperatives of different interest groups.

When the NRM government came into power in 1986, its political intentions to promote agriculture were strong, at least rhetorically, and the policies were very good on paper. The policy design was mostly based on a process of economic policy analysis. A number of programmes and initiatives were taken to increase agricultural production; most of them associated with liberalization included initiatives intended to improve the conditions for agricultural production. However, implementation often failed.

The Presidential Campaign Manifestos have led to various public policies for agricultural development, which is fine, but they have lacked the necessary technical capacity in design and implementation. This has led to political interventions that are not based on well grounded policy research and advice. Consequently, many of the selective interventions over the last decade to promote agriculture seem not to have been successfully implemented. Their failure can be explained, not by a lack of funding, but by a combination of low capacity and clientelist politics.¹⁰⁷

During the early years of the NRM government, public policy design and implementation was aligned to somehow single party system of government, where consensus politics was the order of the day. But with the return of multiparty political dispensation in 2005, agricultural programmes have been used for patronage purposes to mobilize support in the context of competitive elections.¹⁰⁸ This has privileged state employment and welfare provision in rural areas over investment in increasing agricultural productivity.¹⁰⁹ The political class has responded not much with policies and institutional frameworks that increase returns to agriculture but with interventions that enable the NRM government to consolidate itself through neo-patrimonialism.¹¹⁰ With the need to consolidate its political power, the NRM government is more interested in providing material resources in exchange for political loyalty, thus affecting interventions in agriculture.¹¹¹

4.1.2. Policy Leadership

Since 2000, several programmes, initiatives and projects aimed at improving the livelihoods of agriculture-dependent households have come out of different centres of government.¹¹² Among them was the PMA, which was widely praised for both its conceptual rigour and

¹⁰⁷Joughin, J., and Kjær, A. M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

¹⁰⁸Joughin and Kjær, 2009

¹⁰⁹Mwenda, A., (2006). Redefining Uganda's Budget Priorities: A critique of the 2006/07 Budget. ACODE Policy Briefing Paper No. 17, 2006

¹¹⁰Neo-patrimonialism exists where elites can use clientelistic value systems to sustain their political support, and occurs where dispositions associated with traditional and/or statist institutions survive and co-exist with liberal values (Brett, 2006).

¹¹¹Joughin, J., and Kjær, A. M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

¹¹²ACODE and UNFFE (2009). Farmers Petition to the President and Members of Parliament of the Republic of Uganda. INFOSHEET No. 7, 2009.

its national ownership. However, the implementation of the PMA was hampered by the fact that the plan did not clearly delineate who would be responsible and accountable for its success. Realizing that the PMA was failing to deliver on its intended objectives, in 2001 government initiated a non-public- participatory-designed Rural Development Strategy (RDS) with the overall objective of raising household incomes. Like the PMA, the RDS proposed a more focused approach to supporting farmers through input provision and formation of co-operative societies. The focus of RDS was the sub-county, and this led to the development of the Sub-County Development Model. Except for the sub-county development model, the RDS did not have something substantially different from the PMA expect strong support and buy-in from the political class.

However, when elections drew closer in 2006, political concerns about gaining popularity in the rural areas became more urgent, and the President got more impatient with the fact that the PMA was not showing results on the ground fast enough¹¹³ and the RDS did not go beyond the launch. The 2006 Presidential campaign slogan was “Bona Bagagawale” that later became the 2006 Manifesto. This brought about the need for more direct and visible interventions which led to birth of “Bona Bagagawale” (Prosperity for All, in short PFA). The goal of PFA was to improve lives of all Ugandans in all aspects.¹¹⁴ A new structure for the PFA programme was established in 2006 under the President’s Office running in parallel with the secretariats of NAADS and PMA under MAAIF.

These multiple interventions have not helped the agricultural sector. In fact they have led to uncoordinated multiple initiatives that have created unnecessary bureaucracy, struggle for recognition, uncertainty among farmers and other stakeholders leading to duplication of efforts and wastage of resources.¹¹⁵ The existence of these parallel structures means that the rules, procedures and ethos of public spirit built up in the civil service over some years are confused and undermined.¹¹⁶

In addition, the MAAIF has a history of lacking strategic direction and poor planning. The absence of a good plan that translates the principles outlined in the policy frameworks such as PMA, RDS, and PFA into real actions and costs, limits the ability of the agricultural sector to attract funding. There is no monetary tracking system with a clear budget or financial incidence analysis, to trace how much money has been allocated, which priorities it is going to address and the nature of impact which is affecting even the relatively well funded programmes such as NAADS. In addition, top senior officials in MAAIF have not pushed hard for reform, have not been vocal when funding was insufficient, and generally displayed apathy or, at worst, incompetence.¹¹⁷ Consequently, this left the agricultural sector with minimal resources and insufficient space to realign expenditures to high-priority activities.

Furthermore, there is a tendency of policies to be based upon political rather than economic calculations. Policy makers in Uganda do have the capacity to do economic analysis, but

¹¹³Joughin, J., and Kjær, A., M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

¹¹⁴Higher incomes, improved access to services such as health, education, water, and reliable physical infrastructure.

¹¹⁵ACODE and UNFFE (2009). Farmers Petition to the President and Members of Parliament of the Pubic of Uganda. INFOSHEET No. 7, 2009.

¹¹⁶Joughin, J., and Kjær, A., M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

¹¹⁷Ibid.

this analysis is typically ignored or overruled by political considerations.¹¹⁸ Further, the presence of international aid funds has made policy-makers less cost-conscious. There is often unwillingness on the part of policy makers to use the past as a source of guidance for the future and, therefore, new policies are decided that would have been ruled out if based on an analysis of past lessons and cost efficiency.¹¹⁹

4.2. Distortions in the Budget Architecture

4.2.1. Medium Term Expenditure Framework (MTEF)

Although agriculture is widely regarded as the engine of growth for Uganda, funding for the sector has never been prioritized in the national budget. This is partly due to stringent budgeting framework under the Medium Term Expenditure Framework (MTEF), MFPED's general suspicion of the capacity of the MAAIF to spend additional funds and donor preferences for the social sectors.¹²⁰ The national budget has mainly focused on defence, public administration and social sectors (especially primary education, primary health care and water and sanitation).

The MTEF sacrificed meaningful development-oriented planning for the sake of fiscal restraint. The MTEF is "a cost-minimizing rather than a development-optimizing process."¹²¹

It seems not to be built on professional and scientific methodology based on an economy-wide modelling of how different sectors individually contribute to overall growth of the economy and use this as a guide for public investment. Consequently, there is disparity in funding between the contributors (i.e. agriculture) and enablers (i.e. public administration) of growth, with the latter getting a bigger share than the former.

In addition, the Agricultural sector faces a number of difficulties under the MTEF framework. First, there is a persistence or hysteresis in sectoral allocations of expenditure: a low allocation last year is more likely to give a ministry a low allocation the next year. Though to some extent this persistence is necessary, the process of "just looking at last year's figures" is little more than arbitrary, or convenient. Second, the sector cannot spend all the money allocated for it because the budgetary process runs according to a financial season that does not tie in well with the agricultural season. Thus, money may not be available for distributing inputs – such as seeds - at the right time of the year.¹²² Instead of working with sectors to strengthen capacities to absorb and spend, MFPED rather sits back and asks sectors political-like questions such as "Tell us what you used the money on to justify more allocations."¹²³

¹¹⁸ibid.

¹¹⁹ibid.

¹²⁰ibid.

¹²¹ibid.

¹²²Headey, D.D., et al (2009). Why African governments under-invest in agriculture: Results from an expert survey. IFPRI, Washington DC

¹²³Keizire, B.B., (2010). Peer review comments on this paper. African Union Commission, Addis Ababa Ethiopia.

4.2.2. Ministry of Finance, Planning and Economic Development (MFPED) Perception

There is general suspicion in the MFPED that MAAIF lacks the capacity to spend additional funds. According to a top official in the MFPED, “The MAAIF cannot even come up with detailed work plans so how can we disburse funds to their sector plan? If the funds were released the Ministry would not be able to spend it” (MK, February 2009¹²⁴). This perception also seems to be widespread in Parliament. The following statement made in a parliamentary debate about budgets to the Ministry is illustrative: “Mr. Speaker, will the people of Kashari County miss anything if the Ministry of Agriculture, Animal Industry and Fisheries is scrapped? They will not, since they have never seen it in Kashari anyway. I am amazed and disappointed that the Committee of Agriculture, Animal Industry and Fisheries, is asking us to approve the Ministry budget” (The Hansard, March 1999).¹²⁵

The MFPED has always challenged line ministries and Agriculture in particular, to produce value-for-money analyses of current expenditures as a basis for considering increased budget allocations.¹²⁶ However, the MAAIF annual sectors BFPs do not offer sufficient information on expenditures in the previous year and what those expenditures achieved. Thus, with few exceptions, annual budgets and MTEF ceiling present only incremental changes, irrespective of emerging sector priorities.¹²⁷ Consequently, this leaves the agricultural sector with minimal resources and insufficient space to realign expenditures to high-priority activities.

4.2.3. Donor Preference for Social Sectors

Donors’ preference for social sectors has led to their contribution to the agricultural sector to decline significantly over the years. The share of donor funding (measured by donor projects in the national budget¹²⁸) to MAAIF declined from 11% in 2001/02 to 6% in 2009/10 (Figure 6). This is partly attributable to changes in development policy and approaches; the loss of donor confidence in agriculture as a result of poor performance of agricultural projects, as well as the inherent complexity and risks in these projects; shifting emphasis in development assistance towards social sectors (i.e. health) and infrastructure (i.e. roads and energy); and changes in the aid architecture. The decline has also been associated with a weak demand for assistance in agricultural support due to tight fiscal constraints and inadequate capacities in the ministries of agriculture to bargain for more resources.¹²⁹

¹²⁴Joughin, J., and Kjær, A., M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

¹²⁵Ibid

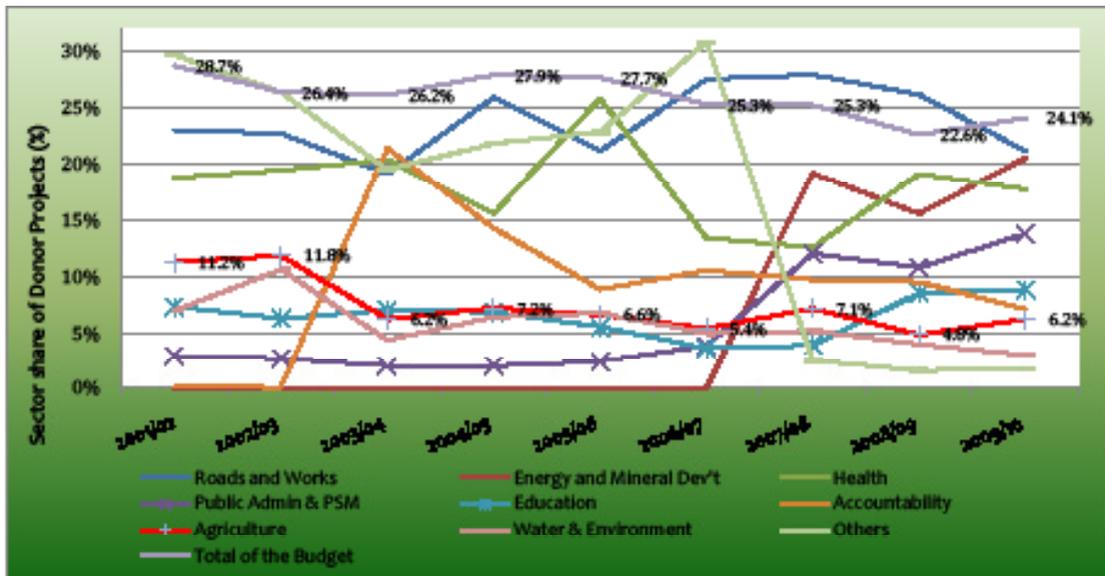
¹²⁶World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C. Draft

¹²⁷Ibid

¹²⁸These are donor committed projects in the MTEF, however, there more resources from donors which are off-budget or implemented by donors individually, which are not captured here.

¹²⁹DFID (2004). Official Development Assistance to agriculture. Working Paper by the Renewable Natural Resources and Agriculture Team. London.

Figure 6: Trends in sector share of donor projects in national budget FYs 2001/02 – 2009/10.



Source: Author's Calculations based on the MFPED, Background to the Budget (various years).

4.3. Failure of the Private Sector Model

The NRM-regime acknowledged the importance of maintaining fiscal discipline and maintaining a stable macro-economic framework through removing government interventions in the market that distort prices. Public agricultural institutions (e.g. marketing boards) were abolished because they were thought to constrain private sector development, were inefficient, and a drain on public resources. As a result, public spending on agriculture declined.¹³⁰

The low allocations to the agricultural sector reflects the dominant MFPED view that agricultural sector growth happens best when left to the market and therefore should not be sponsored by public moneys. Government is expected roll back and only provide incentives, pass and enforce laws, adopt regulations, all of which are key ingredients for private sector operations. Another key role for government is enabling, organizing or participating in multi-stakeholder processes for policy reform. All of these constitute a framework that has had enormous impact on whether and how various agricultural policies are formulated in Uganda.

Although the bulk of the resource investment in agriculture originates from private investors (ordinary farmers), the sector has not been able to attract in a significant way private commercial capital. For instance, in 2008, most of the investments that were recorded by Uganda Investment Authority (UIA) went mainly into Transport, Communication and Storage (27.1%), Financing, Real Estate and Other business services (24.9%) and

¹³⁰ Headey, D.D., et al (2009). Why African governments under-invest in agriculture: Results from an expert survey. IFPRI, Washington DC.

Manufacturing (19.4%), with Agriculture registering only 11.1%¹³¹ (see Table 11). The low level of investment in the sector is associated with high perceived long-term low yield nature of agricultural projects and perceived high risks.¹³²

There are differing views as to the roles and responsibilities of the state in relation to promoting agricultural growth. Though there is still a dominant belief in the market model by most public officials, mainly in MFPED, there is a shift in ideology towards a more pro-interventionist approach. Even though at the political level, a move back towards more government intervention can be identified, it seems as if a core group of technocrats is still in favour of the market model, which has affected allocation of funds to agriculture.¹³³

Table 11: Planned investment levels in 2008/09

Sector	Planned Investment (US\$)	% Share of Investment
Agriculture, Forestry and Fishing	218,477,000	11.1%
Manufacturing	381,292,000	19.4%
Mining and Quarrying	117,015,000	5.9%
Wholesale and Retail, Catering and Accommodation Systems	36,032,000	1.8%
Community and Social Services	39,844,000	2.03%
Water and Energy	24,095,000	1.23%
Transport, Communication and Storage	531,317,900	27.1%
Financing, Real Estate and Other Business Services	488,372,000	24.9%
Construction	123,972,000	6.3%
Others	3,000,000	0.15%
Total	1,963,417,100	100.0%

Source: Author's computations based on the Parliament of Uganda (2009) report.

It is important to note that no development can occur spontaneously, solely through market forces. Any example of a successful development story demonstrates that state involvement in the process is essential. However, to be successful, state interventions must be done in sympathy, not in opposition, to the market. The market is an essential device in day-to-day decisions and short-term approaches. But the market is myopic. In the long run, collective management by state and public agencies is necessary to avoid false expectations and misunderstandings, as well as to fix standards, control quality and set future priorities.

¹³¹Parliament of Uganda (2009). Report of the Parliamentary Budget Office on the Performance of the Economy for FY 2008/09.

¹³²Odhiambo, Walter (2007). Financing African Agricultures: Issues and Challenges, paper presented at the Second African Economic Conference, Addis Ababa, Ethiopia 15-17 November 2007. African Development Bank.

¹³³ibid

5

Policy Recommendations

This paper has analysed public agricultural spending in Uganda. The 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, which prevents the country from achieving socio-economic transformation. The paper notes that although the Ugandan government committed itself in 2003 to allocate 10% of the budgetary resources to Agriculture under the Maputo Declaration, it is unlikely to meet the target in the near future. Major reasons why Agriculture ranks low in Government of Uganda spending include: lack of strategic leadership, distortions in the budget architecture, and the failure of the market model.

The paper asserts that for Uganda to achieve socio-economic transformation, agricultural growth must be accelerated through increasing public spending even beyond the 10% agreed upon under CAADP. Public expenditure should be concentrated on investment research and development; extension services; provision of credit; and rural infrastructure especially feeder roads and markets.

Against this background, we recommend that the following actions which, as this paper illustrates, are pertinent to enable Uganda attain socio-economic transformation through agricultural development be taken:

5.1. Re-orient the National Budget

Government should tremendously increase budget allocation to the agricultural sector even beyond the Maputo commitment of 10% of the total National Budget. There has always been the debate as to whether Uganda has adequate domestic resources that can be mobilized for agricultural development. A common view has been that Uganda can hardly mobilize adequate resources to meet national and sectoral needs, especially in agriculture which ranks low in the sectoral allocations. There are strong pointers to show that the country has the resources that can be mobilized for agricultural development; what is lacking is strategic orientation of the budget towards agriculture. One practical policy action that government needs to take is to curtail the cost of public administration, in a bid to re-allocate more resources to agricultural development. In addition, government is set to mobilize more resources from oil revenues. Such resources should not be utilized to support the bloated public administration, but should prudently be invested in unlocking the binding constraints to socio-economic transformation through investing in rural development, especially in agriculture.

5.2. Promulgate the National Agriculture Policy

Government should expedite the process of promulgating the National Agriculture Policy with a clear definition of public and private sector interventions to integrate and harmonize all the sub-sectors and programmes under agriculture with the objective of improving service delivery and support to the poor farmers. The formulation of this policy must from the onset involve the private sector, farmers and civil society.

In addition, government should commit itself to the development of evidence-based agricultural policies, strategies and plans and, more importantly, respect and implement them by allocating and monitoring the resource use and resulting outcomes.

5.3. Resource Re-allocation within the Agricultural Sector

As discussed earlier, development spending seems to command a big share of the Agricultural Sector budget. However, this spending is heavily oriented towards non-wage recurrent expenditures rather than capital expenditures. Given the low levels of capital expenditure, MAAIF as the key architect and implementer of Agricultural Policy needs to strategically shift development resources from non-wage recurrent to capital expenditures. Agricultural spending should focus on areas that contribute to increased productivity, including disease and pest control, irrigation, farm input support, basic storage and post-harvest technologies, and the effective use and management of natural resources.

In addition, MAAIF needs to devise ways to re-balance the operational costs structure towards the operational or technical departments whose effectiveness is currently constrained due to lack of funds.

5.4. Utilize Budget Resources Prudently

Notwithstanding the fact that the Agricultural Sector is poorly funded and indeed requires more funds, the sector has exhibited high levels of inefficiency in the utilization of the allocated funds. With the increasing focus by the international community towards supporting the agricultural sector, it is likely that the sector will attract a lot of foreign aid. High levels of investment in Agriculture will amount to very little without reforms to ensure efficiency and prudent use of resources. In the new agricultural governance arrangement with multiple players, the Agricultural Sector has to demonstrate transparency, efficiency and effectiveness in the use of public resources. MAAIF needs to be more effective in the planning and implementation of its activities and to show how agriculture can become a driving force in economic growth and sustainable poverty reduction.

5.5. Improve the Sector Absorption Capacity

It is important that MAAIF updates its Development Strategy and Investment Plan (DSIP) in line with the National Development Plan (NDP) to continue providing a link between policy, planning, budget preparation and negotiations. In addition, the credibility of the DSIP needs to be enhanced by paying greater attention to the criteria used for prioritization; the expected outcomes, detailed explanations of expenditure estimates; and linking investment plans more closely to anticipated MTEF ceilings. The sector should also devise

means of increasing its absorption capacity.

5.6. Agricultural Extension Services

The current impasse in the NAADS is killing the agricultural extension in Uganda. As I write this paper, agricultural extension in Uganda is at the crossroads. There is no clear policy on how extension services should be implemented in Uganda. It is, therefore important that MAAIF embarks on the review of the regulatory, policy and legal framework within which the agricultural extension service delivery system currently operates, with the aim of guiding implementation of the agricultural extension programmes in Uganda. MAAIF needs to develop a comprehensive agricultural extension policy to guide implementation of agricultural extension programmes at national and local government levels.

5.7. Strengthen Research and Extension Service Linkages

As mentioned in the analysis above, there is weak linkage between research under NARO and extension services under NAADS. This means that most small-scale farmers cannot access appropriate farming technologies, which affects agricultural productivity. Therefore, it important that government ensures that the increase in extension service funding is matched with increase in funding for agricultural research.

5.8. Improve MAAIF Collaboration with LGs

Since more resources will continue to shift from central to local governments, mainly to NAADS, it is vital for MAAIF to improve collaboration with the local governments to ensure effective implementation of agricultural programmes. The production departments at district and sub-county levels should assume an important role in programme monitoring for effective management of NAADS and other agricultural programmes. Small-scale farmers and CSOs should be mobilized to engage in the monitoring of the utilization of resources at these levels and the quality of services delivered.

5.9. Improve Access to Credit

Research on determinants of agricultural commercialization has shown that farmers with better access to finance tend to sell a larger share of their production. Commercial banks are unlikely to increase lending to smallholders of their own accord, so government has to develop innovative. To improve the access to finance, the Government should exploit the possibility of establishing an Agricultural Bank (provided it is efficient and accountable) that will explicitly focus on farmers' credit needs, and hedge against risks like crop failures and volatilities in prices of agro-products.

5.10. Improve on Human Resources

Government through the Ministry of Public Service should expedite the process of restructuring the Ministry of Agriculture, Animal Industry and Fisheries in a bid to fill the vacant positions and harmonise wages within Ministry and its affiliate agencies with a view to improving the effectiveness of service delivery.

References

ACODE and UNFFE (2009). Farmers Petition to the President and Members of Parliament of the Pubic of Uganda. INFOSHEET No. 7, 2009.

Action Aid-Uganda (2010). Invest in Small Holder Farmers: Six Areas for improvement in Agricultural Financing.

African Development Fund (2005). Republic of Uganda: Agriculture and rural sector review. AU, (2003), Assembly of the African Union; Second Ordinary Session 10 - 12 July 200. African Union, Maputo, Mozambique.

Balat, J., Brambilla, I., and Porto, G., (2008). Realizing the Gains from Trade: Export Crops, Marketing Costs, and Poverty. The World Bank Development Research Group, Policy Research Working Paper 4488. Washington D.C.

Bates, R., H., (1981). Markets and States in Tropical Africa: The Political Basis of Agricultural Policies. University of California Press.

Benin, S., Nkonya, E., Okecho, G., Pender, J., Nahdy, S., Mugarura, S., Kato , E., and Kayobyo , G., (2007). Assessing the Impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods, IFPRI, Discussion Paper 00724.

Benin, S., Thurlow, J., Diao X., Kebba, A., and Ofwono, N., (2007). Agricultural Growth and Investment Options for Poverty Reduction in Uganda. International Food Policy Research Institute (IFPRI), Discussion Paper 00790.

Bezemer, D., and Headey, D.D., (2008). Agriculture, development and urban bias. World Development 36(8): 1342-1364.

Brett, E., A., (2006). State Failure and Success in Uganda and Zimbabwe: The logic of Political Decay and Reconstruction in Africa, Working Paper no. 78. Crisis States Research Centre, LSE.

CPRC (2008). The Chronic Poverty Report 2008-09: Escaping Poverty Traps; Chronic Poverty Research Centre.

CSBAG (2008). Making the Budget Work for the Poor: Civil Society Alternative Proposal to the National Budget Framework Paper FY 2008/09. Civil Society Budget Advocacy Group, Kampala Uganda.

DFID (2004). Official Development Assistance to agriculture. Working Paper by the Renewable Natural Resources and Agriculture Team. London.

EPRC (2009). Agricultural sector Public Expenditure Review, Phase Three: Efficiency and

Effectiveness of Agricultural Expenditures.

Fan, S., Johnson, M., Saurka, A., and Makombe, T., (2008). Investing in African Agriculture to Halve Poverty by 2015. International Food Policy Research Institute (IFPRI), Discussion Paper 00751. Washington, DC.

Fan, S., Zhang, X., and Rao, N., (2004). Public Expenditure, Growth, and Poverty Reduction in Rural Uganda. International Food Policy Research Institute (IFPRI), DSG Discussion Paper 4. Washington, DC.

Ferroni, M., and Kanbur, F., (1990). Poverty-Conscious Restructuring of Public Expenditure: Social Dimensions of Adjustment in Sub-Saharan Africa. World Bank, Working Paper 9.

Foster, M., Brown, A., Naschol, F., (2001). Sector Programme Approaches: Will they work in Agriculture? *Development Policy Review*, 2001, 19 (3): 321-338.

FOWODE (2008). Analysis of policy statements for FY 2008/09 and the Medium Term; Viz: Health, Education, Agriculture, Water and Sanitation and Justice, Law and Order Sectors.

Headey, D.D., Benson, T., Kolavalli, S., and Fa, S. (2009). Why African governments under-invest in agriculture: Results from an expert survey. IFPRI, Washington DC.

ITAD (2007). Evaluation of National Agricultural Advisory Services (NAADS), report, 2008.

Joughin, J., and Kjær, A.M., (2009). The politics of agricultural policy reforms: the case of Uganda. First draft.

Kato, J., and Kayango, R., (2007). NAADS: Is local government funding slowing down progress. *New Vision Thursday*, march 15, 2007.

Keizire, B.B., (2010). Peer review comments on this paper. African Union Commission, Addis Ababa Ethiopia.

Kjaer, A., M., and Muhumuza, F., (2009). The New Poverty Agenda in Uganda, DIIS Working Paper 2009:14.

Krueger, A. O., M. Schiff, et al., Eds. (1991). Political Economy of agricultural pricing policy. Baltimore, John Hopkins University Press.

MAAIF (2009). Development Strategy and Investment Plan, 2009/10-2013/14, Second Draft, July 2009. Republic of Uganda. Kampala.

MAAIF (2009). Long-term Funding for Agricultural Growth, Poverty Reduction, and Food and Nutrition Security. Brochure 5, October, 2009. Republic of Uganda. Kampala.

MAAIF (2009). National Agricultural Policy (draft). Republic of Uganda. Kampala.

MFPEP (2007). Public Service Delivery in Uganda: Abetting or Containing Inequality? Discussion Paper 13. Republic of Uganda. Kampala.

MFPEP (2008). Budget Speech financial year 2008/09: Strategic Priorities to Accelerate Prosperity for All. Republic of Uganda. Kampala.

MFPEP (2009). Approved Estimates of Review and Expenditure FY 2009/10. Republic of Uganda. Kampala.

MFPEP (various years). Approved Estimates of Revenue and Expenditure (Recurrent and Development) FYs 2003/04, 2005/06, 2006/07, 2007/08, 2009/10. Republic of Uganda. Kampala.

MFPEP (various years). The Background to the Budgets FYs 2003/04, 2005/06, 2006/07, 2007/08, 2009/10. Republic of Uganda. Kampala.

Mkandawire, R., (2009). Investment in Agriculture Africa's Path to Prosperity. The New Vision Thursday, 19 November 2009.

Musiime, E., Keizire, B., and Muwanga, M., (2005). Organic Agriculture in Uganda: The need for a Coherent Policy Framework. ACODE Policy Research Series No. 11, 2005.

Mwenda, A., (2006). Redefining Uganda's Budget Priorities: A critique of the 2006/07 Budget. ACODE Policy Briefing Paper No. 17, 2006.

Nabbumba, R., and Bahiigwa, G., (2003). Agricultural Productivity Constraints in Uganda: Implications for Investment. Food Policy Research Institute, Washington, DC.

Namara, R.B., (2009). Public Policy Management: Uganda's Experience in Agriculture Extension Policies. Paper presented at the Symposium on the 40th UMI anniversary celebrations, October 2009.

NPA (2010). National Development Plan [2010/11-2014/15]. Republic of Uganda. Kampala.

NRM (2006). Prosperity For All, Transformation and Peace. NRM Election Manifesto 2006. National Resistance Movement. Kampala.

Odhiambo, W., (2007). Financing African Agricultures: Issues and Challenges, paper presented at the Second African Economic Conference, Addis Ababa, Ethiopia 15-17 November, 2007. African Development Bank.

Office of the Auditor General (2010). Annual report of the Auditor General for the year ended 30th June, 2009; Volume 2, Central Government.

OPM (2009). Government Annual Performance Report, Financial Year 2008/09. Republic of Uganda. Kampala.

Oxford Policy Management (2005). Evaluation report: The Plan for the Modernization of Agriculture.

Oxford Policy Management (2007). Review of Public Spending to Agriculture: A joint DFID/World Bank Study, Uganda Case Study. Oxford Policy Management, UK.

Oxford Policy Management (2008). Independent Evaluation of Uganda's Poverty Eradication Action Plan (PEAP). Oxford Policy Management, UK.

Palaniswamy, N., and Birner, R., (2006). Financing Agricultural Development: The Political Economy of Public Spending on Agriculture in Sub-Saharan Africa. IFPRI, Washington, DC

Parliament of Uganda (2009). Report of the Parliamentary Budget Office on the Performance of the Economy for Fiscal Year, 2008/09. Republic of Uganda. Kampala.

PMA Secretariat (2007). Quarterly Bulletin', Vol. 5 No., 2. Republic of Uganda. Kampala.

PMA Secretariat (2008). Government of Uganda Funding of Agriculture related activities during the Financial Year 2007-2008. Republic of Uganda. Kampala.

Population Secretariat (2009). Key facts on Uganda's Population. Republic of Uganda. Kampala. Accessed at http://www.popsec.org/key_facts.php#population_size [accessed on 30th Nov, 2009].

The CSO Working Group on PMA (2004). Contribution to the increased effectiveness of the PMA: A civil society submission for the PMA Joint Review Workshop, 25 October 2004 at Imperial Resort Beach Hotel, Entebbe.

The Independent (2009). Government stuck over big salary gaps, Issue 086, 13- 19 November, 2009.

The New Vision (2010). Museveni suspends NAADS. Wednesday, 7 July 2010.

Tumushabe, G., W., (2009). Trends in Public Administration Expenditure in Uganda: The cost of the Executive and its Implications on Poverty Eradication and Governance. ACODE Policy Research Series, No. 27.

Tumushabe, G., W., Nuwagaba, A., and Bantebya, G., (2007). Transforming Commonwealth Societies to achieve Political, Economic and Human Development: Technical Background Paper Prepared for Kampala CHOGM 2007.

UBOS (2006), Uganda National Household Survey 2005/06: Report on Socio-economic module. Republic of Uganda. Kampala.

UBOS (2008). Statistical Abstract 2008. Republic of Uganda. Kampala.

UBOS (2009), Statistical Abstract 2009. Republic of Uganda. Kampala.

UDN (2006). The 2006/07 National Budget: Shortfalls in Pro-poor Spending, Budget Policy Brief No.1.

Uganda National NGO Forum (2009). Unlocking Uganda's Development Potential: 8 Fundamentals for the Success of the National Development Plan, A civil Society Perspective Paper, July 2009.

World Bank (2007). World Bank Assistance to Agriculture in Sub-Saharan Africa: An IEG Review. The World Bank, Washington DC.

World Bank (2008). World Development Report 2008: Agriculture for Development, World Bank, Washington D.C.

World Bank (2009). Uganda Agriculture Public Expenditure Review. Sustainable Development Network, Africa Region, The World Bank. Washington D.C.

Publications in this Series

Tumushabe, G.W., Bainomugisha, A., and Muhwezi, W., (2000). Towards Strategic Engagement: Government NGO Relations and the Quest for NGO Law Reform in Uganda. ACODE Policy Research Series, No. 1, 2000. Kampala.

Kameri-Mbote, P., (2000). The Operation Environment and Constraints for NGOs in Kenya: Strategies for Good Policy and Practice. ACODE Policy Research Series, No. 2, 2000. Kampala.

Tumushabe, G. W., (2001). The Precautionary Principle, Biotechnology and Environmental Litigation: Complexities in Litigating New and Emerging Environmental problems. ACODE Policy Research Series, No.3, 2001. Kampala.

Tumushabe, G. W., Mwebaza, R., and Naluwairo, R., (2001). Sustainably Utilizing our National Heritage: Legal Implications of the proposed Degazettement of Butamira Forest Reserve. ACODE Policy Research Series, No.4, 2001. Kampala.

Tumushabe, G. W., and Bainomugisha, A., et al: (2003). Sustainable Development Beyond Rio + 10- Consolidating Environmental Democracy in Uganda Through Access to Justice, Information and Participation. ACODE Policy Research Series, No. 5, 2003. Kampala.

Mugenyi, O., and Naluwairo, R., (2003). Uganda's Access to the European Union Agricultural Market: Challenges and Opportunities. ACODE Policy Research Series, No. 6, 2003. Kampala.

Mugenyi, O., and Nuwamanya, D., (2003). Democratizing EPA Negotiations: Challenges for Enhancing the Role of Non State Actors. ACODE Policy Research Series, No.7, 2003. Kampala.

Kameri-Mbote, P., (2004). Towards a Liability and Redress System under the Cartagena Protocol on Biosafety: A Review of the Kenya National Legal System. ACODE Policy Research Series, No. 8, 2004. Kampala.

Kabudi, P.J., (2004). Liability and Redress for Damage Caused by the Transboundary Movement of Living Modified Organisms (LMOs) under the Cartagena Protocol on Biosafety: A Review of Tanzania Legal System. ACODE Policy Research Series, No. 9, 2004. Kampala.

Tumushabe, G. W., and Bainomugisha, A., (2004). Constitutional Reforms and Environmental Legislative Representation in Uganda: A Case Study of Butamira Forest Reserves in Uganda. ACODE Policy Research Series, No. 10, 2004. Kampala.

Musiime, E., Kaizire, B., and Muwanga, M., (2005). Organic Agriculture in Uganda: The Need for A Coherent Policy Framework. ACODE Policy Research Series, No.11, 2005. Kampala.

Tumushabe, G.W., (2005). The Theoretical and Legal Foundations of Community- Based

Property Rights in East Africa. ACODE Policy Research Series, No. 12, 2005. Kampala.

Bainomugisha, A., and Mushemeza, D., (2006). Deepening Democracy and Enhancing Sustainable Livelihoods in Uganda: An Independent Review of the Performance of Special Interest Groups in Parliament. ACODE Policy Research Series, No. 13, 2006. Kampala.

Mugenyi, O., and Zeija, F., (2006). The East African Customs Union Protocol: An Audit of the Stakeholders' Participation in the Negotiation Process. ACODE Policy Research Series, No.14, 2006. Kampala.

Naluwairo, R., (2006). From Concept to Action: The Protection and Promotion of Farmers' Rights in East Africa. ACODE Policy Research Series, No.15, 2006. Kampala.

Bainomugisha, A., (2006). Political Parties, Political Change and Environmental Governance in Uganda: A Review of Political Parties Manifestos. ACODE Policy Research Series, No.16, 2006.

Tumushabe, G. W., and Musiime, E., (2006). Living on the Margins of Life: The Plight of the Batwa Communities of South Western Uganda. ACODE Policy Research Series, No.17, 2006. Kampala.

Naluwairo, R., and Tabaro, E., (2006). Promoting Food Security and Sustainable Agriculture through Facilitated Access to Plant Genetic Resources for Food and Agriculture: Understanding the Multilateral System of Access and Benefit Sharing. ACODE Policy Research Series, No.18, 2006. Kampala.

Bainomugisha, A., and Mushemeza, E. D., (2006). Monitoring Legislative Representation: Environmental Issues in the 7th Parliament of Uganda. ACODE Policy Research Series, No. 19, 2006. Kampala.

Bainomugisha, A., Kivengyere, H., and Tusasirwe, B., (2006). Escaping the Oil Curse and Making Poverty History: A Review of the Oil and Gas Policy and Legal Framework for Uganda. ACODE Policy Research Series, No. 20, 2006. Kampala.

Keizire, B. B., and Mugenyi, O., (2006). Mainstreaming Environment and Natural Resources Issues in selected Government Sectors: Status, Considerations and Recommendations. ACODE Policy Research Series, No. 21, 2006. Kampala.

Keizire, B. B., and Muhwezi, W. W., (2006). The Paradox of Poverty amidst Plenty in the Fish Product Chain in Uganda: The Case of Lake George. ACODE Policy Research Series, No. 22, 2006. Kampala.

Bainomugisha, A., Okello, J., and Ngoya, J., B., (2007). The Tragedy of Natural Resources Dependent Pastoral Communities: A Case of Teso-Karamoja Border Land Conflict between Katakwi and Moroto Districts. ACODE Policy Research Series, No. 23, 2007. Kampala.

Nkabahona, A., Kandole, A., and Banura, C., (2007). Land Scarcity, Ethnic Marginalisation and Conflict in Uganda: The Case of Kasese District. ACODE Policy Research Series, No. 24, 2007. Kampala.

Kivengere, H., Kandole, A., (2007). Land, Ethnicity and Politics in Kibaale District. ACODE Policy Research Series, No. 25, 2007. Kampala.

Muhumuza, F., Kutegeka, S., and Wolimbwa, A., (2007). Wealth Distribution, Poverty and Timber Governance in Uganda: A Case Study of Budongo Forest Reserve. ACODE Policy Research Series, No. 26, 2007. Kampala.

Tumushabe, G. W., (2009). The Anatomy of Public Administration Expenditure in Uganda: The Cost of the Executive and its Implications for Poverty Eradication and Governance. ACODE Policy Research Series, No. 27, 2009. Kampala

Tumushabe, G., W., and Gariyo, Z., (2009). Ugandan Taxpayers' Burden: The Financial and Governance Costs of a Bloated Legislature. ACODE Policy Research Series, No. 28, 2009. Kampala.

Tumushabe, G., Bainomugisha, A., and Mugenyi, O., (2009). Land Tenure, Biodiversity and Post Conflict Transformation in Acholi Sub-Region: Resolving the Property Rights Dilemma. ACODE Policy Research Series No. 29, 2009. Kampala

Muhwezi, W., W., Bainomugisha, A., et.al., (2009). Oil Revenue Sharing Mechanisms: The Case of Uganda. ACODE Policy Research Series No. 30, 2009. Kampala

Tumushabe, G., et.al. (2010). Monitoring and Assessing the Performance of Local Government Councils in Uganda: Background, Methodology and Score Card. ACODE Policy Research Series, No. 31, 2010. Kampala.

Tumushabe, G., et.al. (2010). Uganda Local Government Councils Score Card Report 2008/09: A Comparative Analysis of Findings and Recommendations for Action. ACODE Policy Research Series, No. 32, 2010. Kampala.

Tucungwirwe, F., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Kamuli District Council Score Card 2008/09. ACODE Policy Research Series, No. 33, 2010. Kampala.

Tucungwirwe, F., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Mbale District Council Score Card 2008/09. ACODE Policy Research Series, No. 34, 2010. Kampala.

Ssemakula, E., G., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Amuria District Council Score Card 2008/09. ACODE Policy Research Series, No. 35, 2010. Kampala.

Muyomba, L., T., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Nebbi District Council Score Card 2008/09. ACODE Policy Research Series, No. 36, 2010. Kampala.

Muyomba, L., T., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Amuru District Council Score Card 2008/09. ACODE Policy Research Series, No. 37, 2010. Kampala

Muyomba, L., T., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Luwero District Council Score Card 2008/09. ACODE Policy Research Series, No. 38, 2010. Kampala

Natamba, F., E., et.al. (2010). Local Government Councils Performance and the Quality of Service Delivery in Uganda: Ntungamo District Council Score Card 2008/09. ACODE Policy Research Series, No. 39, 2010. Kampala

About the Author

Daniel Lukwago is a Research Fellow at ACODE. He has more than 8 years working experience as a policy analyst. He has reviewed and analyzed economic policies from a pro-poor perspective. He has produced over 15 papers on development, poverty reduction, governance, macroeconomic and fiscal policies. Daniel holds a Master of Public Administration degree from Columbia University, USA and a BSc (Quantitative Economics) degree from Makerere University, Uganda.

ISBN 978-9970-07-001-5



Advocates Coalition for Development and Environment
Plot 96, Kanjokya Street, Kamwokya., P.O.Box 29836, Kampala-UGANDA
Telephone: +256-417-712150, +256-312-812150
Email: acode@acode-u.org , library@acode-u.org
©2010 ACODE All Rights Reserved