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Analysis of public expenditure in support of food and agriculture in Uganda, 2006/07–2012/13

September 2014

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ACRONYMS

ASDSIP	The Agricultural Sector Development Strategy and Investment Plan
ASWG	Agricultural sector working group
ATAAS	Agricultural Technology & Agribusiness Advisory Services
BFP	Budget Framework Paper
CAIIP	Community Agricultural Infrastructure Improvement Project
CDO	Cotton Development Organization
CET	Common External Tariff
CMB	Coffee Marketing Board
COCTU	Coordinating Office for the Control of Trypanosomiasis in Uganda
COMESA	Common Market for Eastern and Southern Africa
DSIP	Development Strategy and Investment Plan
EAC	East African Community
ERP	Economic Recovery Programme
EU	European Union
FAO	Food Agricultural Organization of the United Nations
FY	Financial Year
GDP	Gross Domestic Product
GEF	World Bank, Global Environment Facility Trust Fund
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LMB	Lint Marketing Board
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MAFAP	Monitoring and Analyzing Food and Agricultural Policies
MAP	Market Access Programme
MATIP	Markets and Agriculture Trade Improvement Projects
MFPED	Ministry of Finance, Planning and Economic Development
MFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
NAADS	National Agriculture Advisory Services
NGRICBD	National Genetic Resource Information Centre and Data Bank
NARO	National Agricultural Research Organisation
NDP	National Development Plan
NFNC	National Food and Nutrition Council
OECD	Organisation for Economic Co-operation and Development
PEAP	Poverty Eradication Action Plan
PFA	Prosperity for All
PIP	Public Investment Plan
PMA	Plan for Modernisation of Agriculture
PMB	Produce Marketing Board
PRSP	Poverty Reduction Strategy Paper
RDS	Rural Development Strategy
SWG	Sector Working Group
UBOS	Uganda /Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UCDO	Uganda Cotton Development Organisation
UNIDO	United Nations Industrial Development Organization
UNCCD	United Nations Convention to Combat Desertification

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SUMMARY

Public expenditure in support of agriculture and rural development is an important policy instrument for Uganda's agricultural sector development. Public expenditure fosters the implementation of government strategies for development in general and agricultural production in particular. In that regard, many programmes under the PMA framework and the Rural Development Strategy (RDS) are managed by ministries and agencies that are not directly linked to agriculture. This analysis has taken care of all expenditures in support of food and agriculture sector development. Indeed, the sector has been allocated significant funds for general sector support between 2006 and 2013.

The total approved budget in the sector grew by only 4 percent, in nominal terms, from 2006/2007 to 2012/2013 reaching U Sh 880billion. Although the approved budget exhibits a positive growth trend, it is rather marginal implying that in real terms, it could have diminished. The total actual spending did not match the approved budget as it declined by 15 percent from U Sh 778.4 billion 2006/2007 to U Sh 664.2 billion in 2012/2013. Therefore the government of Uganda has over time reduced commitment to increase spending in agriculture as approved budget allocations to the sector are more or less stagnant and actual spending is declining. This trend does not confirm to the objectives of heads of states during the Maputo declaration of 2003. When you compare the growth in budget allocation or actual expenditure towards agricultural and rural development with growth of the national budget allocation, it is clear that there is a reasonable discrepancy. The national budget allocation grew at 109 percent.

The current level of spending to agriculture and rural development does not meet the CAADP recommendations of allocating 10 percent of the overall budget as expressed in the 2003 Maputo Declaration. The allocation to agriculture specific policies has stagnated between 3-4 percent raising concerns in some circles. Furthermore, the composition of spending may not be optimal because: administrative costs represent a significant share in overall spending and Aid accounts for a large part of expenditures raising questions about sustainability of support to the sector. Agriculture-specific expenditures accounted, on average, for almost 39 percent of expenditures compared to agriculture-support expenditures (65 percent). Whereas Agriculture-specific expenditures significantly increase over the period of analysis, agriculture-support expenditures reduced considerably. Results suggest that, public expenditure to agriculture specific spending largely went to extension and subsidies as these categories maintained an average of 45 percent during the entire period between 2006/07 and 2012/13. On the other hand, rural infrastructure and health were the priority for public expenditure. Regarding Aid, results suggests that, although agriculture supportive polices received an average of 52 percent compared to specific policies with 48 percent, donor emphasis is shifting to agriculture specific policies. Overall, there is a declining trend in government commitment to the agricultural sector which needs to be addressed.

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1. PURPOSE

The purpose of this technical note is to analyse the effectiveness of public expenditures in support of food and agriculture in Uganda. The technical note does not intend to provide an in-depth analysis of the relationship between sector performance and public expenditures, nor does it provide an impact assessment of projects and programmes covered in the analysis. Instead, it focuses on a detailed analysis of the level, composition and coherence of public expenditure in support of food and agriculture in the country. The objective of such an analysis is to identify the patterns of support to food and agriculture sub-sectors (research, input subsidies, infrastructure...) and commodities over time, by type and source of funding.

1.1 Methodology

This technical note uses the MAFAP methodology for analyzing public expenditures in support of food and agriculture. The MAFAP methodology allows identifying, disaggregating and classifying all public expenditures in support of food and agriculture in the country, following a typology derived from the Organization for Economic Co-operation and Development (OECD) classification of public expenditures. The MAFAP methodology entails the classification of all projects and programmes in support of food and agriculture in the country, based on the nature of the support to the sector that is provided under each project/programme activities. The MAFAP methodology provides the disaggregation of public expenditures per funding source (aid and government), per implementing agency, and the distinction between recurrent and capital expenditure, administrative and policy transfers, budgeted and actual expenditure. The methodology also allows determining the share of public expenditure going to each commodity in the country. More information on the methodology can be found in the methodological guidelines, available on the website¹.

1.2 Scope

The technical note covers budgeted and actual expenditures for all projects and programmes in support of food and agriculture for the period 2006/07 – 2012/13². Such expenditures include capital and recurrent public expenditure at the aggregated, project and programme level. Expenditures considered are at the central and decentralized level. Also only on-budget expenditures are covered and considered since off budget expenditures are difficult to collect and capture.

¹ Please see : <http://www.fao.org/mafap/products/mafap-methodology-documents/en/>

² The figure for 2013 are provisional as actuals were not compiled yet

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2. ECONOMIC AND POLICY CONTEXT OF FOOD AND AGRICULTURE IN UGANDA

The state of the agricultural sector in Uganda during 2006-2013 paints a discouraging picture with regard to contribution to GDP and the rate of growth. The share of agriculture in total GDP has declined over the years from over 50 percent to 22.7 percent in FY 2009/10 and rose slightly to 23.1 percent in FY 2012/13 (Table 1), indicative of structural transformation in the economy. Similarly the agriculture sector growth rate has been rather disappointing fluctuating between 0.8 percent and 2.9 percent during the same period. In the past six financial years, the growth rate has stagnated at an average of about 1.3 percent as demonstrated in the analysis by MAAIF under the Comprehensive Africa Agriculture Development Programme (CAADP) which projected future growth trends for the agricultural sector in Uganda to stabilize at 2.8 percent per year by 2015. However, it is noted that the sector remains the main employer of labour. The vision 2040 (Republic of Uganda, 2013) report indicates that industry employs about 8 percent of the labour force; while agriculture and services employ 65.6 percent and 26 percent respectively.

Table 1: The performance of the agricultural sector 2006/07 -2012/13

Activity	Realised Growth Rates (%)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total GDP at market prices	8.7	7.3	5.9	6.6	3.4	5.1
Agriculture, forestry & fishing	1.3	2.9	2.4	1.2	0.8	1.4
Cash Crops	9.0	9.8	-1.1	-1.5	8.2	3.9
Food Crops	2.4	2.6	2.7	0.7	-1.7	0.2
Livestock	3.0	3.0	3.0	3.0	2.8	2.8
Forestry Activities	2.8	6.3	2.9	2.8	3.3	2.8
Fishing Activities	-11.8	-7.0	2.6	1.8	1.9	1.9
Industry Sector	8.8	5.8	6.5	7.9	2.5	6.8
Services Sector	9.7	8.8	8.2	8.2	3.6	4.8
	Realized share of Real GDP					
Agriculture, forestry & fishing	23.1	23.6	22.7	24	23.2	23.1
Cash Crops	1.7	1.5	1.7	2	1.7	1.7
Food Crops	13.3	14.3	12.3	13	12.3	13.3
Livestock	1.9	1.7	1.8	1.9	1.9	1.9
Forestry Activities	3.6	3.6	3.8	4.2	4.6	3.6
Fishing Activities	2.5	2.5	3.1	3	2.8	2.5
Industry Sector	24.7	24.9	25.3	26.4	26.6	24.7
Services Sector	46.4	45.5	46.2	44.7	44.7	46.4
Total GDP at market prices	100	100	100	100	100	100

Source: UBOS, 2013

2.1 Key recent government policies and strategies for agricultural and rural development

The government focuses on providing public goods and creating an enabling environment for economic growth. In the recent past, government has put in place a number of policies and programmes that support the food and agriculture sector in Uganda. These are meant to consolidate past achievements of initiatives implemented like the Plan for modernization of agriculture, Rural Development Strategy and the National Agricultural Advisory Services with the intention of transforming the sector from predominantly subsistence to commercial agriculture. We present a brief of the overarching national policies and a detail of the current agriculture specific and rural

development initiatives. Since agriculture is arguably the backbone of the Uganda's economy, the two categories are highly inter-related.

2.1.1 The National Development Plan

Uganda formulated the National Development Plan (NDP) in 2010 (Republic of Uganda, 2010) after the expiry of the PEAP in 2008. The NDP addresses structural bottlenecks in the economy aimed at accelerating socio-economic transformation that will deliver prosperity. The plan was planned to be implemented between 2010/2011 and 2014/2015, is currently under review and a new one is being developed. The NDP is the overall planning framework for the country. It identifies priority investment areas that include physical infrastructure such as energy, railway, waterways and air transport; human resource development; provision of critical technology inputs especially in agriculture; and promotion of science and technology. The NDP identifies four different categories of sectors, namely: primary growth sectors, complementary sectors, social sectors and enabling sectors. The agricultural sector, including forestry, manufacturing, tourism, mining, oil and gas, is categorized among the primary sectors.

Although the agricultural sector is one of the primary growth sectors in the NDP, it is faced with a number of constraints that have impeded growth. As articulated in the NDP, these include weak policy, legal and regulatory framework; high risks and cost of investment; high cost and limited availability of improved farm inputs; limited human resource capacity; weak institutions and structures; traditional and cultural attitudes; poor performance of natural resources; inadequate physical infrastructure; absence of data and information; land tenure and access to farmland; standards, food safety and quality assurance infrastructure; inadequate meteorological services; inadequate pest and disease control; inadequate production and post-harvest facilities; limited extension support and weak value chain linkages. Thus, the NDP designed and formulated strategies and interventions to address the above constraints including improving agricultural technology development; ensuring effective delivery of advisory services and improved technology; controlling diseases, pests and vectors, and enhancing productivity of land through sustainable land use and management of soil and water resources among others. The NDP identifies the current sectoral weaknesses and proposes actions, strategies and interventions which can address them to boost the agricultural sector further emphasizing the role of agriculture in the overall planning framework for the country.

2.1.2 The Agricultural Sector Development Strategy and Investment Plan (ASDSIP)

In an attempt to prioritize investments in the sector, in 2010, the MAAIF launched a 5-year (2010/11 – 2014/15) ASDSIP. It was a revision of the 2005/06 – 2007/08 ASDSIP, formulated as one precondition to signing of the CAADP compact, which is a continental initiative to increase economic growth in Africa through greater investment in agriculture. The revised ASDSIP was tailored on the NDP and has four programme areas of implementation that aim to promote private sector investment and raise productivity in the sector: enhancing agricultural production and productivity; improving access to and sustainability of agricultural markets; creating an enabling environment for investment in agriculture; and institutional strengthening in the agricultural sector.

However, it is noted that the sector strategy was developed without a policy in place which was an anomaly as the policy was passed in 2013 during the implementation of the strategy. This means that the strategy was not properly aligned to the agricultural policy. The policy is broader and identifies an institutional framework for its implementation, involving other sectors while the

strategy is more focused on the MAAIF for implementation. Notwithstanding MAAIF is addressing this issue in the development of new strategy (2015/16 – 2019/20). The new strategy will reflect the underpinnings of the agricultural policy.

2.1.3 The ATAAS and non -ATAAS

A review of National Agriculture Advisory Services (NAADS) I suggested a weak relationship between research institutions and extension agents in access to quality technologies and providing research-based advice to farmers in the country (World Bank, 2010). To strengthen this linkage, the Agricultural Technology and Agribusiness Advisory Services (ATAAS) Project, co-implemented by NAADS and National Agricultural Research Organization (NARO) was designed as the NAADS II programme. The ATAAS is a Government (effective December 2011) project funded by the World Bank, Global Environment Facility Trust Fund (GEF), International Fund for Agricultural Development (IFAD), the European Union, DANIDA and the Government of Uganda at a total project cost of USD 665.5 million over the five year project period (World Bank, 2010). It is being implemented by the MAAIF through NARO and NAADS to support the National Development Plan (NDP). The ATAAS purposes to address the existing weak linkage between the different actors involved in agricultural research and development in Uganda particularly between researches (NARO) and advisory services (NAADS). The ATAAS targets strengthening and scaling up technology service delivery, and promotion of actions that aim at integrating smallholders in value chains. As such ATAAS focuses on three priority areas for investment: deepening institutional development for NARO and NAADS and fostering better linkages between the two; productivity growth through better service delivery; and targeted support for more rapid agricultural commercialization. Therefore the objective of the ATAAS project is to increase agricultural productivity and incomes of participating households by improving the performance of Uganda's agricultural research and advisory service systems. The project will support key activities through five components namely:

1. **Component 1:** Developing Agricultural Technologies and Strengthening the National Agricultural Research System. The objectives of component 1 are to develop agricultural technologies through research, and to strengthen agricultural research institutions.
2. **Component 2:** Enhancing Partnerships between Agricultural Research, Advisory Services, and other Stakeholders. The objectives are to enhance the efficiency and effectiveness of technology development and dissemination by supporting closer linkages between NARO, NAADS, and other stakeholders.
3. **Component 3:** Strengthening the National Agricultural Advisory Services. The objective is to support improved delivery of demand-driven and market-oriented advisory services to farmers to promote their progression from subsistence to market-orientation.
4. **Component 4:** Supporting Agribusiness Services and Market Linkages. The objective is to promote integration of smallholders in value chains by supporting collaboration between agribusiness, farmers, advisers, and researchers to create viable, sustainable market and agribusiness linkages.

5. **Component 5: Program Management.** The objective is to support the NARO and NAADS Secretariats to ensure: (i) efficient execution of administrative, financial management, and procurement functions; (ii) coordination of project activities among various stakeholders; (iii) implementation of safeguard measures mandated by the Government of Uganda and IDA; and (iv) an effective use of the joint M&E and ICT systems established under component 2.

Whereas the ATAAS project handles the 2 sub-programmes of the Agriculture Sector DSIP, namely technology (NARO) development and extension (NAADS) as discussed above, the Non-ATAAS handles the remaining 20 sub-programmes. The Non-ATAAS falls in three categories: strategic commodities identified in the DSIP; thematic areas related to inputs for the commodities and MAAIF core functions; and transformative investment aimed at modernizing MAAIF and its agencies into institutions with capacity to address current and future challenges of the sector (MAAIF, 2012). The commodities include: coffee, cotton, tea, maize, rice, beans, cassava, Irish potatoes, bananas, citrus, pineapples, cattle (dairy and beef, poultry, goats) and fisheries. The thematic areas include: seeds and planting materials, fertilizers (organic and inorganic), labour saving technology and mechanization, water for agricultural production. The institutional capacity issues include: operationalizing the new MAAIF structure, capacity building, agricultural training institution, communications strategy, agricultural statistics, monitoring and evaluation.

2.2 The current policy environment and the central challenges for rural development

2.2.1 Land Policies:

During the implementation of agriculture specific reforms, Uganda also implemented a number of land reforms given the critical importance of land as resource for agricultural production, e.g. the Land Act of 1998. A comprehensive land-use policy was developed as matter of priority, from the Land Act (1998), the Constitution (1995), and other relevant laws. The 1995 Constitution sought to introduce a superior land tenure system for Uganda to replace the Land Reform Decree of 1975. The Constituent Assembly³(CA) resolved to recognize four tenure systems that existed before the Land Reform Decree 1975 and recommended that:

1. All Ugandan citizens owning land under customary tenure may acquire certificates of ownership in a manner prescribed by the Government;
2. Land under customary tenure may be converted into freehold ownership by registration;
3. Any lease which was granted to an Ugandan citizen out of public land may be converted into freehold in accordance with law made by Parliament; and,
4. Lawful or bona fide occupants of *Mailo* land, freehold or leasehold land shall enjoy security of occupancy of the land.

Following this, the Government planned to introduce laws aimed at streamlining the tenure system in accordance with the provisions of Chapter 15 of the Constitution.

The Land Act recognizes the land rights of both land owners and bona fide occupants/squatters. In particular, the act recognizes the rights of sitting land tenants of 12 years or more. The act also set an annual land rent—*obusulu* at U Sh 1 000 (US\$ 4.00). Although it was expected that the act, through guaranteeing the right of land tenants, was to spur investment on the land, some reports indicated

³The Constituent Assembly debated and passed the 1995 Uganda Constitution.

that the act led to acrimonious relationship between landlords and tenants (Hunt, 2004). The registered rights of landlords are in conflict with the usufruct rights of *bona fide* tenants or squatters on the same land a state of affairs discouraging private investment in the sector due to uncertainty. In addition, the Land Act does not address the issue of land ownership and inheritance by women and youth. Given the central role that women and youth play in agricultural production, the Government has not yet resolved this issue. Therefore, even when Uganda has enacted several land laws, partly as process of agricultural reform, the laws have fallen short of the essence of fundamental land reforms needed to boost agricultural production.

2.2.2 Trade policy

Uganda's trade policy aims at poverty reduction, promoting employment, economic growth and export diversification and promotion (particularly non-traditional exports). The target is to achieve vertical diversification through further processing of primary exports. Product incentive schemes (e.g. duty and tax concessions) were made available to producers and exporters to promote the competitiveness of local products. Importation of capital equipment for agricultural production is duty free as a means to boost productivity and value addition. It was envisaged that trade among developing countries was to be promoted through regional integration (e.g. COMESA, EAC). Under the EAC trade liberalization, the region has seen total elimination of tariff and reduction of Non-Tariff Barriers with the impact of creation of more regional trade. Uganda has a comparative advantage in agricultural production and has leveraged this position to be the food basket for the EAC. Uganda is member of COMESA, which is incidentally the number one destination of Uganda's exports, specifically South Sudan and the Democratic Republic of Congo. The trade policies have thus targeted increasing markets of agricultural production, consequently boosting production.

With the progressive liberalization of Uganda's economy, a process which included trade, price regulation was abandoned as a trade policy tool. Both domestic and international trade in all agricultural products has since remained in private hands. There are no more state trading companies operating in competition with the private sector or acting as major buyers and guarantors of a minimum farm-gate price. Similarly, price control as a development and trade policy measure is no longer practiced by the government. There is neither export duties on agricultural products, nor has the government instituted any bans or other restrictions on trade in food commodities (World Bank, 2009). As such, all prices have been determined by the market. Nevertheless, this does not imply good functioning markets. In many instances, the farmers have been subjected to the ruthlessness of market forces without any shielding.

Decentralization

Another policy that indirectly affects the functioning of the food and agriculture sector in Uganda is the decentralization policy, which sets the framework within which central government ministries and departments work with local governments at the district level. The implementation of the agricultural extension system and technology transfer is implemented at the district level. However, there was a functional anomaly in the implementation of agricultural extension in Uganda during the NAADS I period. NAADS I initially used a demand driven approach to conduct extension which left out the majority of the households that could not afford paying the service. This created a gap which is now being addressed through the current extension reforms, specifically to make it supply driven.

3. AGRICULTURAL BUDGET PROCESS IN UGANDA

The policies highlighted in the foregoing discussion directly or indirectly influence resource allocation and expenditure in agriculture. Budget formulation and implementation in Uganda is guided by a number of policy instruments including the Budget Act 2001, the National Development Plan 2010 (NDP), the Medium Term Expenditure Framework (MTEF) and the Poverty Action Fund (PAF). The purpose of the budget is to allocate public financial resources in priority areas to achieve government development goals. The Budget Act 2001 is the instrument that provides guidance to stakeholders in the budget formulation, management and review process, on how to go about their duties. The NDP 2010 specifies the priority areas of government investment while the MTEF provides a comprehensive and realistic medium-term resource framework within which detailed annual budget proposals are developed. The PAF is a virtual fund, a mechanism that was created to strengthen orientation of the budget or prioritize resources towards poverty reduction. The PAF is an integral part of the national budget, for which resources are prioritized to poverty reduction programmes/projects, including primary education, primary health care, water and sanitation, agricultural extension, and rural roads among others.

The guiding instrument in budget formulation at the sector level is the sector investment plan (SIP), which, in the case of MAAIF is the Agricultural Sector Development Strategy and Investment Plan 2010 (ASDSIP). As previously highlighted, the ASDSIP identifies the critical strategic areas of investment in the agriculture sector for achieving the national development objectives. The process of budget formulation at the sector level follows the national budget cycle, which starts in October and ends in July (Table 2). The process starts with the annual budget strategy cabinet paper initiated by Ministry of Finance, Planning and Economic Development (MFPED), followed by a national workshop in which the national Budget Framework Paper (BFP) is presented to key stakeholders. The chronology of events and activities leading to the reading of the National Budget in June and the subsequent approval by parliament is illustrated in Table 2.

At the sector level, the sector working group (SWG), which, in the case of the MAAIF is the Agricultural SWG (ASWG,) is responsible for the budget process after receiving guidelines from MFPED. The guidelines include the MTEF budget ceilings. The budget ceilings are provided for both MAAIF and agencies that have separate budget votes on account. The agencies under MAAIF are semi-autonomous, established by acts of parliament, except the Plan for Modernization of Agriculture (PMA) Secretariat – which was originally setup as a temporary coordinating centre for the implementation the PMA strategy, but has now transitioned into some sort of additional planning arm of MAAIF. These agencies were created to work alongside the MAAIF as full-fledged institutions operating at both national and sub-national levels and with separate budget votes. The MAAIF was left to concentrate on agricultural policy formulation, support and supervision, sector planning, regulation, standards settings, quality assurance and sector monitoring and guidance.

Table 2. Timeline of sector budget preparation process in Uganda

Timeline	Budget activity	Description of activity	Concerned institution
October	Cabinet retreat	Resource projections Issues and priorities Initial MTEF ceilings	Cabinet
October	National Budget Framework Paper (BFP) workshop	Guidelines for sector BFPs Outlook and priorities Initial MTEF ceilings	MFPEd
November	Preparation of sector Budget Framework Paper (BFP)	Preparation of draft sector BFP including RTBs and DTBs for agencies Revision of MTEF allocations consistent with sector resource ceiling	MAAIF
December	SWG retreat	Ministerial consultations Preparation of preliminary cost estimates Finalization of sector BFP	MAAIF
January	Compile BFP	Preliminary sector estimates sent to MFPEd Compile BFP Update MTEF allocations	MFPEd
February	Compile BFP	Preliminary estimates sent to President Finalize BFP	MFPEd
March	BFP to Cabinet	Cabinet reviews and recommends	Cabinet
April	Preliminary estimates to parliament	Parliament reviews and recommends	MFPEd Parliament
May	Preliminary estimates to parliament	Parliament recommends estimates PER meeting Finalize national budget	Parliament MFPEd
June	Budget reading	National budget read	MFPEd
July	Budget approval	Parliament approves budget	Parliament

Source: Adapted from The Global Mechanism of the UNCCD (2007).

Under the decentralized system of government, within which the country is administered, the agricultural sector budget formulation also involves local governments (districts) that implement some of the sectors' programmes and projects. For example, in the agricultural sector, some aspects of agricultural extension services are provided by districts besides NAADS. Other services including regulatory services, quality assurance services, agriculture statistics and information, are provided by district production officials.

The budget formulation process is supposed to be open and participatory to include inputs from stakeholders such as the civil society and the private sector, besides government. In reality however, there is very little participation or inclusion of inputs from civil society and/or the private sector with regard to allocations in priority areas of investment (Stringer, 2007). Rather than this, the major budgetary decisions are made based solely on the discussions between the MFPEd, the World Bank, and the International Monetary Fund (IMF), according to the report by the Global Mechanism of the UNCCD (2007).

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4. ANALYSIS OF PUBLIC EXPENDITURES IN SUPPORT OF FOOD AND AGRICULTURE IN UGANDA

4.1 Introduction

Public expenditures in agriculture in Uganda have been typically measured by taking into account those resources that are expended by agencies specifically responsible for agricultural matters. At the national level, these included the Ministry of Agriculture, Animal Industry and Fishery (MAAIF), the main government body responsible for agriculture and four autonomous organizations: National Agricultural Research Organization (NARO), the National Agricultural Advisory Service (NAADS) Secretariat, the Uganda Cotton Development Organization (UCDO) and the Uganda Coffee Development Agency (UCDA). At the local level agricultural expenditures are executed by District Agricultural Extension, NAADS and programs under Non-Sectoral Conditional Grant (NSCG).

Much of the expenditures that are important for the agricultural sector may occur outside the agricultural ministries and institutions. In the case of Uganda, many programmes under the PMA framework and the Rural Development Strategy are managed by ministries that are not directly linked to agriculture. Among the most important ones are the Ministry of Finance, Planning and Economic Development, Ministry of Energy and Mineral Resources, Ministry of Works and Transport, Ministry of Local Government, Ministry of Water and Environment, Ministry of Health, Ministry of Education and Sports, Ministry of Tourism, Trade and Industry, Ministry of Gender, Labour and Social Development, Ministry of Lands, Housing and Urban Development and even the Office of the Prime Minister. All expenditures of these ministries have been examined and all the expenditures in support of food and agriculture sector development have been included in the analysis.

4.2 General trends in public expenditures in support of food and agriculture

Table 3 shows the budget allocation and actual expenditure towards agriculture and rural development in Uganda for the seven fiscal years from 2006/2007 to 2012/2013. The total approved budget⁴ in the sector grew by only 4 percent, in nominal terms, from 2006/2007 to 2012/2013 reaching U Sh 880billion. Although the approved budget exhibits a positive growth trend, it is rather marginal implying that in real terms, it could have diminished. The situation is made worse by the decline in actual spending. The total actual spending considerably declined by 15 percent between 2006/07 and 2012/2013 reaching U Sh 664.2 billion from Ush 778.4 billion. Therefore, results indicate that growth in actual expenditure did not match that of budget allocation. This implies that the government of Uganda has over time reduced commitment to increase spending in agriculture as approved budget allocations to the sector are more or less stagnant and actual spending is declining. This is contrary to the objectives of heads of states Maputo declaration of 2003 and the CAADP commitments of increasing budget allocations to the agricultural sector. The growth in budget allocation or actual expenditure towards agricultural and rural development is compared with growth of the national budget allocation. It is clear that there is a reasonable discrepancy in growth in the national budget allocation (109 percent) vis-à-vis the in growth in budget allocation towards agricultural and rural development (4 percent). This is further exacerbated by the declining actual spending over time, a downward trend. Perhaps the low growth in budget allocation towards agricultural and rural development compared to other sectors partly explains the weak performance

⁴ Total agricultural expenditures (budget allocations and total spending) include both policy transfers in support of agriculture and policy administration costs. They include funding from national resources and from foreign aid.

of the agricultural sector compared to the services and industrial sectors. It is unlikely that under such spending circumstance, the agricultural sector will transform from a predominately substance sector to a commercial sector. The constraints in the sector hinge around inadequate inputs, resulting in low productivity which should be tackled through requisite investment by both government and the private sector. The results suggest that the government is not speeding as should be.

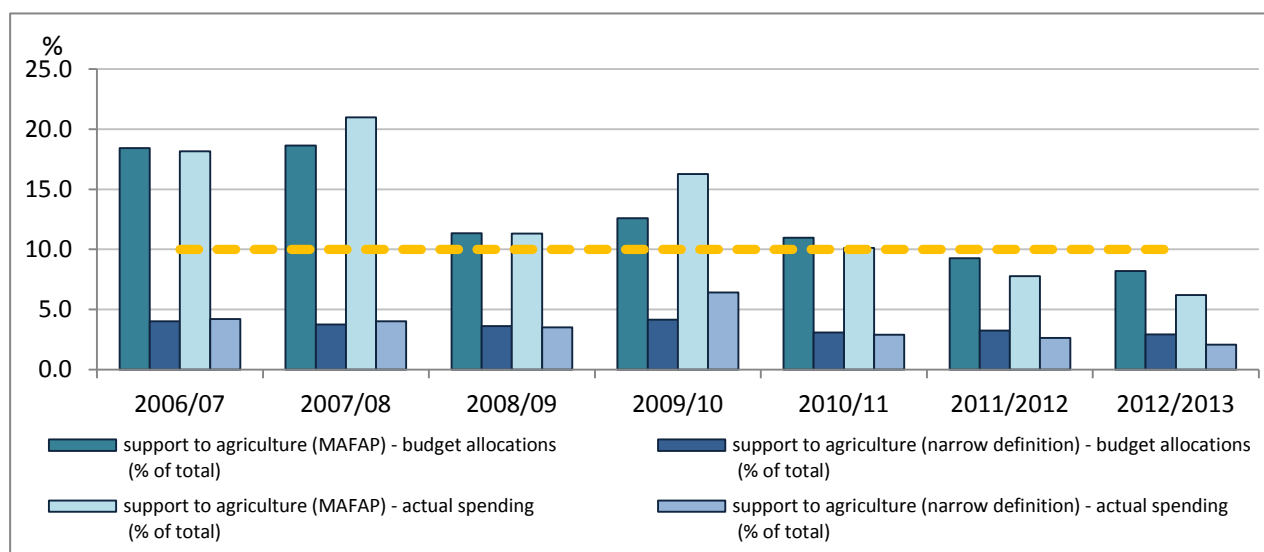
Table 3: Agricultural and rural development budget allocation and expenditure (billion U Sh)

	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	% change 2006/07 – 2012/13
Agriculture & rural development budget allocation	848.6	1,019.6	754.6	988.2	991.0	897.5	880.0	4
Agriculture & rural development actual allocation	778.4	919.5	695.5	1,168.4	1,045.3	892.7	664.2	-15
National Budget allocation	4,610.	5,470.	6,650	7,850	9,030	9,674	9,674	109

Source: MAFAP based on MFPED database, 2014

In relative terms, the agricultural budget allocations demonstrate a slight increase from 2006/07 to 2007/08 and thereafter a decline for the rest of the period. The budget allocation declined from almost 18 percent of total government spending in 2006/2007 to about 11 percent in 2008/2009 (Figure 1). Although there was an increase to 13 percent in 2009/2010, it further declined to 8 percent in 2012/2013. Actual spending in relative terms followed a similar pattern and especially decreased significantly in 2012/2013. The trends in relative terms shows that the importance of agriculture in the total government budget is declining. Although between 2006/07 and 2010/11, the level of spending met the CAADP recommendations of allocating 10 percent of the overall budget to agriculture and rural development (including national resources and aid), as expressed in the 2003 Maputo Declaration, the current level does not. Beginning with 2011/12, the overall budget to agriculture and rural development went below the 10 percent. Similarly, the Government expenditure to the MAAIF (MAFAP's narrow definition of the agricultural sector) has stagnated at an average of 3.5 percent, moreover declining over time. The decreasing trend in budget allocations to support food and agriculture may threaten the sector's development and hence Uganda's economic growth since agriculture is a key sector in Uganda's economy. Irrespective of the lack of a conceptual consensus on what agricultural spending is, it is evident from the statistics that while budget allocation towards agricultural and rural development has not significantly increased over the years, in relative terms to the overall national budget, allocation has declined. The problem is compounded by the declining actual spending in the sector.

Figure 1: Planned and actual agriculture spending in total government expenditures in Uganda



Source: MAFAP, 2014

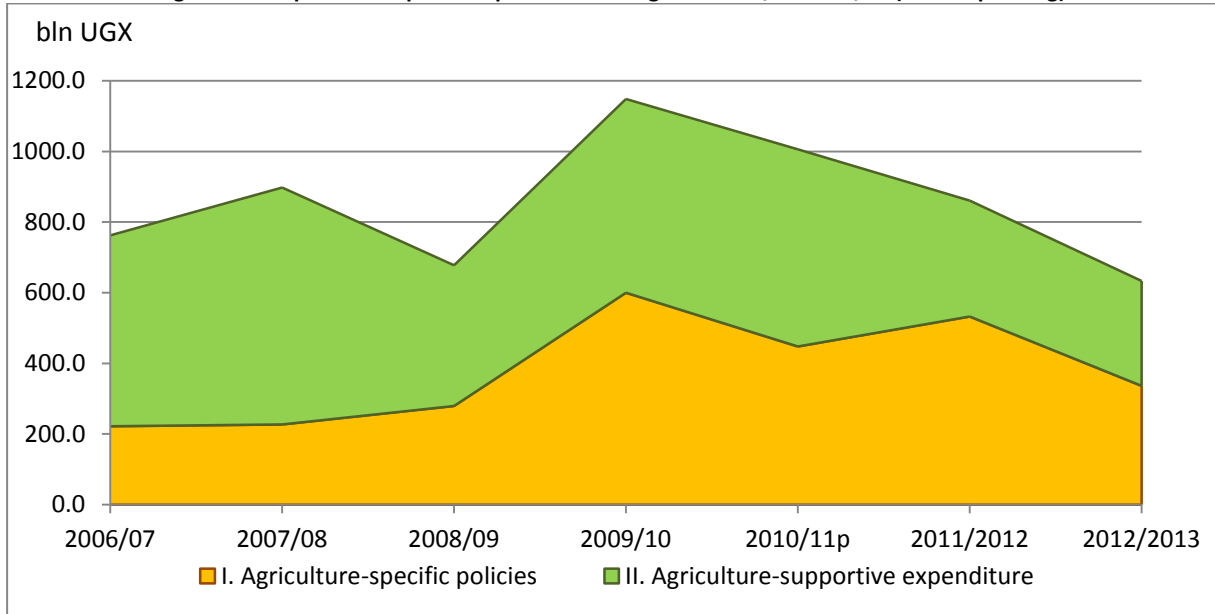
4.3 Composition of public expenditures in support of food and agriculture

Data collected at the country level allows for a good disaggregation of expenditures, funded from national resources and foreign aid, allocated to the agricultural sector. About 172 projects and programmes were identified and classified into the MAFAP classification as outlined in the project methodology (MAFAP, 2011). Collected data cover the 2006/2007 to 2012/2013 period⁵. The results are shown in Table 4. Actual expenditure grew and more than doubled from US\$ 222 billion in 2006/07 to US\$ 600 billion in 2009/10 and thereafter steadily declined to almost half by 2012/13. The agriculture supportive expenditures on the other hand declined throughout this period. This evidence suggests that support to the agricultural sector has over time reduced negatively impacting on its performance.

Agriculture-specific expenditures account, on average, for almost 39 percent of expenditures in support of the food and agriculture sector development. Their importance in overall agricultural support grew from about 29 percent in 2006/2007 to 62 percent in 2011/2012 slightly declining the following year to 53 percent. In terms of the level of spending, agriculture-specific expenditures reasonably increased over the analyzed period, while agriculture-supportive expenditures relatively decreased. This indicates that although policies that are specific for agricultural development still lag behind, they are increasingly given more attention over the years as opposed to agricultural supportive sectors (Figure 2).

⁵ The full database is available upon request

Figure 2. Composition of public expenditures in Uganda 2006/07-2012/13 (actual spending)



Source: MAFAP 2014.

Table 4: Actual public expenditure in support of the food and agriculture sector in Uganda (billion U sh)

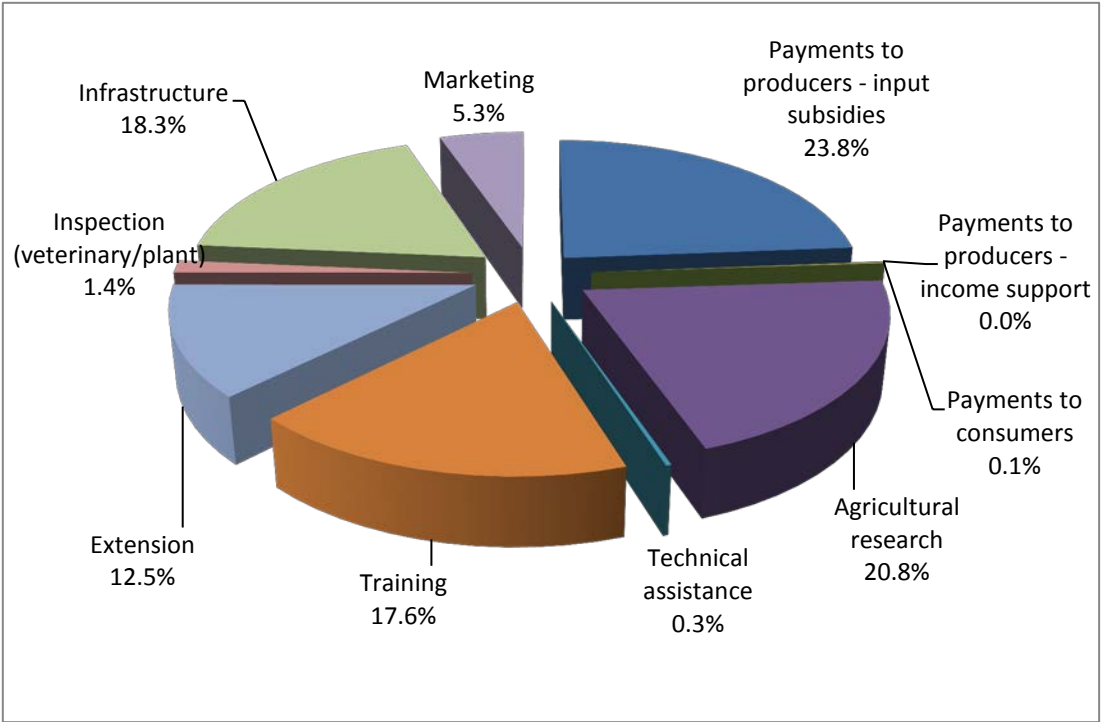
	2006/07	2007/08	2008/09	2009/10	2010/11 ^P	2011/12	2012/ 13
I. Agriculture-specific policies	222.0	227.1	279.3	600.0	447.8	532.6	336.4
<i>I.1 Payments to agents in the food and agriculture sector</i>	61.7	45.8	78.8	176.1	120.6	119.8	96.4
I.1.1. Payments to producers	61.4	45.5	78.4	170.7	114.1	114.5	96.0
A. Production subsidies based on outputs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Input subsidies	61.3	45.4	78.4	159.8	100.4	106.6	88.3
<i>B1. Variable inputs</i>	27.1	33.0	53.7	142.8	87.3	92.4	77.4
<i>B2. Capital (including on-farm irrigation and infrastructure)</i>	21.3	10.0	22.2	10.6	7.7	10.0	8.0
<i>B3. On-farm services</i>	12.9	2.4	2.4	6.4	5.4	4.2	2.9
C. Income support	0.1	0.1	0.0	10.9	13.7	7.9	7.7
D. Other payments to producers	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
I.1.2. Payments to consumers	0.3	0.4	0.4	5.4	6.5	5.3	0.3
E. Food aid	0.1	0.1	0.1	4.8	6.2	5.0	0.1
F. Cash transfers	0.2	0.2	0.3	0.5	0.3	0.2	0.2
G. School feeding programmes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
H. Other payments to consumers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I.1.3. Payments to input suppliers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I.1.4. Payments to processors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I.1.5. Payments to traders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I.1.6. Payments to transporters	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I.2 General support to the food and agriculture sector	160.3	181.3	200.5	423.9	327.2	412.8	240.0
I. Agricultural research	34.8	58.5	32.6	88.0	73.2	115.1	84.6
J. Technical assistance	0.6	0.5	0.8	2.1	6.4	4.7	11.9
K. Training	42.4	36.7	49.1	56.9	48.8	54.1	30.5
L. Extension/technology transfer	26.2	29.9	54.9	161.8	111.3	98.6	82.2
M. Inspection	3.7	2.5	3.6	24.3	4.5	8.9	10.1
N. Agricultural infrastructure	35.7	46.4	43.3	71.6	69.1	87.3	6.2
<i>N1. Feeder roads</i>	10.6	13.5	21.0	26.5	24.8	39.0	2.1
<i>N2. Off-farm irrigation</i>	6.7	13.3	11.1	23.5	24.1	21.9	0.7
<i>N3. Other off-farm infrastructure</i>	18.3	19.7	11.2	21.6	20.2	26.4	3.4
O. Storage/public stockholding	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P. Marketing	16.9	6.8	16.3	19.2	13.8	44.1	14.5
Q. Other general support to the food and agriculture sector	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
II. Agriculture-supportive expenditure	540.4	670.6	398.3	548.4	558.1	328.1	296.9
R. Rural education	3.1	3.1	6.6	5.8	5.4	4.2	3.6
S. Rural health	142.6	242.7	165.5	199.4	243.8	5.2	5.9
T. Rural infrastructure	393.7	424.0	225.4	342.4	308.9	318.7	287.4
<i>T1. Rural roads</i>	251.7	323.8	87.4	126.6	85.2	75.0	81.7
<i>T2. Rural water and sanitation</i>	74.0	57.5	80.8	139.6	137.6	145.8	124.7
<i>T3. Rural energy</i>	60.6	35.2	55.3	66.4	76.8	96.9	66.1
<i>T4. Other rural infrastructure</i>	7.5	7.5	1.8	9.8	9.2	1.0	14.9
U. Other support to the rural sector	0.9	0.9	0.8	0.8	0.0	0.0	0.0
III. Total expenditures in support of food and agriculture sector (policy transfers)	762.4	897.7	677.6	1148.3	1005.9	860.7	633.2

Source: MAFAP 2014 P=provisional estimates

4.4 Agriculture-specific public expenditures

A higher level disaggregation of expenditures reveals even more about the pattern of expenditure in the sector. There is more emphasis of some subsectors than other which further demonstrate the challenges to realize the sector objective. Input subsidies, extension services and agricultural research take up a bigger proportion of transfers for agricultural specific policies as analyzed in the three periods (2006–2008, 2008– 2011 and 2011– 2013) (Figures 3a-3d). This is followed by training activities which take up to 17.6, 12 and 10 percent for the period 2006– 2007 and 2008– 2011 and 2011– 2013 respectively. Agriculture research starts with a fair proportion of 20.8 percent during 2006–2008 and steadily declines to 14 percent during 2008– 2011 and bounces back with 23 percent during 2012– 2013. The increase in allocation to agriculture research is explained by the start in the operationalization and implementation of the ATAAS programme by NARO whose emphasis is to develop technologies for farmer uptake to increase productivity and to provide agribusiness advisory services. This was done to create the needed interface between agricultural research by NARO and agricultural advisory (extension) services via NAADS.

Figure 3a: Composition of public expenditures in Uganda: agriculture-specific spending, average 2006-2008

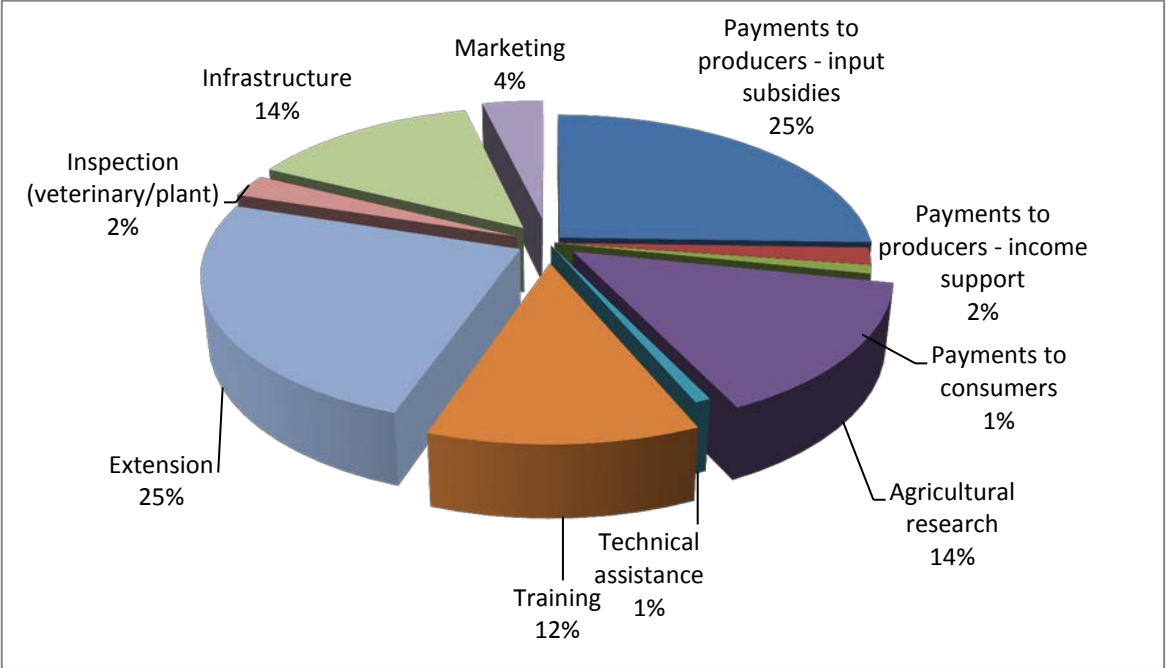


Source: MAFAP, 2014

Although allocations to infrastructure declined from 18.3 percent in 2006/07 to 11 percent in 2012/13, this was a relatively smaller decline with the average for the entire period being 14 percent. The DSIP lays a lot of emphasis on value addition for agricultural produce to increase returns for farmers. This will entail both private and public sector investment into required infrastructure to achieve the intended objective. Government emphasis have been on construction of markets in rural areas and construction of feeder roads to improve access. An area that government has relegated to the private is construction of storage infrastructure for agricultural produce which can play a critical role in stabilizing prices and regulating supply. There is thus need to increase expenditure in this area.

Apparently inspection and veterinary services which is equally critical attained a share of about 2 percent only. The livestock sector in Uganda plays a significant role at household level in alleviating poverty. However, according to the DSIP (MAAIF, 2010), the sector is faced with production constraints such as endemic diseases, poor quality breeds and inadequate feed and water. Furthermore, there is insufficient research in livestock problems, inadequate advisory and veterinary services. Funding is inadequate leading to limited facilitation of enforcement of policies, laws, regulations and standards with the consequence of high spread of diseases. In light of these challenges in the livestock sector a consistent allocation of 2 percent is glaringly inadequate.

Figure 3b: Composition of public expenditures in Uganda: agriculture-specific spending, average 2008-2011



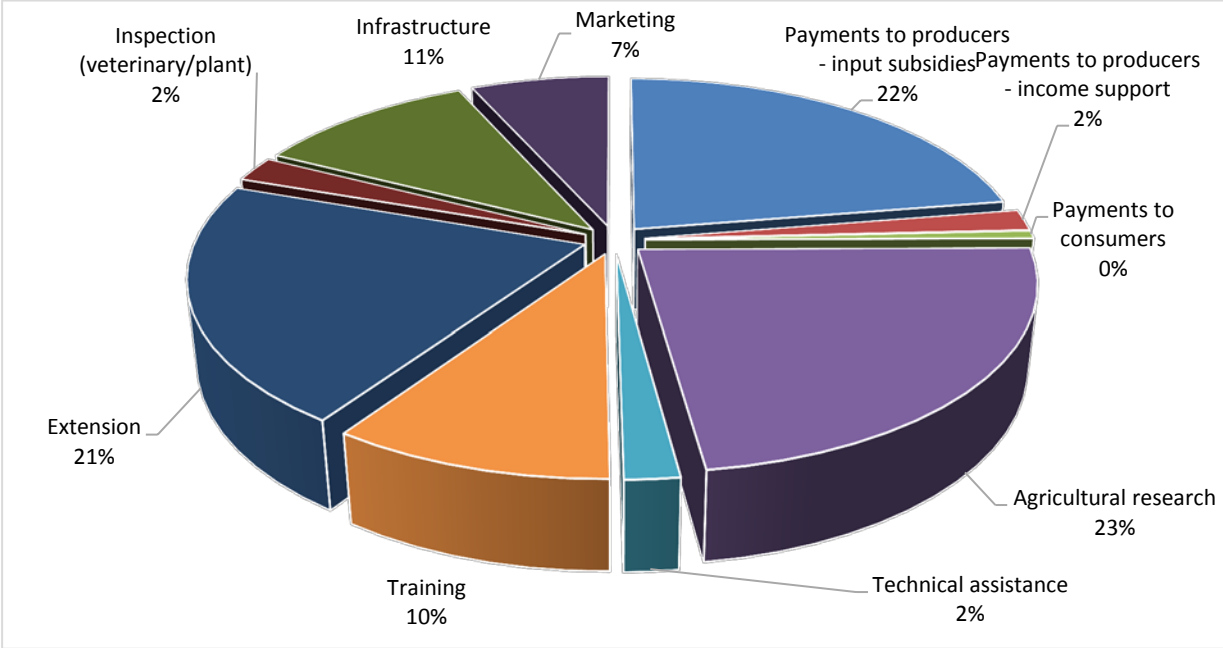
Source: MAFAP. .2014

Marketing has been a limiting factor in commercialization of agriculture in Uganda. This is evidenced by the fact that the Plan for Modernization of Agriculture had a pillar among the seven to address this problem. The current DSIP has a pillar on marketing among the four pillars that are being implemented. Additionally, Uganda’s households largely produce for subsistence purposes. The fact that marketing as an area only received an average of 5 percent, illustrates how neglected this important area is. There has been limited effort on the side of government to operationalize frameworks intended to improve marketing. In the recent past, the Ministry of Industry Trade and Cooperatives was formed partly to give cooperatives salience and attention in policy. However little has been done in implementing a strong cooperative movement to improve on marketing of agricultural production. Although under the local government structure, districts have streamlined the positions of commercial officers in their established position to help in the marketing of agricultural produce, they are grossly underfunded to facilitate their operations. All these inadequacies point to the fact that marketing has been given less attention and should be addressed.

In this category of specific agriculture expenditure however, spending on technical assistance carries the least share of 0.3 to 2 percent in the three analyzed periods. Overall, the composition of public expenditure to agriculture specific spending largely went to extension and subsidies as these

categories maintained an average of 45 percent during the entire period between 2006/07 and 2012/13.

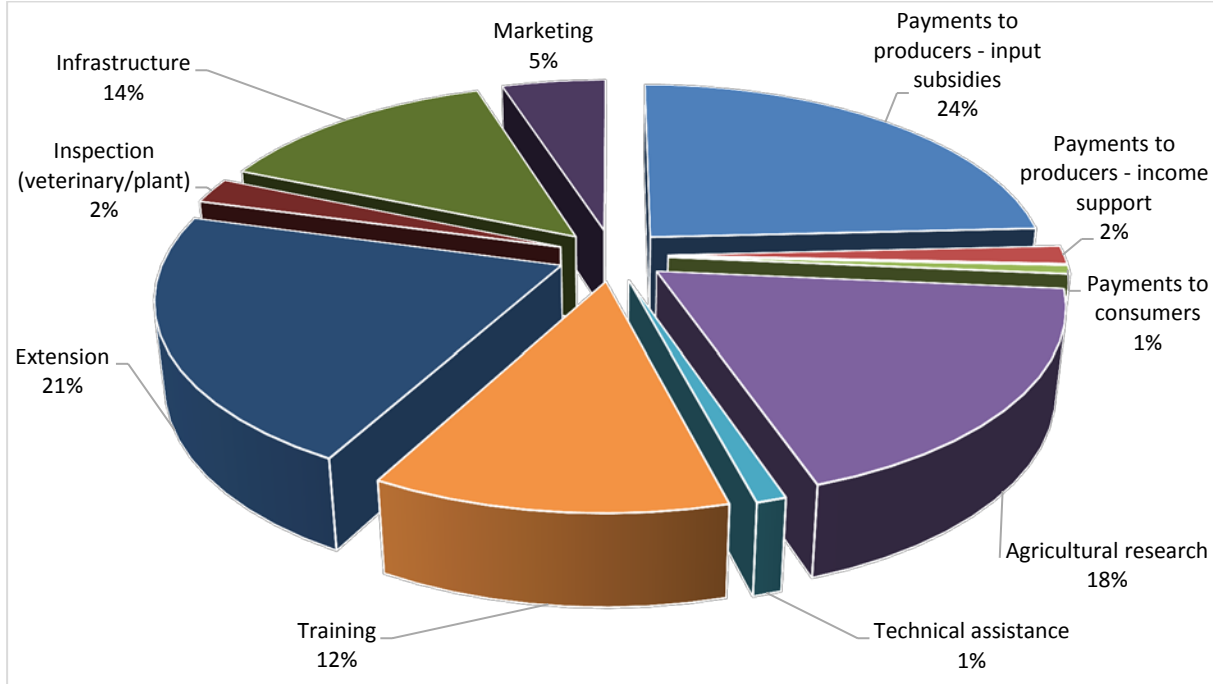
Figure 3c: Composition of public expenditures in Uganda: agriculture-specific spending, average 2011/2012-2012/2013



Source: MAFAP.2014

Among the DSIP pillars, this pattern of spending lays more emphasis on production and productivity increase and totally neglects improving access to sustainable agricultural markets and creating an enabling environment for investment in agriculture. The gains in pillar one may be dampened by inability to realize progress in improving access to markets. Similarly the ATAAS and non- ATAAS, programmes do not lay emphasis on improving access to markets, a critical area to structurally shifting the agricultural sector from largely subsistence to commercialization. There is emphasis in Uganda that the agricultural sector should be private sector driven, however, certain investments should be made by the government to provide the enabling environment for investment in the sector.

Figure 3d: Composition of public expenditures in Uganda: agriculture-specific spending, average 2006/07-2012/2013



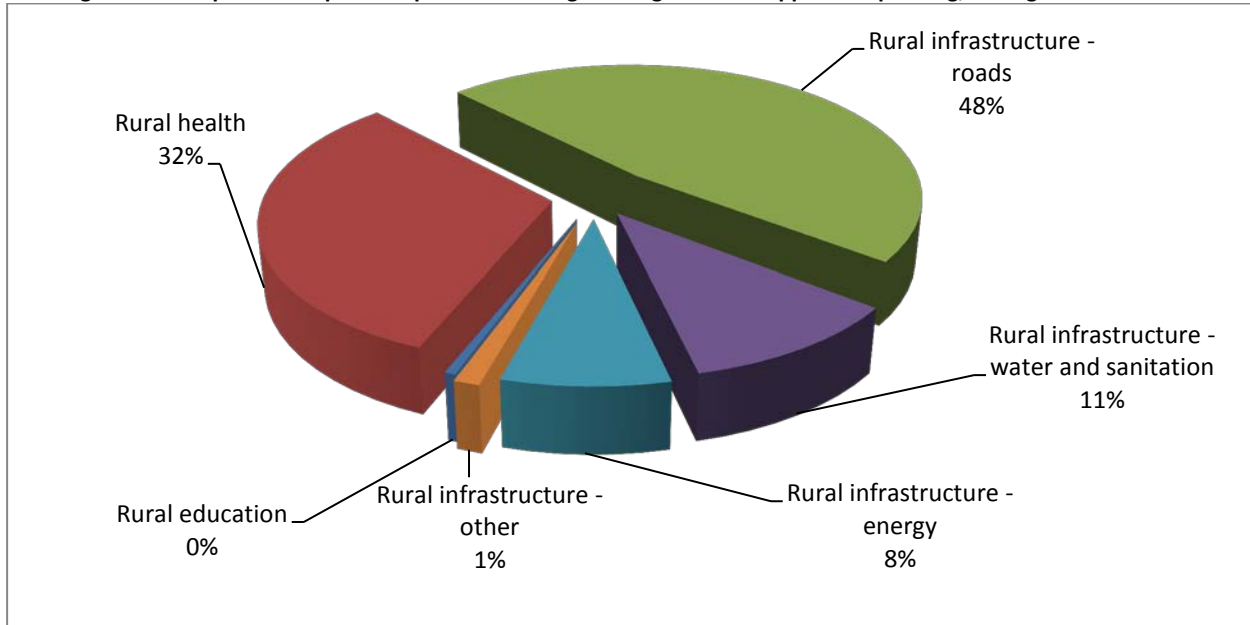
Source: MAFAP. .2014

4.5 Agriculture-supportive public expenditures

A large proportion of agricultural supportive policies was initially spent on rural infrastructure particularly rural roads and rural health, with 48 and 32 percent respectively during the 2006 - 2008 financial periods. The trend in public spending on agricultural supportive policies changed in the recent years (2008-2011) with rural health taking up 41 percent of the budget compared to 20 percent that is spent on rural roads in the category of agricultural supportive policies. It is noticeable that rural infrastructure on water and sanitation takes the largest proportion of 43 percent during the 2011-2013 period. During the period of analysis rural infrastructure spending on roads had the largest proportion of 31 percent which is a clear manifestation of the current government emphasis on road infrastructure development in the country.

Rural education takes the least proportion of the budget of approximately 1 percent in the three time periods (see figures 4a-4d). Note that the expenditure on primary and secondary education is not included in this analysis as the expenditure would distort the analysis. Following the introduction of Universal Primary Education and Universal Secondary Education the budget on primary and secondary education outstrips the budget on the agricultural sector by about three times. These small allocations in the analysis for rural education are for functional adult literacy and therefore play a significant role in enabling households to uptake new technologies and information. The low expenditure is therefore explained by the decline in functional adult literacy programmes and note that Universal Primary Education a major education expenditure is not included in this analysis.

Figure 4a: Composition of public expenditures in Uganda: agriculture-supportive spending, average 2006-2008

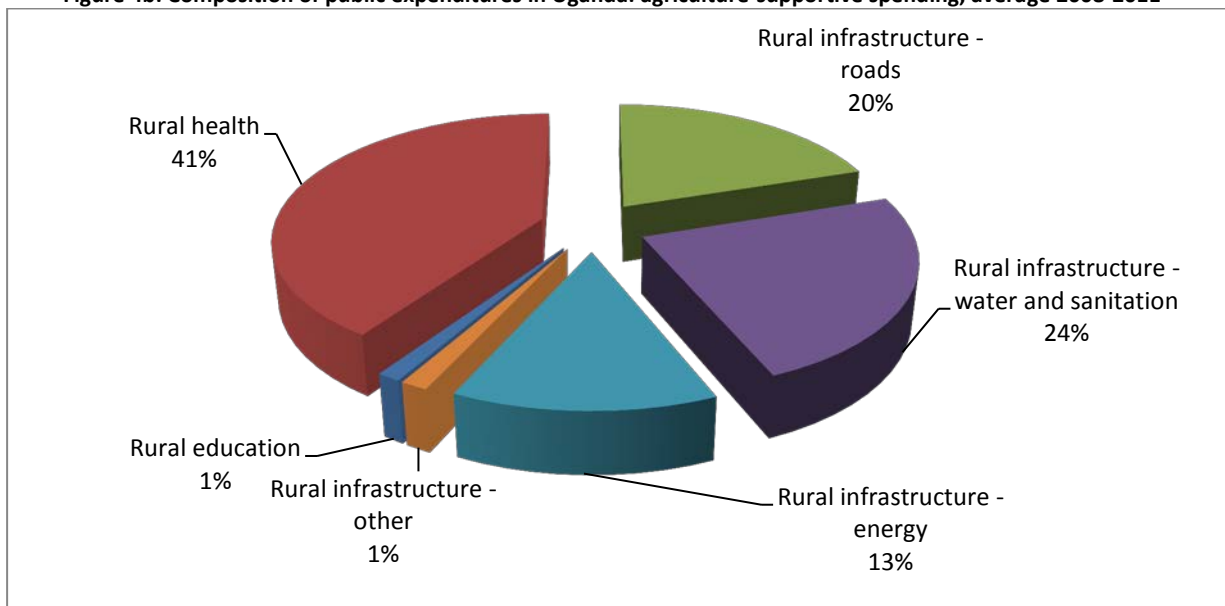


Source: MAFAP. .2014

This may have negative implications on agricultural productivity as farmers require basic education to clearly understand how to apply the extension services that are offered to them through different government programs like NAADs. Empirical studies attest to this notion. Analysis by Appleton and Balihuta (1996) find a significant impact of household primary schooling on crop production and primary schooling of neighbouring farm workers appears to raise crop production as well in Uganda. Sharada (1999) reveals substantial private benefits of schooling for farmer productivity, particularly in terms of efficiency gains in Ethiopia. Accordingly at least four years of primary schooling are required to have a significant effect upon farm productivity. This may not be a cause for worry since Uganda is implementing UPE, however, for those individuals who never had chance to go to school adult functional literacy is the option which is receiving less attention.

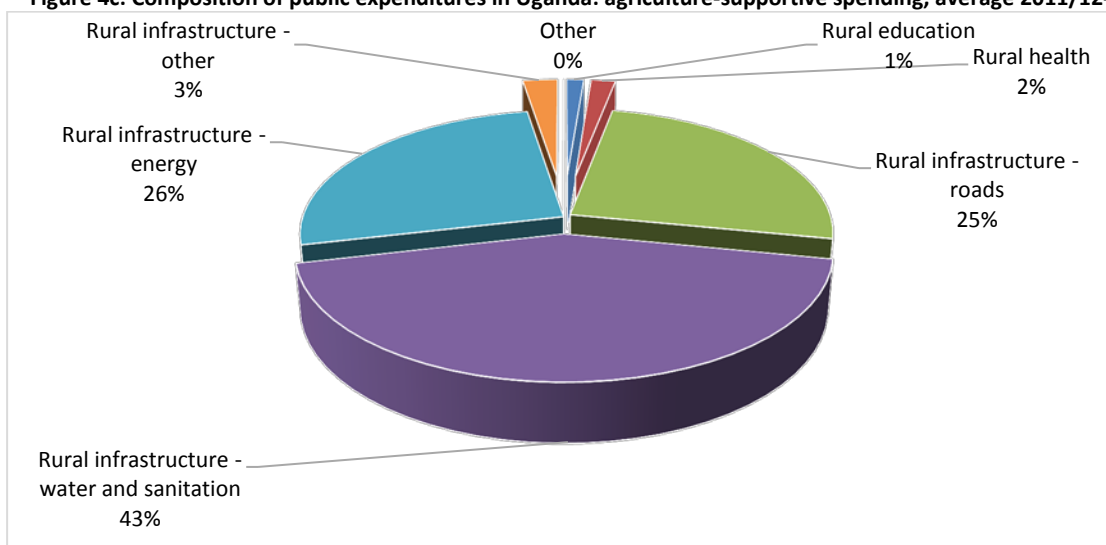
Overall, during the entire period of 2006/07 to 2012/13, rural infrastructure (roads, water and sanitation) and health were the priority for agriculture supportive public expenditure. Construction of roads is extremely important for increasing market access of crop and livestock products produced by farmers. The construction of feeder roads has improved road connectivity in rural areas, increasing chances of farmers to market their produce. The limiting factor with crop and livestock production is the dependence on rain-fed agriculture. The expenditure on water and sanitation does not target water for agricultural production which is the missing link. The supportive agricultural spending thus lacking. In order to ensure optimal crop yield regardless of poor rains water for agricultural production should be target for this expenditure as well.

Figure 4b: Composition of public expenditures in Uganda: agriculture-supportive spending, average 2008-2011



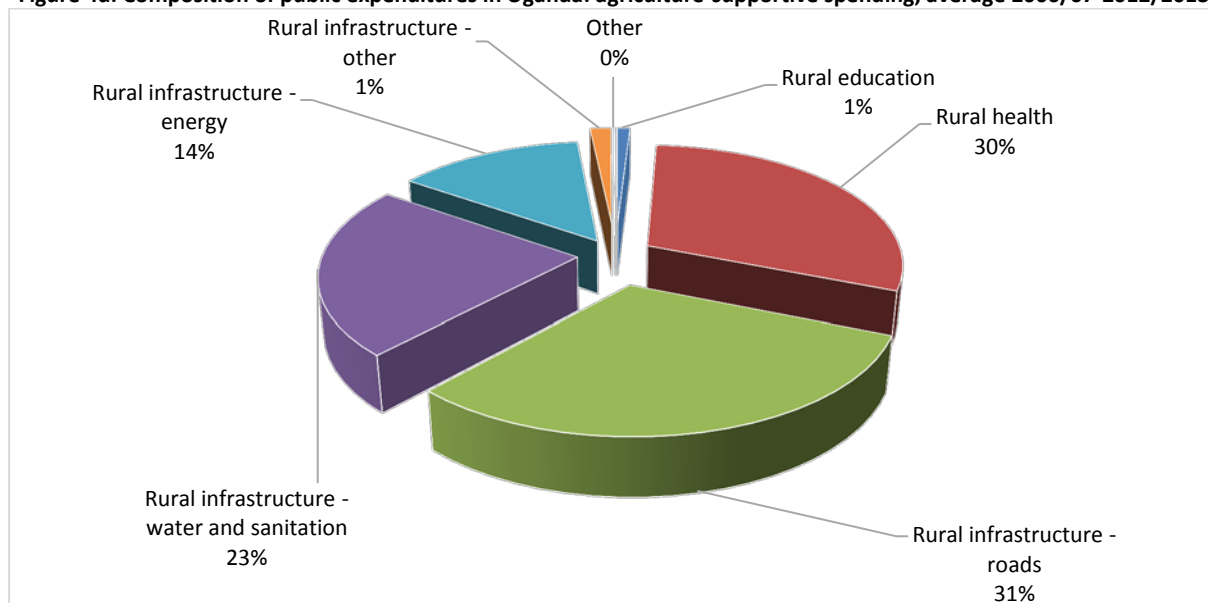
Source: MAFAP. .2014

Figure 4c: Composition of public expenditures in Uganda: agriculture-supportive spending, average 2011/12-2012/13



Source: MAFAP. .2014

Figure 4d: Composition of public expenditures in Uganda: agriculture-supportive spending, average 2006/07-2012/2013



Source: MAFAP. .2014

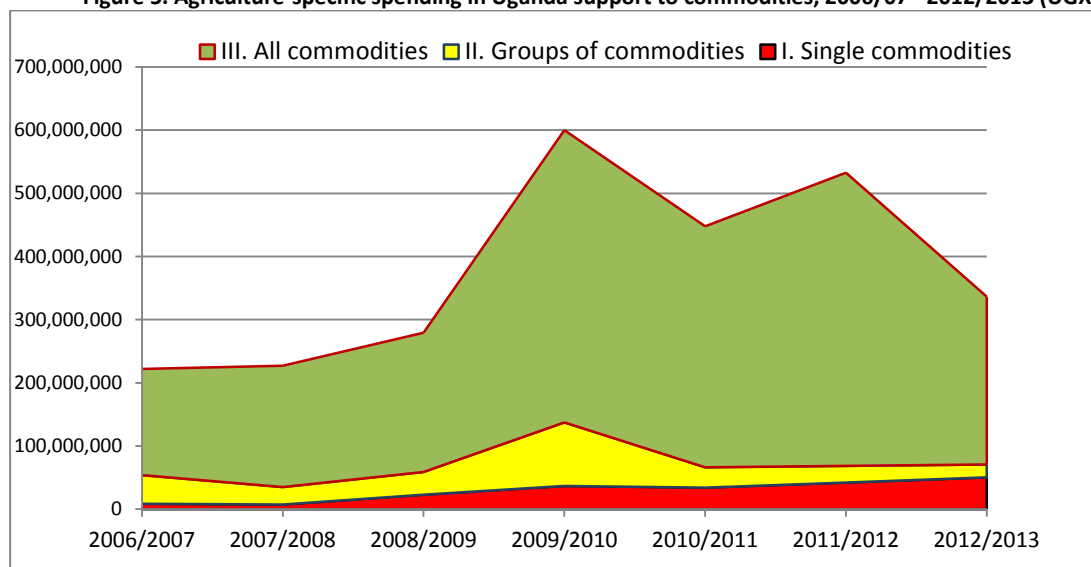
4.6 Public expenditures on key commodities

Agriculture-specific expenditures can be also separated into commodities which they intend to support.⁶ Each expenditure measure within that category has been attributed an appropriate commodity depending on whether it supports an individual commodity (e.g. vegetable oil for Vegetable Oil Development Project), a group of commodities (e.g. livestock for Pan African Control of Epizootics Project) or all commodities (e.g. construction of feeder roads).

Overall, expenditures on specific agricultural commodities initially increased, with a sharp increase beginning 2008/2009 to 2009/10 as indicated in Figure 5 although there was a decline in 2010/11. Even when the expenditures on specific agricultural picked and increased in 2011/12 this was not sustained as there was a decline again to about Ush350 billion in 2012/13. At a disaggregated level, expenditures in support of all commodities are by far the most important throughout the analyzed period. Support to individual commodities and support to groups of commodities account for only a small proportion of agriculture-specific spending. It emerges that although spending to single commodities has since increased, the amounts are still small implying that the sector has a generalist approach without deliberate effort to support one or two commodities. What is important to note is that all these categories initially experienced growth during the first four years and there after declined during the last three years of the analysis consistent with what is portrayed in Figure 2.

⁶ Agriculture-supportive expenditures, by definition, are not intended to support production of any particular commodity and hence are considered as not specific to agricultural commodities.

Figure 5. Agriculture-specific spending in Uganda support to commodities, 2006/07 - 2012/2013 (UGX '000)

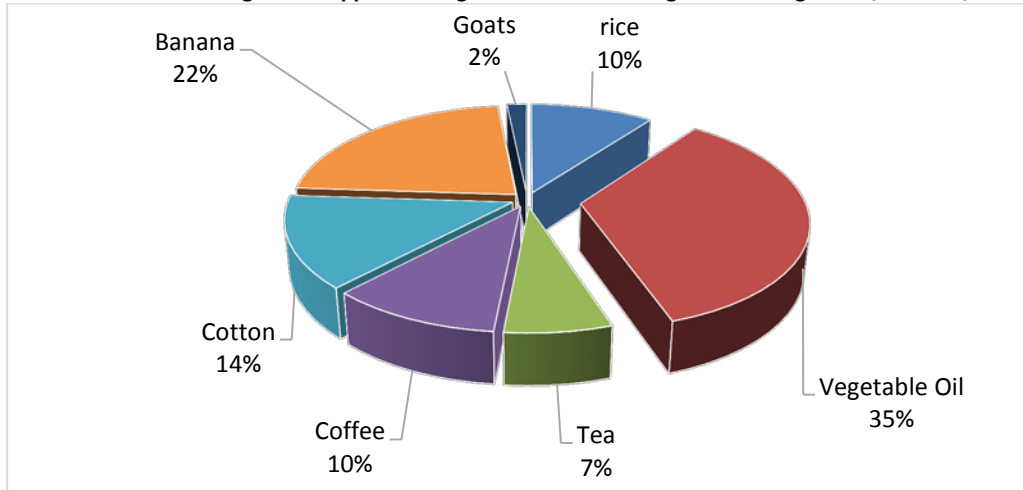


Source: MAFAP 2014

In terms of distribution of individual commodities, the government has focused more on promoting vegetable oil and banana production. This is in contrast with the support for the traditional cash crops such as coffee, cotton and tea (see Figure 6). Although coffee is allocated a smaller proportion, the enterprise receives funding from the 1 percent export charge on coffee export value to run its activities. The parastatal, Uganda Coffee development Authority is responsible for collection and appropriation of the fund. It would be misleading to take the 10 percent for coffee as the only source of funding. Other enterprises do not levy such a fee and perhaps that is why they receive even higher government allocations. The cotton sector has undergone a lot challenges including production and processing constraints which may explain the budget emphasis. Farmers in most of the cotton growing areas in Uganda have abandoned the crop to other enterprises that fetch higher monetary value and are not as labor intensive as cotton. Most of the ginning facilities are dysfunctional and obsolete. Government has been heavily investing in the cotton sector to encourage production and stabilization of the prices for farmers.

Rice has become a major food staple with a lot of foreign exchange implications since the bulk of it is imported from Asia. Currently under the EAC regional bloc, rice attracts an import (Common External Tariff) tax of 75 percent intended to shield local production to develop the commodity and ensure that it competes globally. It is logical that government is investing a lot of financial resources in the commodity (MAFAP, 2013). It is a commodity grown by both households and large commercial enterprises. As a result of these efforts production levels have greatly increased although the unit cost of production is still uncompetitive. For vegetable oil, this trend of support may be attributed to the fact that government is channeling the country's efforts into promotion of vegetable oil as a way of diversifying its export base and generation of self-sufficiency. This may be attributed to the contribution that vegetable oil is likely to make in terms of foreign earnings and the potential if well harnessed. Additionally, the large allocation to vegetable oil is explained by the current heavy investments in establishing palm oil firms on Kalangala Islands. Finally, for bananas, Uganda is investing a lot of funds into the development of banana flour as a way of adding value to the crop to increase government revenue and household incomes.

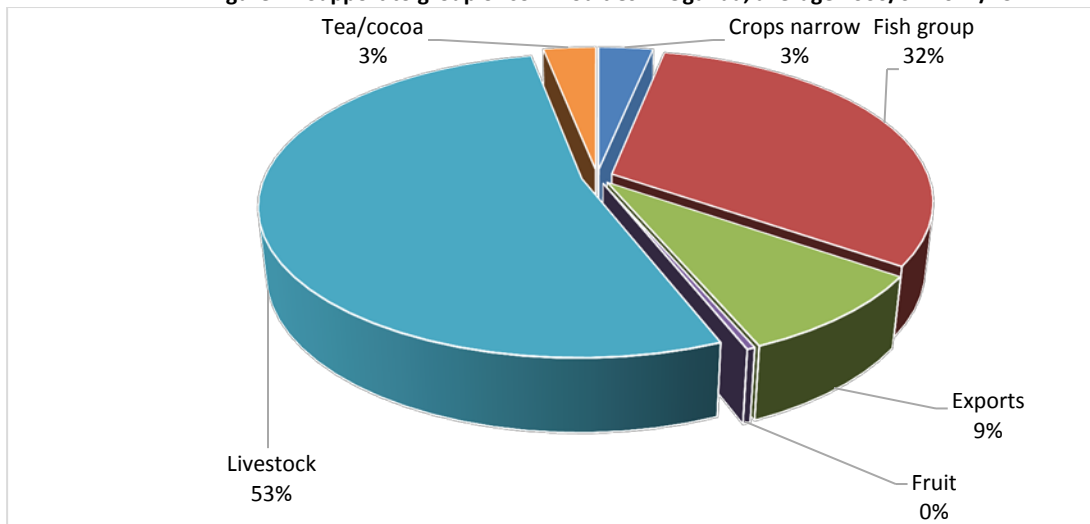
Figure 6. Support to single commodities in Uganda: average 2006/07-2012/13



Source: MAFAP 2014

Figure 7 indicates that livestock development constitutes 53 percent of the total expenditures of the support that goes for a group of commodities during 2006/07 to 2012/13.

Figure 7: Support to group of commodities in Uganda, average 2006/07-2012/13



Source: MAFAP 2014

This is mainly due to the many projects that have been designed to develop livestock production especially in the cattle corridor and northern Uganda (European Union (2007)). Following the return to peace in the region, the government embarked on resettlement of the population. One major activity was restocking of cattle, which explains this expenditure. Fish as a group follows with 32 percent. This trend of support may be attributed to the fact that government is channeling the country's efforts into promotion of fish exports as a way of diversifying its export base (World Bank and Republic of Uganda, 2006). This may be explained by the contribution that fish makes to foreign earnings and the potential if well harnessed, and the challenges the sector is facing due to the deteriorating fish stocks as a result of over fishing. Overall, most public expenditures aim to provide public services and investment, with a strong focus on infrastructure, particularly agriculture supportive, but also training, extensions services and research.

4.7 Nature of public expenditures in support of food and agriculture

A large part of funds is allocated to policy administration costs and based on the calculations done for MAAIF, there seems to be an imbalance between the share of these costs and the share of policy transfers in the total expenditures. The proportion of administrative costs to the total Ministry of Agriculture budget increased during the period 2006 to 2011, although there was a decline in 2009/10 (Table 5). There was a jump in 2010/11 to 23 percent and then a decline in the following financial year, again increasing in the final year. During the period – 2006/07 to 2012/13, the administrative costs averaged a proportion of 20 percent with the exception of 2009/2010, and 2011/12 with only 10 and 12 percent, respectively. This trend in administrative costs has implications on actual policy transfers that directly impact on implementation of agricultural policies. This is because although administrative costs enhance and enable programmes' implementation, these costs do not translate into real outputs. Further, most of these administration costs are dedicated to wages, while only a small proportion to operational costs. This significantly constrains the effectiveness of certain expenditures. For example, extension services or training can be provided effectively only if extension or training officers have sufficient resources for travelling to communities where services are needed (World Bank, 2010).

Table 5: Share of Policy transfers and policy administration costs in total spending of MAAIF (%)

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Administrative costs	17	21	21	10	23	13	22
Policy transfers	83	79	79	90	77	87	78
Total agricultural budget	100	100	100	100	100	100	100

Source: MAFAP 2014

Actual spending may vary significantly from the budgeted amounts, particularly in those developing countries, where budgets significantly depend on donors' disbursements and that operate a cash budget system as it is the case in Uganda. The 2010 Public Expenditure Review of the World Bank indicated that among the expenditures managed by MAAIF, actual spending deviated significantly from the approved budgets and was, on average, lower than planned for the following reasons (World Bank, 2010):

- The extent to which budget allocations misjudged the true requirements;
- Funds that were not released due to revenue shortfalls or unforeseen calls on available funds;
- Readjustments in announced budget allocations; and
- The untimely release of funds required for seasonally determined uses caused by limited cash flow.

Data collected for the MAFAP project gives a much more positive picture (Table 6), although it fades away in 2012/13. The overall rate of actual spending was around 90 percent from 2006/2007 to 2008/2009, drastically increasing to over 100 percent in the following two financial years it. It eventually declines to 75 percent by 2013 demonstrating the inability of the MAAIF to implement its intended programmes. Even more surprisingly, the rate of planned expenditure versus actual spending was higher for the funds covering core sector support (policy transfers) than for funds covering policy administration costs. Given that the latter come mostly from the recurrent budget, they are expected to have a better disbursement rate than policy transfers that mostly come from

the development budget and therefore are subject to more problems with disbursement of allocated funds.

Table 6: Budget allocations versus actual spending in Uganda

	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013 ^P
Total agricultural budget							
Budgeted amount (billions U sh)	848.6	1019.6	754.6	988.2	991.0	895.3	1606.6
Actual spending (billions U sh)	778.4	919.5	695.5	1168.4	1045.3	892.7	664.2
Actual as a share of budget (percent)	92	90	92	118	105	99	75
II.1 Public expenditures on agriculture and rural development (policy transfers)							
Budgeted amount (billions U sh)	831.1	996.6	729.0	966.4	951.4	863.6	840.1
Actual spending (billions U sh)	762.4	897.7	677.6	1148.3	1005.9	860.7	633.2
Actual as a share of budget (percent)	92	90	93	119	106	100	75
II.2 Identifiable administrative costs not included above							
Budgeted amount (billions U sh)	17.5	23.1	25.5	21.8	39.6	33.9	39.9
Actual spending (billions U sh)	16.0	21.8	17.9	20.1	39.5	32.0	31.0
Actual as a share of budget (percent)	91	94	70	92	100	94	78

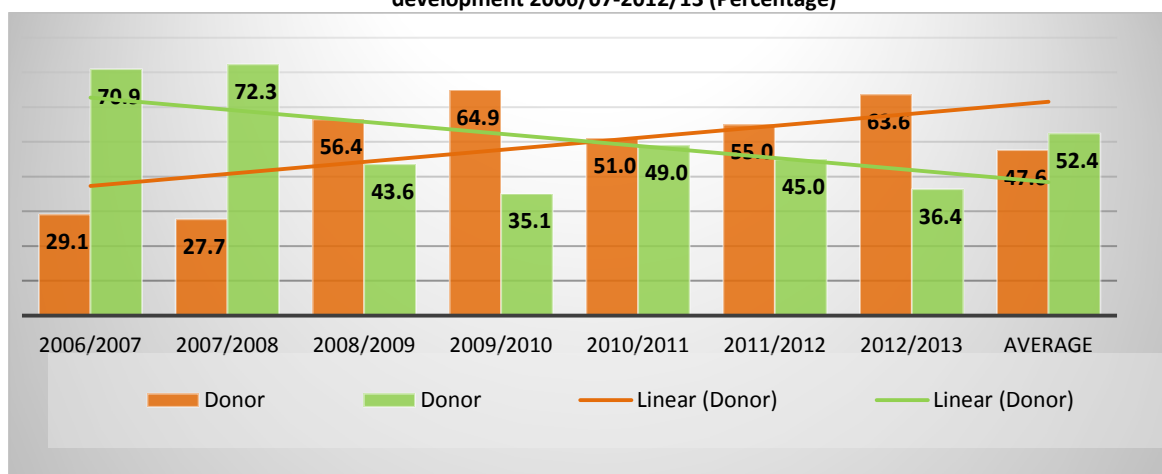
Source: MAFAP 2014

The conclusions based on MAFAP data are quite different from the findings of the World Bank. This may be partially explained by the fact that the MAFAP database covers many more ministries than the World Bank study which uses the traditional definition of the agriculture sector. Furthermore, MAFAP data on actual spending may not be accurate, particularly for the most recent years. Actual spending data for the most recent fiscal years are often based on initial estimates or missing entirely. This may result in an overestimation of actual spending and therefore, the conclusions need to be revisited once more accurate data will be available.

4.8 Role of development aid in public expenditures in support of food and agriculture

The contribution of donor aid in Uganda's agricultural development varies in both agricultural specific policies and agricultural supportive policies. As illustrated in Figure 8, between 2006/07 and 2007/08 the emphasis of donor aid in Uganda's agricultural development was agricultural support with over 70 percent.

Figure 8: Trends in contribution of donor aid to agricultural specific and supportive policies in Uganda's agricultural development 2006/07-2012/13 (Percentage)



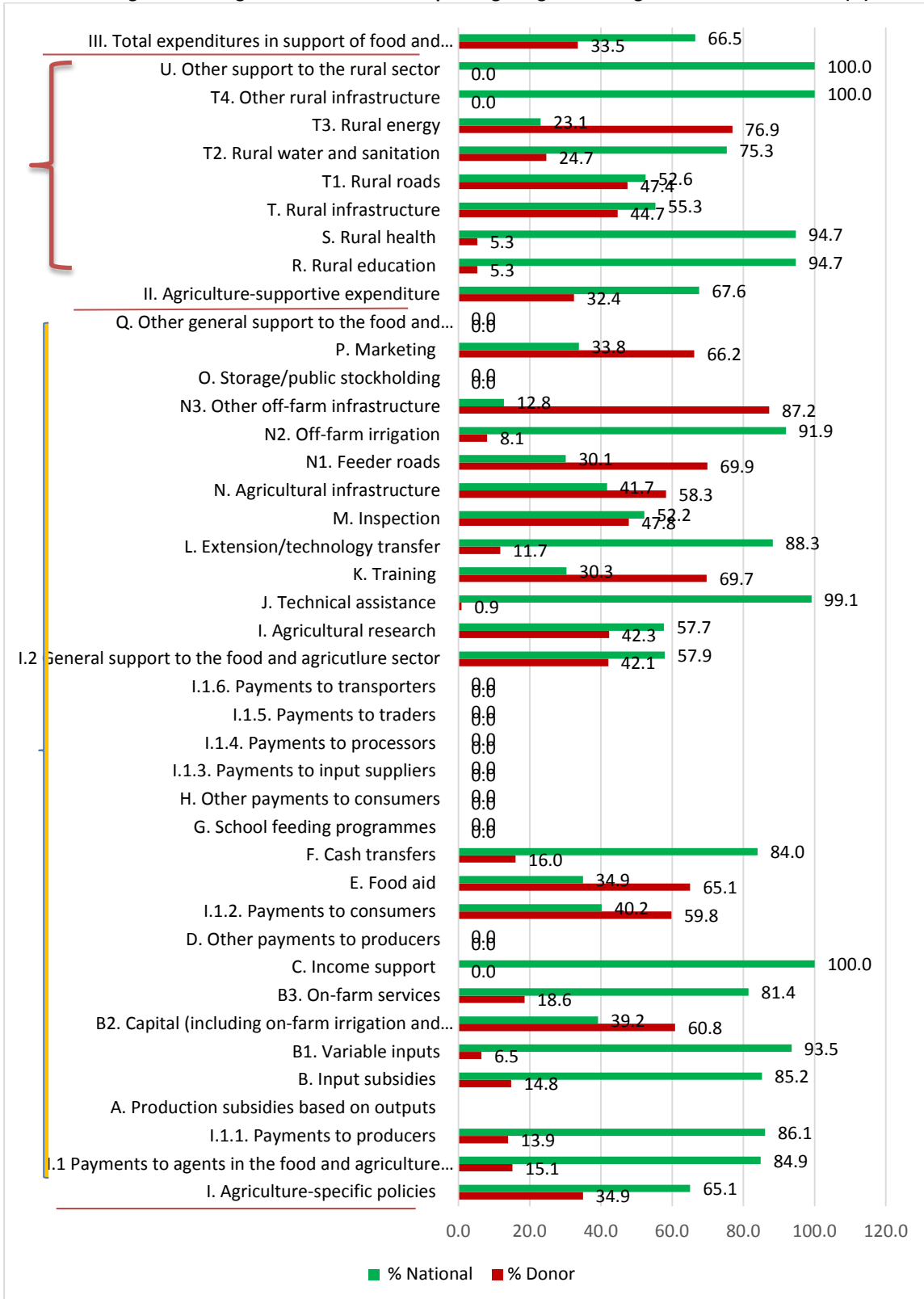
Source: MAFAP

However, from 2008/09 to 2012/13, there was a steady decline up to only 36 percent which is about half. During the same time agriculture specific policies increased from 27 percent in donor aid from 2007/08 to 64 percent in 2012/2013. This suggests that over the period of analysis, although agriculture supportive policies received an average of 52 percent compared to specific policies with 48 percent, donor emphasis is shifting to agriculture specific policies.

Within the agriculture specific expenditures, donor aid contributes mainly to general support-training, marketing and infrastructure. Additionally, based on the available data, it is interesting to note that donor financing seems to increasingly target agricultural infrastructure under the category of agricultural specific policies. On the other hand, rural infrastructure receives the biggest contribution from donor aid among the agriculture supportive policies. Further analysis of expenditures on rural infrastructure in this category indicates that donor aid is channeled through different projects that are designed within the main stream national budget. The projects mainly focus on building and rehabilitating rural roads. The projects are funded from different donor sources across ministries. It's important to note however, that, among the agricultural supportive policies, donor funding for rural education is almost insignificant.

Generally, aid provided by donors to the government of Uganda seems to be consistent with overall government's objectives. Nonetheless, there are some differences in priorities. For example, while government priority is structural transformation through development of agriculture, infrastructure and manufacturing, the donors are implementing the PRSPs priorities which focus on poverty reduction. The main shortcoming in this kind of arrangement is that divergences in priorities may contradict the long-term government development objectives. Additionally, proper coordination between donor funded projects and the Ministry of Agriculture still remains a challenge in terms of implementation. This arrangement may negatively impact on the efficiency of the Ministry of Agriculture to extend support to sectoral development. Clearly, donor funded projects play an important role in Uganda and whether overall, donors' contribution to investments in support of agriculture is indeed coherent with Ugandan government's policy objectives, depends crucially on how large they are and how they are spent.

Figure 9: Average shares of aid in total spending in Uganda during 2006-2010 & 2012-2013 (%)



Source: MAFAP

5. CONCLUSIONS AND RECOMMENDATIONS

The state of the agricultural sector in Uganda during 2006-2013 paints a discouraging picture with regard to contribution to GDP and the rate of growth as these have significantly declined. In the recent past, the government has focused on providing public goods to create an enabling environment to consolidate past achievements of initiatives implemented like the PMA, RDS and the NAADS I with the intention of transforming the sector from predominantly subsistence to commercial agriculture. The recent initiatives include and are not limited to; the 5-year (2010/11 – 2014/15) DSIP, to enhance agricultural production and productivity, improve access to and sustainability of agricultural markets, create an enabling environment for investment in agriculture, and strengthen the institutions in the agricultural sector. The Agricultural Technology and Agribusiness Advisory Services (ATAAS) project was designed as the NAADS II programme, to strengthen the weak linkage between research and extension. The Non-ATAAS component handles the remaining 20 sub-programmes that targets strategic commodities.

Results indicate that growth in actual expenditure did not match that of budget allocation suggesting that the government of Uganda has over time reduced commitment to increase spending in agriculture. The approved budget allocations to the sector are more or less stagnant and actual spending is declining. There is a reasonable discrepancy in growth in the national budget allocation (109 percent) vis-à-vis the increase in growth in budget allocation towards agricultural and rural development (4 percent). The low growth in budget allocation towards agricultural and rural development compared to other sectors partly explains the weak performance of the agricultural sector compared to the services and industrial sectors. It is unlikely that under such spending circumstance, the agricultural sector will transform from a predominantly subsistence sector to a commercial sector. The constraints in the sector hinge around inadequate inputs, resulting in low productivity which should be tackled through requisite investment by both government and the private sector. The results suggest that the government is not spending as it should. The level of spending met the CAADP recommendations of allocating 10 percent of the overall budget to agriculture and rural development only between 2006/07 and 2010/11 and has since declined to below the threshold. Similarly, the Government expenditure to the MAAIF (MAFAP's narrow definition of the agricultural sector) has stagnated at an average of 3.5 percent, moreover declining over time. This is contrary to the objectives of the Maputo declaration of 2003 and the CAADP commitments of increasing budget allocations to the agricultural sector. The decreasing trend in budget allocations to support food and agriculture may threaten the sector's development and hence Uganda's economic growth since agriculture is a key sector in Uganda's economy.

Whereas agriculture-specific expenditures account on average for 39 percent of expenditures in support of the food and agriculture sector development, agriculture-supportive expenditures account for 65 percent. In terms of the level of spending, agriculture-specific expenditures reasonably increased over the analyzed period suggesting that even when policies that are specific for agricultural development still lag behind, they are increasingly given more attention over the years as opposed to agricultural supportive sectors. Further disaggregation of expenditures reveals that input subsidies, extension services and agricultural research account for the largest proportion of transfers for agricultural specific policies. This is explained by the operationalization and implementation of the ATAAS programme by NARO whose emphasis is to develop technologies for

farmer uptake to increase productivity and to provide agribusiness advisory services. It is noted that marketing has not taken a center station in allocations and yet it is instrumental in moving the economy from subsistence to commercial agriculture. The fact that marketing only received an average of 5 percent in the seven years of analysis, illustrates how neglected this important area is. There has been limited effort on the side of government to operationalize frameworks intended to improve marketing.

During 2006/07 to 2012/13, rural infrastructure (roads, water and sanitation) and health were the priority. The construction of feeder roads has improved road connectivity in rural areas, increasing chances of farmers to market their produce. The high investments in infrastructure and expenditures on extension services can bring benefits via lower transaction costs and improved farmer's access to markets. High support to rural development can provide off-farm employment opportunities, while research, training and extension services can help farmers to improve their productivity and help adopt more environmentally. One of the limiting factors with regard to crop and livestock production is the dependence on rain-fed agriculture. The expenditure on water and sanitation does not target water for agricultural production which is the missing link. In order to ensure optimal crop yield regardless of poor rains water for agricultural production should be target for this expenditure as well. It is evident that there are very little expenditures on veterinary/inspection services that are necessary to accompany pest and disease control efforts at the farm level. This has led to wastage of a significant amount of resources spent on on-farm livestock disease control, since they proved to be completely ineffective without accompanying general sector measures, such as investments in veterinary labs to improve disease detection (World Bank, 2010). Furthermore, there are no policy measures improving access to credit for poor farmers. Although there are investments facilitating development of financial institutions in rural areas under the rural finance pillar, these are not accompanied by measures that make lending to poor farmers attractive. In summary, although the overall observed pattern of spending is consistent with government objectives with the majority of public expenditures aimed at the provision of public services and investment, there seem to be an imbalance between particular categories of spending.

The expenditure structure on commodities suggest that the sector has a generalist approach without deliberate commodity approach. The contribution of donor aid in Uganda's agricultural development varies in both agricultural specific policies and agricultural supportive policies with the trends demonstrating donor shift to agriculture specific policies. Furthermore, a large part of funds is allocated to policy administration costs and there seems to be an imbalance between the share of these costs and the share of policy transfers in the total expenditures. Most of these administration costs are dedicated to wages, while only a small proportion to operational costs. This may significantly constrain the effectiveness of certain expenditures. For example, extension services or training can be provided effectively only if extension or training officers have sufficient resources for travelling to communities where services are needed. Addressing these issues will be crucial for improving performance of expenditures in support of the food and agriculture sector development.

Therefore in light of these findings: the government should increase the budget allocations to the sector; the MAAIF should reduce on administrative costs and expand expenditure on policy transfers; and budgeting should ensure balancing of all categories to ensure better results.

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