

What does the Financial Year 2023/2024 budget offer to small-scale farmers and what more was expected?

Background

The annual national budget for Financial Year (FY) 2023/24 was read to the citizens by the Minister of Finance on June 15, 2023, as required by the Public Finance Management Act 2015, Section 13(3). The budget was read under theme **"Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access"**.

The budget for the financial year 2023/24 is aimed at achieving the goals set in the National Development Plan (NDP) III, the key priorities funded including boosting household incomes and micro enterprises; commercializing agriculture to enhance production and productivity and improve competitiveness of agricultural products; supporting private sector growth among others.

Resource Envelope for Financial Year 2023/2024



The National budget for FY 2023/24 amounts to 52.7 trillion shillings [\$13.9 billion], indicating an increase of 4.606 trillion shillings [\$1.2 billion] from the previous financial year, which was 48.134 trillion shillings [\$12.8 billion]. The budget will be financed by Domestic Revenues (Shs. 29.7 trillion), tax revenue (Shs. 27.4 trillion) and Non-Tax Revenue (Shs. 2.3 trillion). Total expenditure is projected at Shs. 52.7 trillion, Wages (Shs 7.3 trillion) and Non-Wage (Shs 13.5 trillion). Development Expenditure amounts to Shs 6.1 trillion and external project support financing is Shs. 8.3 trillion.

It is however concerning that Uganda's public debt increased from \$20.98 billion [78.7 trillion shillings] to \$21.74 billion [80.7 trillion shillings] in the first half of FY 2022/23, and interest payments rose by 1.42 trillion shillings [\$375.8 million] to 6.112 trillion shillings [\$1.6 billion] in 2023/24 from 4.69 trillion shillings [\$1.23 billion] in FY 2022/23. Out of the stock, 47.7 trillion [\$12.85 billion] is external debt, while 33 trillion [\$8.89 billion] is domestic debt. In short, Uganda's public debt has increased by \$760 million [2.8 trillion shillings] in the previous financial year to date. Further, the FY2023/24 budget is inconsistent with the Medium Term Debt Management strategy of FY2023/24.



Budget Compliance to NDPIII

National budget for FY2023/24 doesn't comply with the NDP III as Ministries still present their budgets contrary to the program based budgeting as indicated in the NDP III. Therefore, there is need for expeditious alignment and harmonization of budgeting framework with the programme based approach.



Agriculture Sector Budget

Commercializing agriculture is to enhance production and productivity and improve the competitiveness of agricultural products in the achievement of the theme for FY 2023/24. The government of Uganda has allocated Shs. 2.2 trillion for food security, irrigation, climate change mitigation, value chain development, agricultural research and disease control, among others. This allocation is 4.2% of the national budget making it far less than the 10% funding commitment in the Malabo Declaration.

The allocation to the Agro-Industrialization program is shared between the ministries, departments and agencies as follows; Ministry of Agriculture Animal Industry and Fisheries (MAAIF) was allocated Shs. 564.386 billion, Ministry of Local Government Shs. 49.233 billion, Ministry of Trade Shs. 10.15, Ministry of Water and Environment Shs. 205.038 billion, Ministry of EAC Affairs Shs. 0.251 billion, National Planning Authority Shs. 0.937 billion, Dairy Development Authority Shs. 17.239 billion, Kampala Capital City Authority (KCCA) Shs. 7.188 billion, National Animal Genetic Resource Centre and Databank (NAGRC&DB) Shs. 93.169 billion, National Agriculture Research Organization (NARO) Shs. 116.783 billion, National Agriculture Advisory Services (NAADS) Shs. 58.065 billion, Uganda National Bureau of Standards (UNBS) Shs. 1.110 billion, Cotton Development Organization Shs. 7.773 billion, Uganda Coffee Development Authority (UCDA) Shs. 64.94 billion, and Local Government Shs. 245.493 billion.

The priority actions to commercialize agriculture in the 2023/24 financial year include the following; Support agricultural research for the development of climate resilient crops and animal species; Promote environmental conservation, restoration and protection of degraded water catchment areas and forest cover; Construct small, medium and large-scale irrigation schemes in water stressed areas. These will include the construction of earth dams at Unyama in Gulu, Namalu in Nakapiripirit, Sipi in Bulambuli, Kabuyanda in Isingiro, among others; Implement large-scale mechanization and irrigation; and; Improve farmer mobilization, education and partnerships with large commercial farmers for the production of strategic commodities, such as coffee maize and tea to meet national and international demand.

The budget projects that Parish Development Model (PDM) will boost household incomes as well as the development of micro-enterprises. Next financial year, the Parish Development Model has been allocated Shs. 1.1 Trillion and Shs. 100 billion has been allocated to the Emyooga initiative.



Small-scale farmers' priority areas for funding

Key areas that have either been ignored or underfunded include in the budget include agricultural extension, the government should increase the funding for extension to meet the demands for the extension to cater for transport facilitation, recruitment, training, and equipping of extension workers for improved extension service delivery. Furthermore build the capacity of extension workers along with farmers' initiatives like the Farmer Field Schools that support small-scale farmers'

extension; allocate more funds for the establishment of valley dams to promote irrigation since drip irrigation is limited to crops like tomatoes and other vegetables; allocate funds for the boosting of agricultural credit facilities for small-scale farmers' production and productivity; allocate funds to mitigating the effects of climate change for example building on the tree planting across the county and the restoration of the encroached wetlands and other natural resources;

invest more funds to post-harvest handling and storage facilities; allocate more funding to seed management by supporting the Farmer Managed Seed System and Community Seeds Banks; allocate more funds to community based financial institutions to ensure access to cheap credit; and construct fruit processing factories in all regions especially in the northern and eastern region to minimize wastage and support value addition.



Conclusion

Uganda's food security and rural development depend on its large number of small-scale farmers. The 2023/2024 national budget shows relative support for citizens, notably small-scale farmers recovering from COVID-19. This budget supports the transition from a raw materials-based economy to a manufacturing and knowledge-based one, but allocation to human development is constrained. Agroecology investment is needed to promote value addition, business growth, and employment creation for youth, women, and all Ugandans. To achieve it's aspirations in this national budget, there is need to extensively address persistent corruption, late fund disbursement, and limited balanced-community partnership.