

NATIONAL BUDGET
FINANCIAL YEAR
2024 - 2025



**CAN SMALL-SCALE
FARMERS EXPECT
AGRICULTURAL
COMMERCIALIZATION
FROM THE NATIONAL
BUDGET FY
2024/25?**



Eastern and Southern Africa
Small Scale Farmers' Forum
ESAFF - UGANDA

Amplifying Small-scale Farmers' Voices



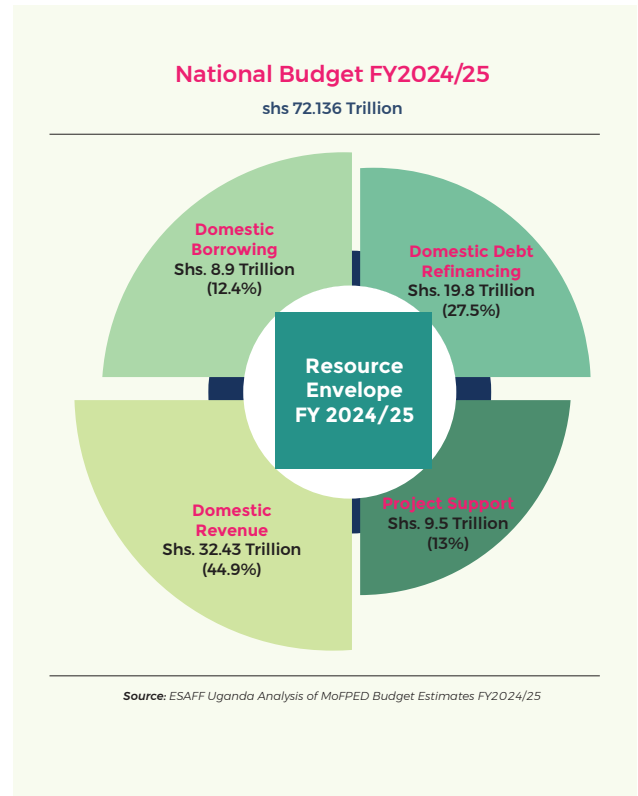
CAN SMALL-SCALE FARMERS EXPECT AGRICULTURAL COMMERCIALIZATION FROM THE NATIONAL BUDGET FY 2024/25?

BACKGROUND

To understand government's financial priorities, revenue sources, and spending plans for economic growth and social welfare, the Minister of Finance on 13th of June 2024 presented the FY 2024/2025 budget to the nation as outlined in Section 9 (3) of the Public Finance Management Act, 2015 (Amended). The budget for the FY 2024/25 is anchored on the theme **"Full Monetization of the Ugandan Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation, and Market Access."** This budget aligns closely with the strategic goals of NDP III and the CAADP objectives, emphasizing investments in agriculture, poverty reduction, trade, climate resilience, among others.

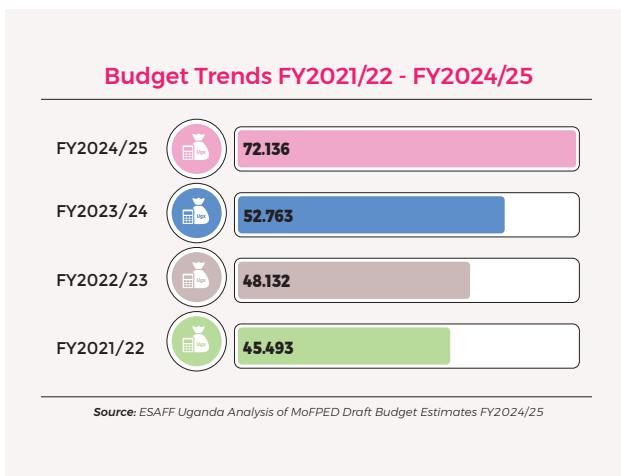
FY 2024/25 PROJECTED BUDGET OVERVIEW

The Resource Envelope for the FY 2024/25 was projected at Shs72.136 trillion from the initial projection of Shs58.34 trillion budget, compared to UGX 52,736.79 trillion in the approved budget for FY 2023/24. This reflects a significant fiscal expansion of Shs19.375 trillion intended to drive the country's economic growth.



BUDGET TRENDS

We commend government for the persistent increment in budget allocations consistent with the NDPIII allocations i.e. the national budget increased by Ugx 2.639 trillion from FY2021/22 to FY2022/23, Ugx 4.631 trillion for FY2023/24 as well as Ugx 19.375 trillion in the FY2024/25.



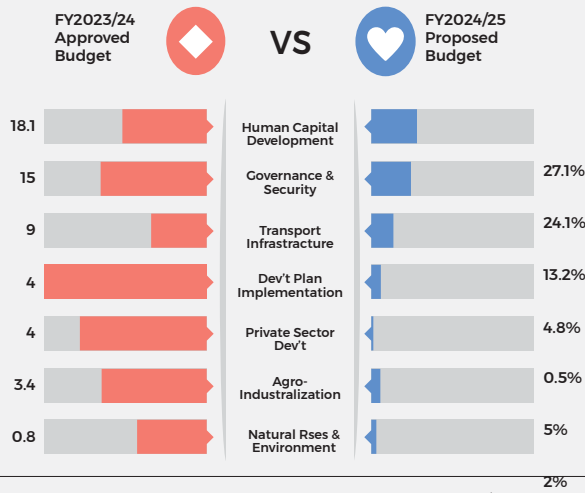
BUDGET FINANCING FOR FY2024/25

FY2024/25 national budget of shs72.136 will be financed through domestic borrowing, domestic revenue (Tax/Non-Tax), Domestic Debt Refinancing (Rollover), Project Support (Grants & Loans) and Budget Support (Grants & Loans). Revenue targets aimed for Shs32.3 trillion from domestic sources, encompassing various taxes and non-tax revenues, with additional funding anticipated through grants, loans, domestic borrowing, project support, and domestic debt refinancing, totaling Shs1.3 trillion, Shs8.9 trillion, Shs9.5 trillion, and Shs19.8 trillion, respectively. From the resource envelope, Shs3.1 trillion was allocated for external debt repayment, Shs9.5 trillion for project support, Shs12 trillion for domestic refinancing, Shs9 trillion for interest payments, Shs293.9 billion for appropriation in aid, Shs603 billion for Bank of Uganda recapitalization, Shs200 billion for domestic arrears, and Shs9.1 trillion for domestic debt repayment under Bank of Uganda.



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PROGRAMMES BUDGET ALLOCATIONS & TRENDS



SMALL-SCALE FARMERS' CONCERNS IN THE FY 2024/25 BUDGET

1). Dependency on External Financing for Agro-industrialization program

In FY 2024/25, the agro-industrialization program heavily relies on external financing. Over UGX 1 trillion was expected from external sources this year ending, and half of the FY 2024/25 budget also planned from external funding. About 70% of the Development budget, especially for NARO, is externally funded, increasing the program's vulnerability to donor fluctuations and interests.

2). Noncompliance to the CAADP 2014 Malabo commitments.

While we appreciate Uganda's efforts in prioritizing agriculture in the budget, it's been nine years since the Malabo Declaration of 2014, where African countries committed to allocating 10% of their budgets to sector growth. Uganda fell short of the target by scoring 3.46%. In the final year of Malabo implementation, only 5% went to agro-industrialization and 0.9% to Natural Resources & Environment programs, hindering Vision 2030 and AU Agenda 2063 objectives as per the 3rd CAADP Biennial Review Report.

3). Lack of Insurance Cover for the PDM Beneficiaries.

The 2023 Auditor General's report raised concerns about SACCO operations under the Parish Development Model (PDM), noting that 45,321 beneficiaries in 4,511 PDM SACCOs lacked agriculture insurance from Uganda's schemes. This leaves farming enterprises, especially small-scale farmers, vulnerable to risks like crop failure from disasters or weather, risking financial hardship and livelihood loss. Non-compliance with insurance could impact agricultural sector sustainability, food security, and economic stability in the region.

4). High cost of Water for Agricultural Production for Smallholder Farmers.

The FY2022/2023 JAPAR report notes that 21,300 farmers showed interest in micro-irrigation by December 2022, with 6,960 successful farm visits for irrigation system installation. Concern arises from the low 15% actual installation rate, as 85% of monitored districts faced challenges like delayed farmer contributions, procurement delays, and project completion delays. Addressing these issues is crucial to empower small-scale farmers for year-round production and productivity, vital for transitioning from a subsistence economy.

AGRO-INDUSTRIALIZATION BUDGET ALLOCATIONS FY2024/25

1. VOTE 10: MAAIF.

An analysis of the MoFPED draft budget estimates for FY2024/25 for Ministry of Agriculture, Animal Industry and Fisheries shows that MAAIF is projected to receive UGX 524.89 billion of the programs budget, Local governments on the other hand will receive UGX 121 billion, National Research Organization (NARO), UCDA Ugx 45 billion, CDO Ugx 5.4 billion, NAADS Ugx 34 billion, NAGRIC-DB Ugx 80 billion, DDA Ugx 13.1 billion as well as KCCA agric grant 0.35 billion respectively.

Ministry & Departments	Allocations
MAAIF	524.89 billion
Local Governments	121
NARO	101
UCDA	45
CDO	5.4
NAADS	34
NAGRIC-DB	80
DDA	13.1
KCCA	0.35

Source: ESAFF Uganda Analysis of MoFPED Budget Estimates FY2024/25



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5). Delays In Procurement and Distribution of Tractors to Farmers.

The OAG report for 2023 identifies issues in MAAIF's FY2022/23 procurement processes. Delays in contract signing led to a 7-month extension for 200 tractors, costing shs27.9 billion. Procurement of shs10.58 billion heavy equipment utilized private instead of UG number plates. Distribution of 35 tractors worth 2.3 billion lacked number plates. Maintenance problems affected 6 tractors, and 4 tractors worth shs0.42 billion were underused. Despite these challenges, shs50 billion were allocated in FY2024/25 for more tractors without addressing 2023 report concerns, impeding agricultural mechanization progress and limiting benefits to farmers and communities.

6). Limited Budget Allocation to Natural Resources (Land).

While appreciating the government's increased budget for the natural resources program in FY2024/25 to Ugx 683 billion, from Ugx 427 billion in FY2023/24 for initiatives like land registration via the MoLHUD, the NRECCLWM Annual Program Performance Report for 2023 indicates progress. Titled land increased from 21% to 40% in FY 2022/23, with women's land ownership slightly up to 27.02%. The NLIS system integration yielded UGX 62.5 billion revenue, improving services and accountability in 22 MZOs. Challenges remain as only 372 out of 10,595 parish development plans were integrated, hindering land services for farming communities. Rising land conflict cases at 10% pose risks to social stability and development by challenging property rights and community cohesion, underscored by external financing reliance for land formalization and registration.

SMALL-SCALE FARMERS' CALLS

- 1). Government should prioritize domestic financing for the agro-industrialization program to at least 75% of the development budget.
- 2). Government should increase the share of government agriculture expenditure in the total government expenditure to Government should put measures to meet the CAADP target of at least 10% budget allocation the agriculture sector to accelerate the CAADP implementation.
- 3). Government should urgently prioritize securing agriculture insurance policies for all beneficiaries for PDM enterprises to mitigate risks, protect livelihoods, ensure sustainability, and enhance resilience in the agricultural sector.
- 4). Government should invest in rural infrastructure development, including affordable irrigation systems, storage facilities to reduce post-harvest losses and access to markets.
- 5). Government should expedite the finalization of the National Agroecology Strategy and establish funding mechanisms, particularly for Farmer Field Schools, to enhance extension service delivery.
- 6). Government should plough at least 20% of the total revenue generated through land transactions back into the land sector to cater for investments and allocate at least shs2 billion to MLHUD to support the implementation of self-financing models.
- 7). Government should prioritize timely procurement processes, ensure adherence to standard procedures such as utilizing correct number plates, and address maintenance issues promptly to enhance agricultural mechanization efficiency and maximize benefits for farmers and communities



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