



SMALL-SCALE FARMERS'
ASSESSMENT
OF THE AGRO-INDUSTRIALIZATION
BUDGET ALLOCATION
FY 2022/23



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

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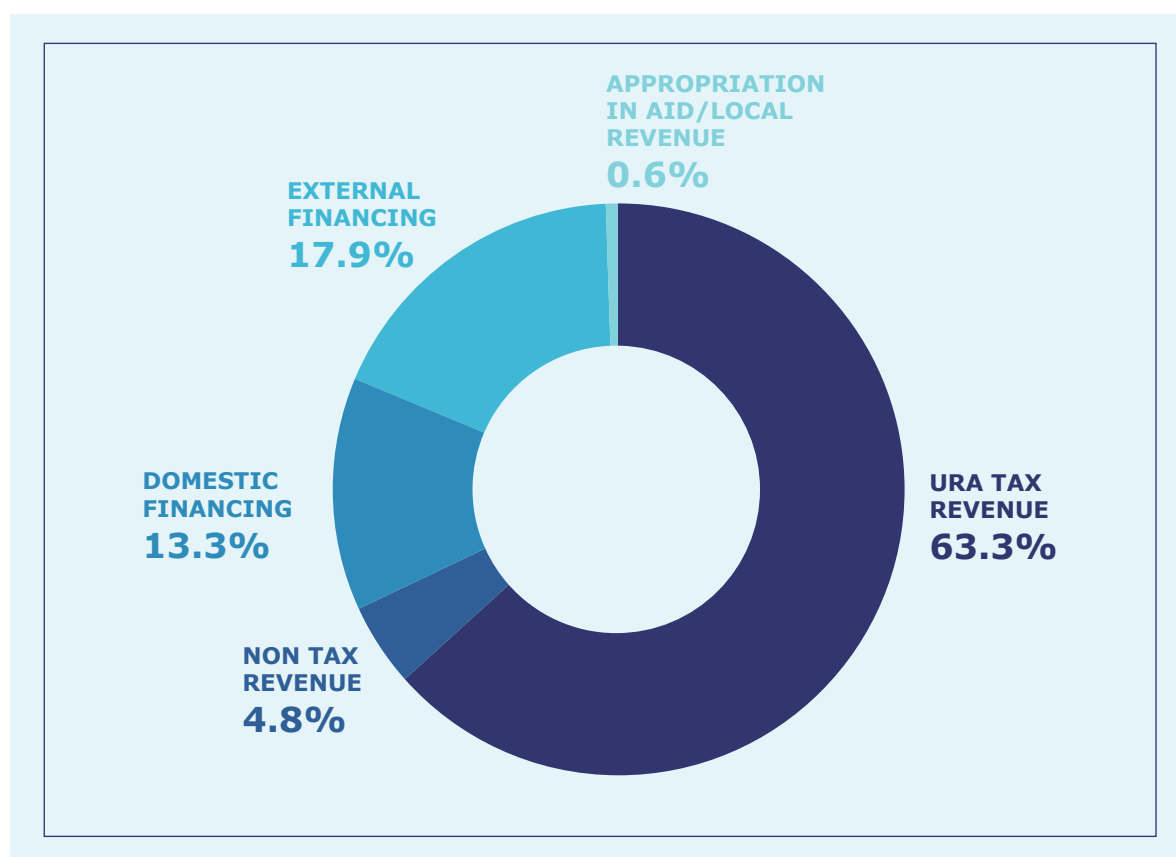
The Place of Agriculture in Uganda's Economy

The agriculture sector plays a central role in Uganda's economy. It generated 24.1% of the Gross Domestic Product (GDP) in FY2020/21 and 54% export earnings¹. Almost 70% of the working population is engaged in agriculture which also provides the first job for three-quarters of those aged between 15 and 24 years². 78% of the Ugandan population lives in "rural" areas, 77% mainly engage in agriculture of which 86.7% are female headed households compared to 74% male headed households³. At the same time, agro-processing is the backbone of the manufacturing sector accounting for approximately 60% of its total output⁴.

FY2022/23 marks the 3rd year of implementation of the National Development Plan (NDPIII) and resource allocations for FY2022/23 was informed by the NDPIII under the theme "**Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access**".

Overview of FY 2022/23 Budget

The budget for FY 2022/23 amounts to Ushs 48.130 Trillion with a 7.5% increase from FY2021/22. Domestic Revenue amounts to Ushs 30,797.3 billion (63.9%) and External Financing amounting to Ushs 6,716 billion.



¹ EMF World Bank, 2019.

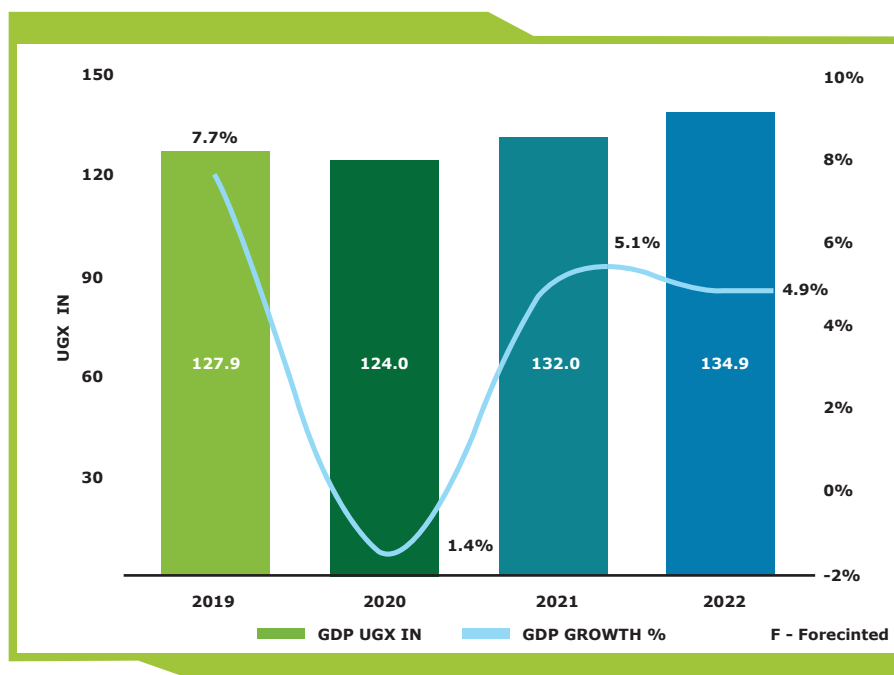
² Approximately forty per cent of the working-age population is classified as being mainly engaged in "subsistence" agriculture, defined as producing mainly for home consumption and selling only a small proportion of their farm production (UBoS, 2016).

³ UBOS Annual agricultural Survey 2019 report.

⁴ Including food/drinks, leather processing, cotton ginning, textile and leather manufacture.

Gross Domestic Product (GDP) in FY2021/22

GDP Growth



Uganda's GDP grew by 5.1% in 2021 from a 1.4% contraction in 2020. The growth was primarily attributed to the easing of COVID-19 restrictions in 2021.

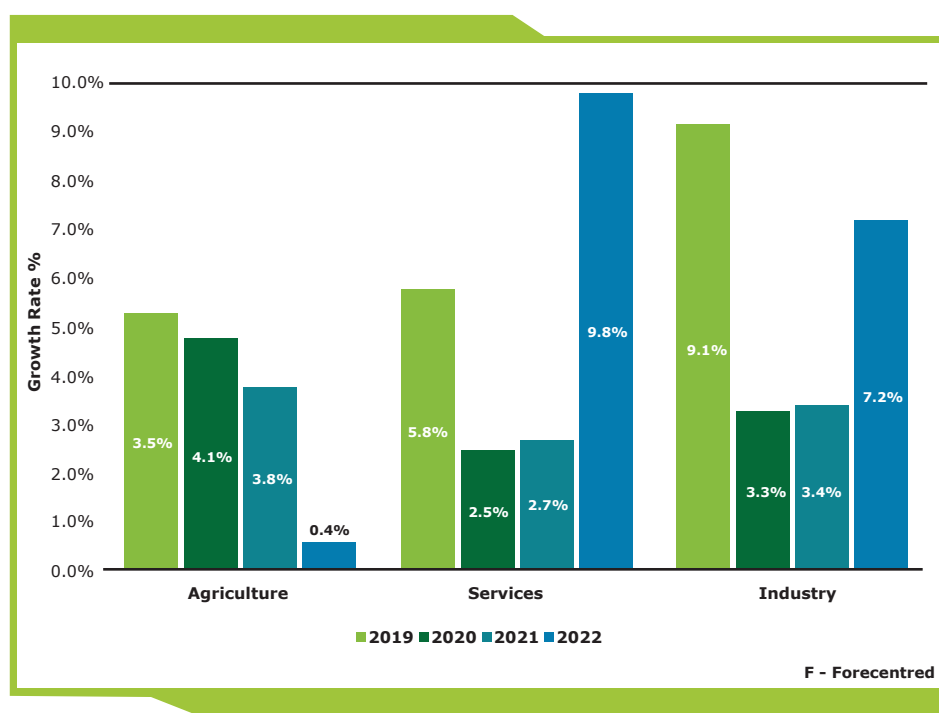
The economy was projected to grow at 4.9% in FY2022/23 as it was in the previous year due to COVID-19 and fishing disruptions among others.

The growth unfortunately is slower than the 6% CAADP commitment needed by the subsistence communities and households to prosper.

Source: IMF

Agriculture Sector Growth

Sector Growth



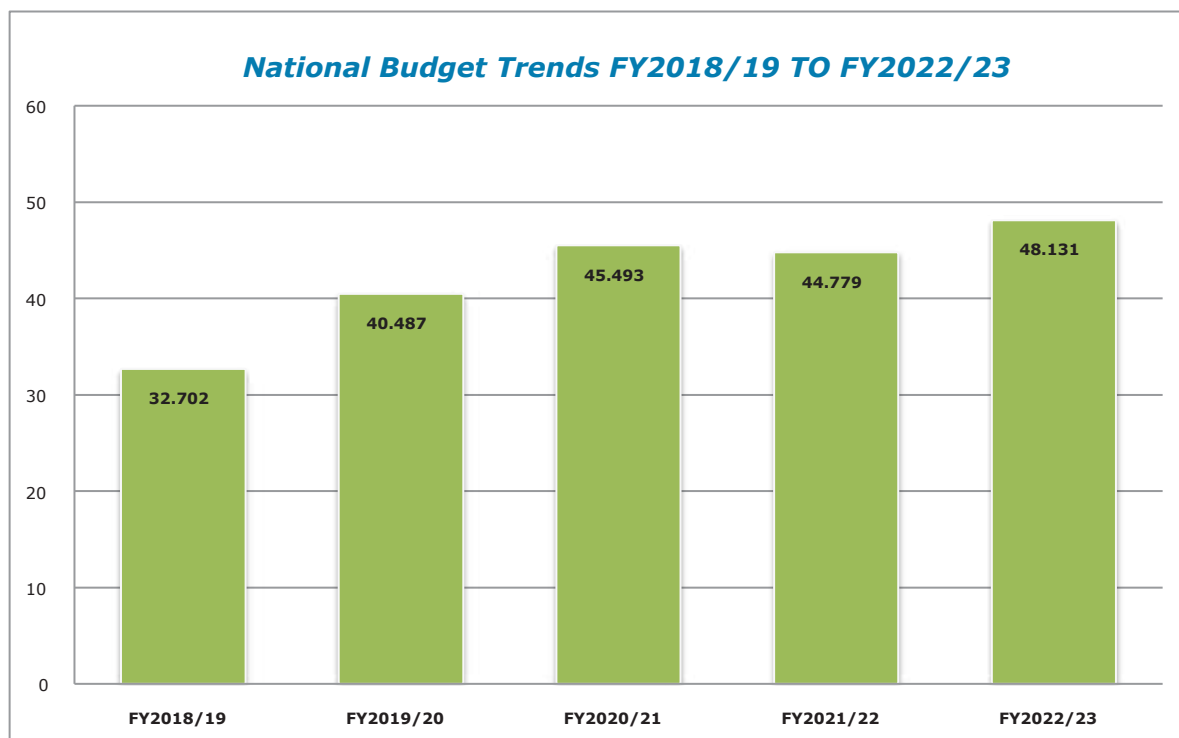
In FY2021/22, growth in agriculture declined to 3.8% as a result of significant decline in fishing activities and COVID-19 pandemic-related lockdown measures and restrictions.

The agriculture sector is expected to grow by 4.3 percent, largely as a result of growth in food and cash crop production, livestock as well as recovery in fishing.

The sector contributed 24.1 percent to total economic output.

Source: Bank of Uganda, Economic Intelligence Unit

National Budget Trends for 5 years (FY2018/19 to FY2022/23)



Source: Budget Speech FY 2022/23

We commend government for the consistent increment in the national budget in line with the National Development Plan (NDP) III

Agro-Industrialization Programme Summary

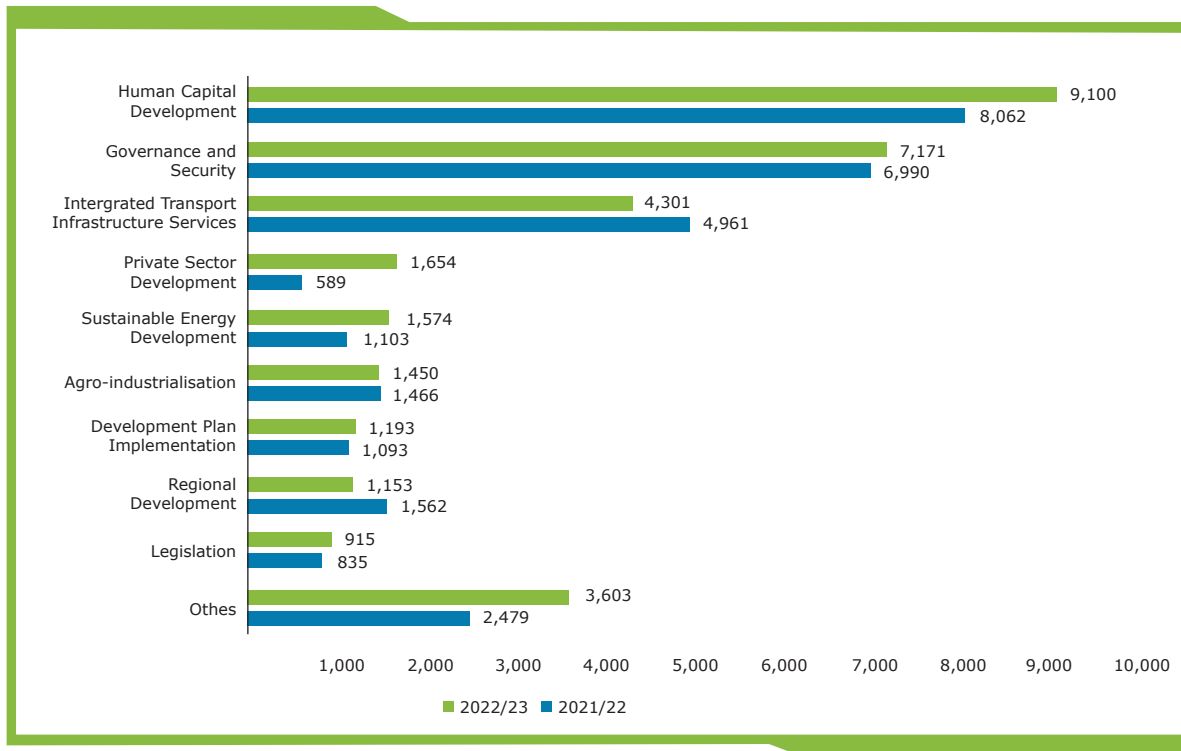
The Agro-industrialization program is one of the 18 programmes of NDPIII and operationalize objective one of the plan. The programme goal is to increase commercialization and competitiveness of agricultural production and agro processing.

It seeks to address key challenges in agricultural production, agro-processing and value addition which include:

- i). Low agricultural production and productivity.
- ii). Poor storage infrastructure and post-harvest management.
- iii). Low value addition.
- iv). Poor market access and low competitiveness of agro based products in domestic, regional, continental and international markets.
- v). Limited access to agricultural financial services and critical inputs, and
- vii). Poor coordination and inefficient institutions for planning and implementation of agro-industrialization.

Agro-industrialization Program Budget Share from the National Budget FY2022/23 Allocations

Summary of expenditure by program



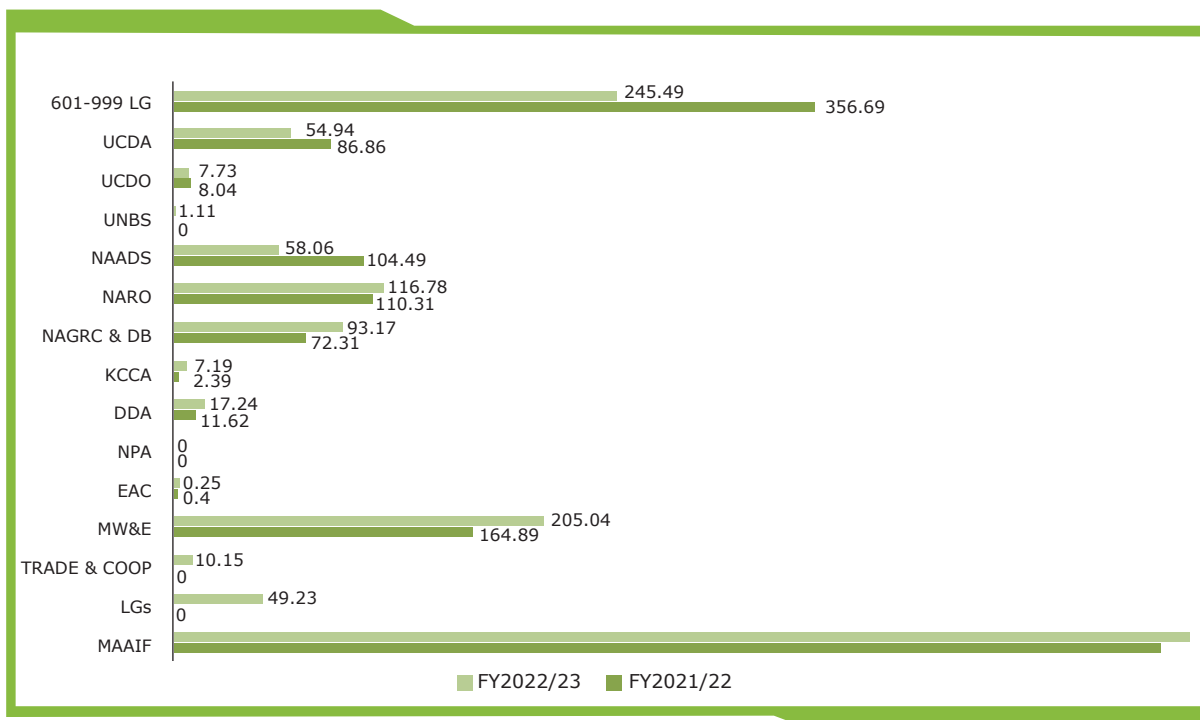
**Note: - These are exclusive of debt expenditures
Source: Budget speech 22/23, background for the budget 22/23*

The total budget allocation to agro-industrialization program declined from UGX 1,465 Trillion in FY2021/22 to UGX 1,449 Trillion in FY2022/23. This decreased the program percentage share of the national budget from 3.3% to 3.0% respectively. This is a great concern to the realization of the 10% CAADP budget allocation commitment to the agriculture sector and whose growth declined to 3.8% in FY2021/22 contrary to the 6% growth aspiration due to COVID-19 pandemic. This is further not commensurate to the NDPIII projections and prioritization towards the economic takeoff and alignment of program based budgeting to national development plan (NDP III).

Budget Allocations to Agro-industrialization Program Votes

The Agro-industrialization program is one of the 18 programmes of NDPIII. Therefore the program objective of increasing commercialization and competitiveness of agricultural production and agro processing will be realized through a number votes.

Agro-Industrialisation Votes & Allocations



Source: Budget Speech FY2022/23

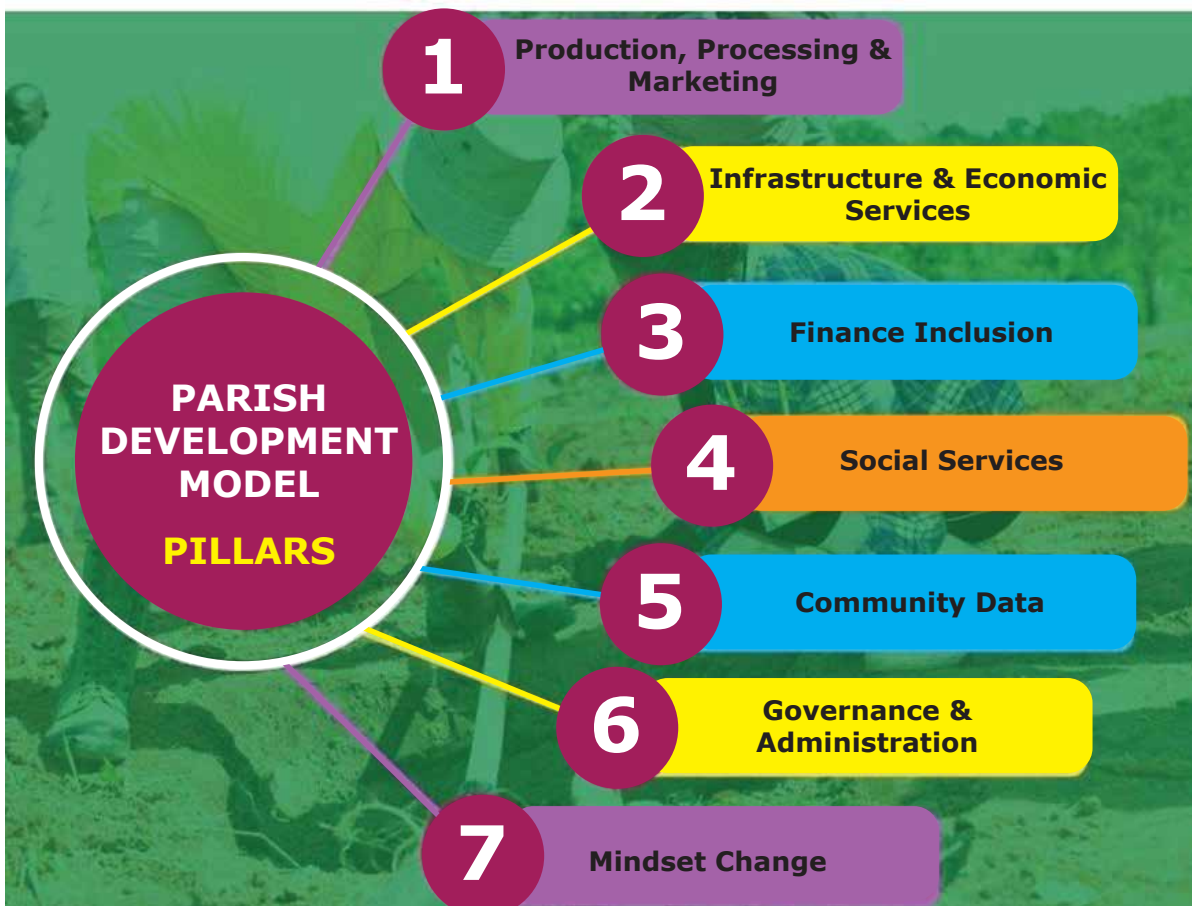
OBSERVATION

- 1). We commend government for budget allocations to Ministry of Local Governments Ushs 49.23Billions, National planning Authority Ushs 0.94 Billions under the program which missed allocations in FY2021/22. Further, commend for the increased allocation of Ushs 5.62 to DDA, Ushs 20.86 to NAGRIC&DB as well as Ushs 6.47 to NARO.
- 2). We are however concerned that despite coffee becoming one of the key foreign earner to national revenue with a lot of challenges faced by small scale coffee farmers, the program vote UCDA budget was cut by Ushs 21.92 Billions.
- 3). NAADS program vote budget was also cut by Ushs46.84 Billions despite the fact the agriculture sector continues to face the challenge of insufficient number of extension workers and facilitation. In such circumstance, it will be challenging to realize prudent extension service provision of 1:500 from 1:1800 of extension worker to farmers as well as advisory services to small scale farmers under the PDM implementation yet critical for the realization of the Agro-industrialization goal.

Parish Development Model (PDM)

This is the main delivery mechanism for graduating the 39% of households from subsistence to monetized economy to attain rapid socioeconomic transformation.

The PDM is Premised on Seven Pillars;



Source: National Budget Speech FY2022/23

- 1). In FY 2021/22, Ushs 200 billion was approved by Parliament as the funds allocated to the implementation of the PDM. Of this, Ushs 73.44 billion was for preparatory activities, while Ushs 126.56 billion was for the Parish Revolving Fund (PRF). This translated into an allocation of Ushs 11,946,385 for each of the 10,594 Parishes.
- 2). In FY2022/23, a total of Shs1.059 trillion was allocated for full implementation of the Model. Each of the 10,594 Parishes in the country will receive Shs 100 million as a revolving fund, earmarked for purchase of agricultural inputs by households still in subsistence. The PDM will be complemented by other Government programmes such as the Emyooga Fund; the Microfinance Support Centre credit to other SACCOs and Village Savings Groups and the Small Business Recovery Fund.
- 3). We commend government for the 1.059 trillion budget allocation to the PDM implementation in the FY2022/23, we are however concerned that the allocation of shs100 millions per parish wasn't fair given that certain parishes are highly populated than others hence making the allocation not fit for all.
- 4). We are aware that in FY2021/22, Government allocated Ushs200 billions to the model implementation where each parish was to get 17 millions. We are concerned that that less than 10 millions reached the parishes and it was disbursed at the end of the financial year in May 2022.

RECOMMENDATIONS

We small scale farmers from the 54 districts in Uganda call upon the Government of Uganda to;

- 1). Fast track the Ush200billions disbursed in the FY2021/22 for the implementation of the PDM model and a clear impact assessment communicated.
- 2). There is an urgent need for reliable population statistics within the different parishes for informed and equitable allocation of funds under the PDM.
- 3). Fast track its commitment to the 10% budget allocation of the national budget that would spur a 6% growth in the agriculture sector as per the 2014 Malabo declaration.

CONCLUSION

Agro-industrialization is critical to increasing incomes and improving the quality of life for small-scale farmers engaged in subsistence agriculture. It is necessary to recognize that the agro-industrialization program can be transformed from a **"spending sector"** to one that can contribute effectively to efforts to promote economic growth and reduce poverty. As the government establishes its program objectives for FY2023/24, developing sector financial strategies will be critical to leveraging available funding sources (tariffs, taxes, and transfers) to leverage repayable financing, particularly domestic private finance, to address the program's funding gap.

Acknowledgement

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References

- 1). Approximately forty per cent of the working-age population is classified as being mainly engaged in **"subsistence"** agriculture, defined as producing mainly for home consumption and selling only a small proportion of their farm production (UBoS, 2016).
- 2). EMF World Bank, 2019.
- 3). Including food/drinks, leather processing, cotton ginning, textile and leather manufacture.
- 4). National Budget Speech 2022/23
- 5). UBOS Annual agricultural Survey 2019 report

About the Small scale Farmers' Movement

Eastern and Southern Africa Small-scale Farmers' Forum (ESAFF) was formed in 2002 during the World Summit on Sustainable Agriculture which was being held in Johannesburg, South Africa by small-scale farmers. The main aim was to make small-scale farmers, pastoralists and fisher folk, who are central to sustainable natural resource management and development more visible.

Eastern and Southern Africa Small-scale Farmers' Forum (ESAFF) was operationalized in Uganda in 2008 as a direct response to the need to create a regional Forum to bring together small-scale farmers into a farmer-led advocacy movement to influence policies and practices at global, continental, regional, national and local levels. ESAFF Uganda is a small-scale farmer-led advocacy movement formed to facilitate processes through which small scale farmers' development concerns can be solicited, articulated and ultimately addressed through policies and programs.

ESAFF Uganda focuses on advancing economic empowerment, Agroecology and food sovereignty. ESAFF Uganda is currently having a membership of 1359 farmer groups with 48210 individual small-scale farmers of which 64 per cent are women in 54 districts (under the administration of 30 historical districts' forums). ESAFF Uganda is also part of a bigger network of small-scale farmers in the other 15 countries in eastern and southern Africa including South Sudan, Rwanda, Burundi, Kenya, Tanzania, Swaziland, Zambia, Zimbabwe, Malawi, South Africa, Lesotho, DR Congo, Madagascar, Seychelles and Mozambique.

Agro-industrialization Program Budget Share from the National Budget FY2022/23 Allocations

Organizational Work on Agriculture Financing

We underscore the critical potential of agriculture for Vision 2040 transformation of the country to middle income status within 30 years. This is justified by its critical employment opportunities for job creation and raw materials for processing sector. Over a decade now, the sector has been growing at an average of below 3.8% per annum, compared to the ideal 6% annual growth by the Comprehensive Africa Agriculture Development Programme (CAADP).

Therefore, ESAFF Uganda has been using practical, efficient, and comprehensive approaches to influence for sector financing towards a 10% budget allocation through:-

- 1). Supporting small scale farmers' participation in influencing government on agriculture financing focusing on the targets in line with 2014 Malabo Declaration. In the vein, farmers in 2018 petitioned the EALA at the EAC to hold the national governments accountable on the 10% national budget allocation to the sector.
- 2). Interfaces with other stakeholders in the development of sector policy i.e. In the 2018 we collaborated in the development of the Agriculture Financing Policy and agriculture insurance.
- 3). Build capacities of small scale farmers to enhance their budget literacy, active participation in budget development and monitoring agriculture service delivery processes using the Participatory Expenditure Tracking System (PETS) to demand for accountability from the local governments.
- 4). Develops, simplifies and shares budget information with farmer's i.e. local government budget cycle. This has enabled farmers to actively participate in budget development processes and accountability for service delivery.
- 5). Annually, the Sector organizes and holds National budget and sector reviews and ESAFF Uganda collaborates in development of CSO position papers. These budget reviews are used in agriculture committee of Parliament.



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