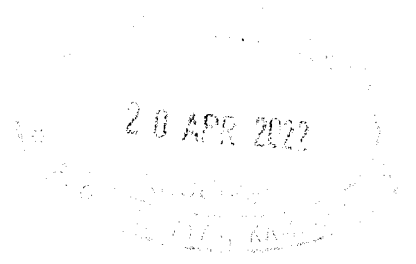




PARLIAMENT OF UGANDA



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**REPORT OF THE COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY
AND FISHERIES ON THE MINISTERIAL POLICY STATEMENT AND BUDGET
ESTIMATES FOR THE FINANCIAL YEAR 2022/23**

OFFICE OF THE CLERK TO PARLIAMENT

PARLIAMENT BUILDINGS

KAMPALA - UGANDA

April 2022

EXECUTIVE SUMMARY

Rt. Hon Speaker and Hon. Members,

Agricultural sector remains the mainstay of Uganda's economy; employing 68% of the total population and 70% youth. Although its mandate is to promote and support market oriented Agricultural production, food security and household incomes, the sector continues to be neglected in budget allocations. In fiscal year 2020/2021, Agriculture sector contributed 23.7% of GDP and 31% of export earnings just below Industry at 26.18% and Services sector at 43.01%.

Note that Vision 2040 prioritizes and recognizes the role of agriculture in this transformation process. The vision of the National Agriculture Policy 2013 is "A Competitive, Profitable and Sustainable Commercial and Agriculture Sector" with an overall objective of promoting food and nutrition security and also to improve household incomes after coordinated interventions that over sees enhanced sustainable agricultural productivity and value chain addition; provide employment opportunities, and promote agribusinesses, investments and trade.

MAIFF is the leader of Agro-Industrialization Program under NDP111 and PDM Pillar One: Production, Storage, Processing and Marketing with which the 100M investment in Parish SACCOs will not yield any fruits.

Despite all the policy interventions by government to realize socio-economic transformation, the sector is still faced with many challenges including among others; Inadequate budget allocations to the sector, Inadequate provision of Extension and advisory services to farmers across the country, limited access to Agricultural Credit, the delayed implementation and finalization of the National Irrigation policy, low uptake of Agro-Processing technologies, low prices of Agricultural products on the market, High cost of Agricultural inputs and associated problem of counterfeit on the market, Pre and post-harvest losses, the problem of land ownership, among others.

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For instance in the 2021/2022 44.77 Trillion shillings National Budget approved by Parliament the sector suffered budget cuts from 1.3Trillion to 799Billions yet it's the only sector that sustained the economy from adverse effects of Covid19 pandemic. This negatively impacted the sector and our comparative advantage in the region. This among others affected the provision of seeds/seedlings and other inputs to farmers, which is vital in the improvement of agricultural production and productivity in the country.

This 2022/23 FY Agro-Industrialization Programme budget estimates for the Budget Framework Paper (BFP) were UGX: 1,666 billion, out of the National MTEF of UGX 42,980 billion; representing a 3.9% allocation to the Programme. the MPS now is partly UGX 1,190 billion. This implies that the Agro-Industrialization Programme MTEF has been reduced to UGX 476.74 Billion; since the approval of the National Budget Framework Paper by parliament.

Rt. Speaker and Colleagues MPs, Agriculture sector requires unprecedented funding to improve the live hoods and incomes of our people.

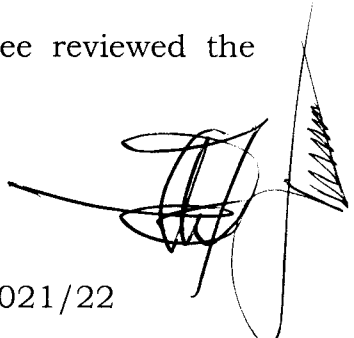
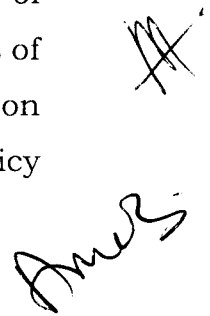
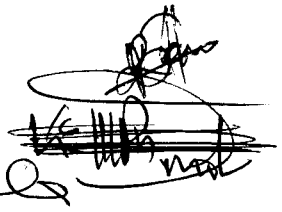
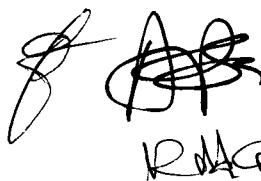
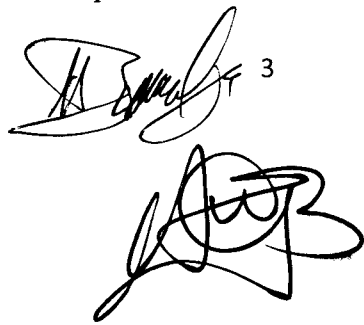
1.0 INTRODUCTION

Rt. Hon. Speaker and Hon. Members, in accordance with Article 155 (4) of the Constitution of the Republic of Uganda and Rule 149 (1) of the Rules of Procedure of the Parliament of Uganda, the Sectoral Committee on Agriculture, Animal Industry and Fisheries considered and reviewed Policy Statements and Budget Estimates under its mandate.

2.0 METHODOLOGY

While fulfilling its mandate under Rule 149(1) the Committee reviewed the following documents;-

- a) Ministerial Policy Statement FY 2021/22.
- b) The Annual Budget Performance Report FY 2020/21
- c) NDP Certificate of compliance on the annual budget FY 2021/22



- d) The NDP 111
- e) The BFP report by the committee
- f) The second Budget Call circular and all the associated documents
- g) The Semi-Annual budget performance report FY 2021/22
- h) The Alternative Policy Statement 2022/23
- i) Certificate of Compliance from NPA
- j) Certificate of Gender and equity from Equal Opportunities commission
- k) PFM Act, 2015 and

Held meetings with the Ministry of Agricultural, Animal Industry and Fisheries and all Agencies under MAAIF and received submission from the Civil Society Organization.

3.0 SCOPE

The Sectoral Committee on Agriculture, Animal Industry and Fisheries considered the Ministerial Policy Statements and Budget Estimates for the Fiscal Year 2022/23 for the following Votes:

- i. Vote 010 : Ministry of Agriculture, Animal Industry and Fisheries
- ii. Vote 121 : Dairy Development Authority (DDA)
- iii. Vote125 : National Animal Genetic Resource Centre & Data Bank (NAGRC&DB)
- iv. Vote 142 : National Agricultural Research Organization (NARO)
- v. Vote 152 : National Agricultural Advisory Services (NAADS),
- vi. Vote 155 : Uganda Cotton Development Organisation (CDO)
- vii. Vote 160 : Uganda Coffee Development Authority (UCDA)
- viii. Votes 501-850: Local Government Agriculture and Commercial Services
- ix. Vote 122 : KCCA Agriculture Grant

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4.0. AGRICULTURE SECTOR MANDATE

The mandate of the Ministry is "to promote and support sustainable and market oriented agricultural production, food security and household incomes".

4.1 SECTOR STRATEGIC OBJECTIVES

The Sector will pursue the Agro-Industrialization (AGI) Program of the NDPIII through the following strategic objectives;

- (i) To strengthen agriculture production systems for sustainable production and productivity
- (ii) To improve agro-processing, value addition and storage
- (iii) To increase agriculture product market competitiveness through improved quality and standards
- (iv) To increase access to agriculture finance and insurance
- (v) To strengthen the Institutional, legal, policy, planning and regulatory framework for improved service delivery.

4.2. SECTOR COMPLIANCE TO NATIONAL DEVELOPMENT PLAN (NDP)

Agro-Industrialisation scored 63.5%, this is because the program was not well aligned in areas of agricultural extension services, agricultural mechanization, fertilizer use, use of E-voucher Management System, irrigation, access to water for agricultural production, access to labour, storage, post-harvest losses, agro processed products, size of agricultural value addition and agricultural inputs.

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At the projects level, the moderately satisfactory performance was mainly attributed to the low budget release of funds for the projects, low absorption and delays in projects implementation. All the projects behind schedule were externally financed projects.

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4.3. GENDER AND EQUITY COMPLIANCE

Section 13(5)(g) of the PFM Act, 2015 requires that the Minister of Finance, in consultation with the Equal Opportunities Commission issues a certificate, certifying that the policy statement is gender and equity responsive and specifying measures taken to equalize opportunities for men, women, persons with disabilities and other marginalized groups.

The accompanying certificate indicates that all the agencies under the sector passed the test of Gender and equity compliance, after scoring above required threshold of %, as follows; Ministry of Agriculture, Animal Industry and Fisheries (61.64%), Uganda Coffee Development Authority (59.82%), Uganda Cotton Development Organization (57.55%), NAADS Secretariat (59.82%), National Agricultural Research Organization (76.07%), Dairy Development Authority (58.27%), National Animal Genetic Resource Centre and DB (63.85%).

4.4. ANALYSIS OF THE AGRO-INDUSTRIALISATION PROGRAMME BUDGET ALLOCATION FOR FY 2022/23

The Committee notes that the Agro-Industrialization Programme budget estimates for the Budget Framework Paper (BFP) FY 2022/23 were UGX: 1,666 billion, out of the National MTEF of UGX 42,980 billion; representing a 3.9% allocation to the Programme.

The projected MTEF for the Agro-Industrialization Programme in the FY 2022/23 at the MPS is UGX 1,190 billion, out of the National MTEF of UGX 45,325 billion; representing a 2.6% allocation to the Programme.

This implies therefore that the Agro-Industrialization Programme MTEF has declined in terms of percentage allocation to the National MTEF by 1%. It should be noted that in absolute terms, the Programme MTEF has reduced by UGX 476.74 Billion; since the approval of the National Budget Framework Paper for 2022/23.

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4.5. OVER VIEW OF AGRICULTURE SECTOR:

Sectoral Overview:

Agricultural sector remains the mainstay of Uganda's economy; employing 68% of the total population and 70% youth. Although Its mandate is to promote and support market oriented Agricultural production, food security and household incomes, the sector is growing at a very low pace of 3.8% below the 6% target under the comprehensive Africa Agriculture Development Program (CAADP) committed to creating wealth needed for rural communities and household prosperity. In fiscal year 2020/2021, Agriculture sector contributed 23.7% of GDP in 2021 and 31% of export earnings just below Industry at 26.18% and Services sector at 43.01%.

Despite the 44.77 Trillion shillings National Budget approved by Parliament for year 2020/2021 and with adverse effects of Covid 19 pandemic, the sector suffered budget cuts from 1.3Trillion to 799Billions. This negatively impacted the sector and our comparative advantage in the region. This among others affected the provision of seeds/seedlings and other inputs to farmers, which is vital in the improvement of agricultural production and productivity in the country.

The sectoral objective is linked to NDPIII Mission of transforming the sector from subsistence to commercial Agriculture. The BFP 2022/2023 focuses on Agro Industrialization with Agricultural Value chain Development Strategy 2021-2026 that prioritizes the Parish Development Model Pillar 1 of Production, Storage, Processing and Marketing.

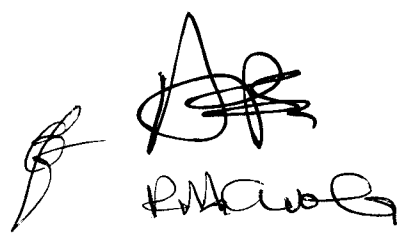
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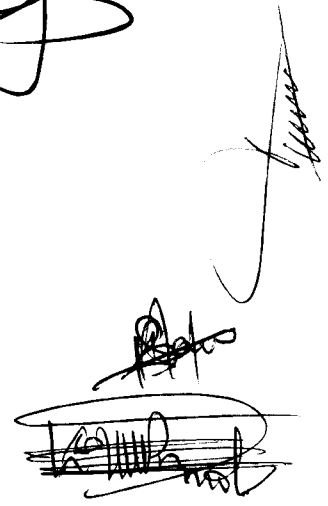
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5.0 SPECIFIC VOTES:

5.0.1 VOTE 010 – MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES:

The Ministry's Planning Framework

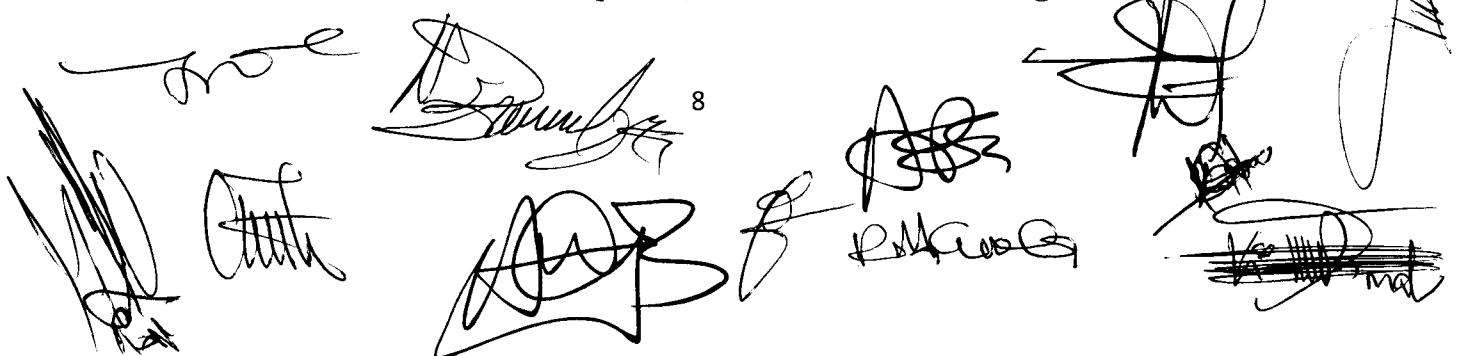
Government is implementing the NDP III which defines the broad direction for the country and sets key objectives, interventions and targets for sustainable socio-economic transformation of Uganda. The goal of NDPIII is to increase average household incomes and improve the quality of life of Ugandans. NDPIII aims to pursue achievement of these goals under the overall theme of Sustainable Industrialization for inclusive growth, employment and sustainable wealth creation.

The NDPIII aims at accelerating the growth of the economy, transform the lives of the people and strengthen the country's regional and international competitiveness. The five objectives are:

- i. Enhancing value addition in key growth opportunities;
- ii. Strengthening the private sector capacity to drive growth and create jobs;
- iii. Consolidating and increasing the stock and quality of productive infrastructure;
- iv. Enhancing the productivity and social wellbeing of the population; and
- v. Strengthening the role of the state in guiding and facilitating development.

The above strategic objectives are providing the framework for streamlining and directing Government, private sector, civil society and Development Partners' investments towards attaining the following:

- i. Increased agricultural production/productivity and agro-processing, mineral beneficiation and mineral-led industrialization, oil refining, digitalization, and labour intensive light manufacturing (including cottage industries);
- ii. Sequential and coordinated infrastructure investments in energy, roads, water, air, rail, industrial parks, and mechanized irrigation schemes to



support increased production/productivity for export expansion and the production of goods that are otherwise imported;

- iii. Increased generation of more skilled, better motivated and healthier workforce for all sectors of the economy, but particularly for industrial sector as well as a modernized agricultural sector; and
- iv. A strengthened private sector that is able to drive growth and investment in collaboration with the state. strengthened private sector that is able to drive growth and investment in collaboration with the state.

5.0.2 Agro-industrialization in the NDPIII

Agriculture as a source of livelihood, therefore Agro-Industrialization (AGI) offers a great opportunity for Uganda to embark on its long-term aspiration of increasing household incomes and improving the quality of life. AGI is strategically being prioritized in the medium-term planning by Government due to the following reasons:

- i. AGI presents an avenue for promoting inclusive and equitable growth.
- ii. Second, Uganda has a positive trade balance in agro-industrial products.
- iii. It provides an opportunity to add value to agricultural raw materials in order to promote export expansion of high value products.
- iv. It provides an opportunity for import substitution.
- v. It provides an opportunity to address the high post-harvest losses, minimize losses to disasters, stabilize prices and increase household incomes.
- vi. The backward and forward linkages between agriculture and agro-industries requires Uganda to sustainably transform agro value chains to ensure sufficient supply for domestic industries to undertake transformative sustainable manufacturing while creating employment for its citizens.

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5.0.3 The key results to be achieved over NDP III period are:

- i. Increase total export value of processed agricultural commodities and products (coffee, tea, fish, dairy, meat and maize) from USD 0.935 Billion to USD 2.7 billion.
- ii. Reduce total value of imported cereals and cereal preparations, vegetable fats and oils and sugar preparations from USD 931.1 million to USD 500 million;
- iii. Increase agricultural sector growth rate from 3.8 percent to 6.0 percent;
- iv. Increased labour productivity in the agro-industrial value chain (value added, USD per worker) from USD 2,212 to USD 3,114;
- v. Increase the number of jobs created in agro-industry along the value chain by 100,000;
- vi. Reduction in the percentage of household's dependent on subsistence agriculture as a main source of livelihood from 68.9 percent to 55 percent.

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5.0.4 ANNUAL PROJECTIONS FY 2022/23 AND HALF YEAR EXPENDITURE PERFORMANCE FY 2021/22

Table 1: Annual Budget projections FY 2022/23 and Half- Year Expenditure performance FY 2021/22. VOTE 010 – MAAIF

	FY 2021/22 Approved Budget (bns)	FY 2022/23 Budget Estimates (bns)	%age change Budget allocation	Expenditure by Dec FY 2021/22 (bns)	H1 expenditure % FY 2021/22
VOTE 010 - Ministry of Agriculture, Animal Industry & Fisheries					
Recurrent					
Wage	13.21	19.58	48.2	5.486	41.5%
Non-Wage	36.26	31.84	(12.2)	11.08	30.6%
Domestic Dev	105.76	23.57	(77.7)	19.552	18.5%
External Financing	392.46	376.78	(4.0)	216.78	55.2%
Total excl.External Financing	155.24	74.99	(51.7)	36.118	23.3%
Total incl.External	547.70	451.78	(17.5)	252.898	46.2%

Source: Draft estimates 2022-23

According to the table, the budget for MAAIF is expected to decline by 17.5% from U547.70bn in FY2021/22 to U252.898 bn in FY 2022/23. This is attributed to the 12.2% decline in the Non-wage, 77.7% decline in the GOU development and a 4% decline in external financing. The wage is however expected to increase by 41.5%. The budget decline contradicts Government's

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Agro-industrialisation strategy which is aimed at transforming the agricultural sector towards industrialisation.

The half year budget performance on the other hand reflects an overall 46.2% budget performance, which is attributed to 41.5% expenditure on wage, 30.6% in non-wage and 18.5% in GOU Development while external financing performed at 55.2%.

5.1. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

1. MTEF CUTS

The Committee observes that while the Agro-Industrialization Programme budget estimates for the Budget Framework Paper (BFP) FY 2022/23 were UGX: 1,666 billion, out of the National MTEF of UGX 42,980 billion; representing a 3.9% allocation to the Programme. The projected MTEF for the Agro-Industrialization Programme in the FY 2022/23 at the MPS is UGX 1,190 billion, out of the National MTEF of UGX 45,325 billion; representing a 2.6% allocation to the Programme. This implies that the Agro-Industrialization Programme MTEF has reduced by UGX 476.74 Billion; from the approved National Budget Framework Paper for 2022/23. **The following activities (annex 1) will either not be implemented or will be grossly affected.**

It should be noted that agriculture contributes economy 23.7% of GDP and 31% of export earnings FY 2020/2021 and 70% of the population is employed in agriculture that generates income both at household level and export level.

The Committee recommends as follows:

The Committee recommends that a total of UGX 898.118bn be provided to the Ministry to accommodate the MTEF cut of UGX476.74bn 421.378bn as approved by parliament in the NBF 2022/23- (annex 2).

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2. AGRO-INDUSTRIALIZATION PROGRAM BUDGET

The Committee observes the budget allocated to the agro-industrialization program is only 2.6% of the National Budget and over 43.3% of the allocation is externally funded, which comes with stringent terms leading to delays in implementation and absorption causing losses to Government.

The Committee recommends that:

- i. Government should fast track funding the Agro-Industrialization Program to minimum of 10% as per Maputo Declaration 2003 to which Uganda is a signatory.**
- ii. Agro-Industrialization Program should not be relegated to external funding, but given priority from the Consolidated Fund.**

3. Parish Development Model (PDM)

The Committee observes that the BFP 2022/2023 focuses on Agro Industrialization with Agricultural Value chain Development Strategy 2021-2026 that prioritizes the Parish Development Model Pillar 1 of Production, Storage, Processing and Marketing.

The current allocations disadvantages the highly populated areas and also there are variations in poverty and development levels as indicated in the table below:

Region	Population	Parishes	Households	Expected Amount(Billions)
Eastern	10,862,100	3,273	1,536,144	327.3
Northern	8,630,800	2,300	1,099,663	230.0
Western	10,668,200	2,517	1,912,902	251.7
Central	11,953,000	1,701	2,303,229	170.1

UBOS, Population projections 2021

Recommendations:

- i. There should be equity to take care of differences of population and poverty levels.
- ii. The agro industrialization budget should focus on key commodity in the value chains and finance them appropriately to become competitive ,the Key commodities include Coffee, Oil seeds, Fish farming, **macadamia, cashew nuts, cocoa, tea** among others.
- iii. While the PDM takes funds directly to the Parish, for farmers to either individually or collectively procure inputs for their production activities, there should be appropriate enterprise section for advisory and regulation of quality inputs. Furthermore, other agricultural extension support.

4. Water for Production:

The Committee is concerned about the delay in completing the Irrigation Master Plan coupled with low investment in small scale irrigation schemes. This undermines the realization of Pillar 1 of the PDM.

The Committee therefore recommend that;

- i. **UGX20bn be allocated for water for production in water stressed areas.**
- ii. MAAIF and Ministry of Water and Environment should **expedite the completion of the Irrigation Master Plan which will effectively guide in the assessment of water for production that is accessible, affordable and adequate. There is enough water to facilitate irrigation because the sum of the external and internal renewable surface water resources (the average annual river flow generated from precipitation) in Uganda amounts to 43.3 billion cubic meters per year though the dependence ratio (proportion that originates outside the country) is still 60%.**

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- iii. **Government should also rehabilitate the existing irrigation infrastructures and schemes for easy access by small holder farmers. This involves MAAIF procuring innovative irrigation technologies and other agricultural production facilities in utilizing excessive rain water and floods. This will boost continuous production and farming will be all year round.**

5. Agricultural Engineers

The Committee is further concerned that of the 146 districts in Uganda only 49 have Senior Agricultural Engineers required for providing technical support in the implementation of all interventions under water for agricultural production and mechanization. This implies a ratio of 1:3 Agricultural Engineers per district. If such a staffing gap is not addressed, the operations and maintenance of the water for agricultural facilities and mechanization equipment will be constrained.

Recommendation:

MAAIF through the Department of Agriculture Infrastructure and Water for Agriculture Production should consider phased recruitment of more 97 Senior Agricultural Engineers to guide the implementation of water for production interventions

6. Agricultural mechanization:

While land is one of the primary factors of production, MAAIF has noted that Uganda is endowed with over 44% (UBOS 2020) of arable land; of which only 34.4 percent is under agricultural use. We have therefore set a target to move this to 50% by 2026.

Recommendation:

The Committee recommends that UGX40bn be provided for procurement of assorted tractors and implements and UGX 10bn for Ox-plough and accessories.

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7. High cost of Agricultural inputs, counterfeit and low quality food products on the market.

The Committee notes the rise in the retail price of Agricultural inputs on the market. This in addition to counterfeit products and drugs is gravely affecting agriculture. The rise in prices has extended to other inputs such as seeds, pesticides, machinery repairs, which has led some farmers to look for cheap counterfeit agricultural inputs that in turn reduced productivity from farms.

COMMITTEE RECOMMENDATIONS:

- i. Government should revamp the National Seed Company to ensure provision of improved quality seeds and subsidized inputs to farmers throughout the country. This will ensure availability of quality and affordable seeds on the market.**
- ii. Government should revamp the National Seeds Company to ensure provision of quality and improved seeds to farmers throughout the country. It will ensure provision of quality seeds and subsidized inputs to farmers throughout the country.**

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