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Assessment of the FY 2023/24 agro-industrialisation programme budget towards provision of agricultural extension in Uganda

Executive statement

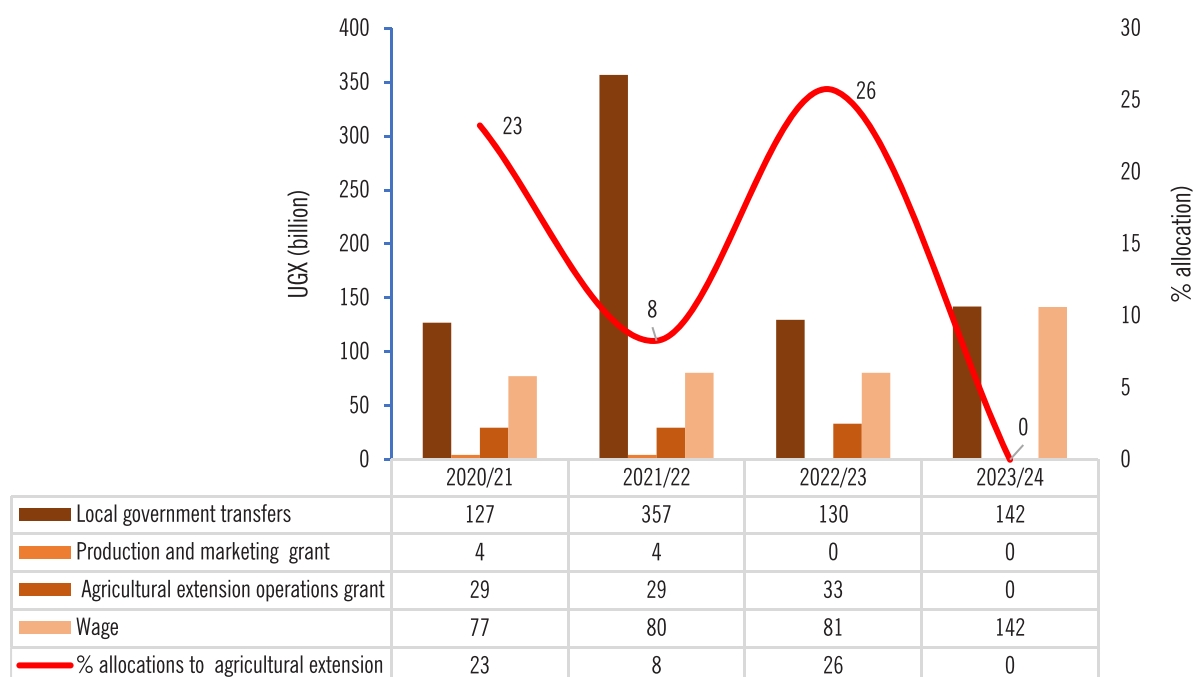
This brief examines the budget allocation inadequacies within the FY 2023/24 agro-industrialisation programme budget that are likely to impede provision of agricultural extension services in Uganda. The brief makes the following observations: First, no budget allocation exists for the non-wage operation grant at Local Government (LG) level to support the provision of agricultural extension services. Second, the absence of the non-wage extension grant notwithstanding, a total of UGX 141.5 billion wage budget was allocated for the salaries of agricultural extension staff at LG. This implies that the recently increased number of recruited extension officers at LGs, are likely to remain redundant. Third, despite the decentralisation of most of the AGI programme functions to LGs, a large portion of the AGI budget continues to be retained by MAAIF agencies at the centre. Moreover, a large portion of the retained funds are project loans with limited flexibility for reallocation towards the agricultural extension grant. Given the rigidity of project loan funds, Government could consolidate all the scattered agricultural extension funds within Ministries, Department, Agencies (MDAs) under the different institutions responsible for delivering on the agro-industrialisation programme.



Background

Uganda's agricultural extension system has undergone several policy reforms, shifting from the centralised to parallel (NAADS alongside MAAIF) system and now back to the centralised single spine extension system. Since the return to the centralized single spine agricultural system in 2015/16, Government effort to boost agricultural extension at Local Government (LG) level has come with increased expenditure for recruitment of extension staff up to the sub-county level. For instance, in 2015, UGX 10 billion was disbursed to raise extension staff to support the Single Spine Extension System. In FY 2016/17, an additional UGX 20.1 billion was

expended to increase extension officers up to the sub-county level. This has had significant effect in terms of reduction in the extension-farmer ratio from 1:2400 farming households in FY 2016/17 to the current 1:1800, though still above the recommended ration of 1:500 farmers. These staff enhancements increased the extension staffing levels across LGs to about 68 percent (MoFPED, 2019). Despite above efforts, the share of the national budget allocation to LG, where the provision of agricultural extension services occurs, has been declining. Indeed, central Government transfers to LG programmes declined from 23 percent in 2010/11 to 13 per cent in the FY 2015/16 and were projected to fall further to about 11.4 per cent in the FY 2020/21 (Ggoobi and Lukwago, 2021).

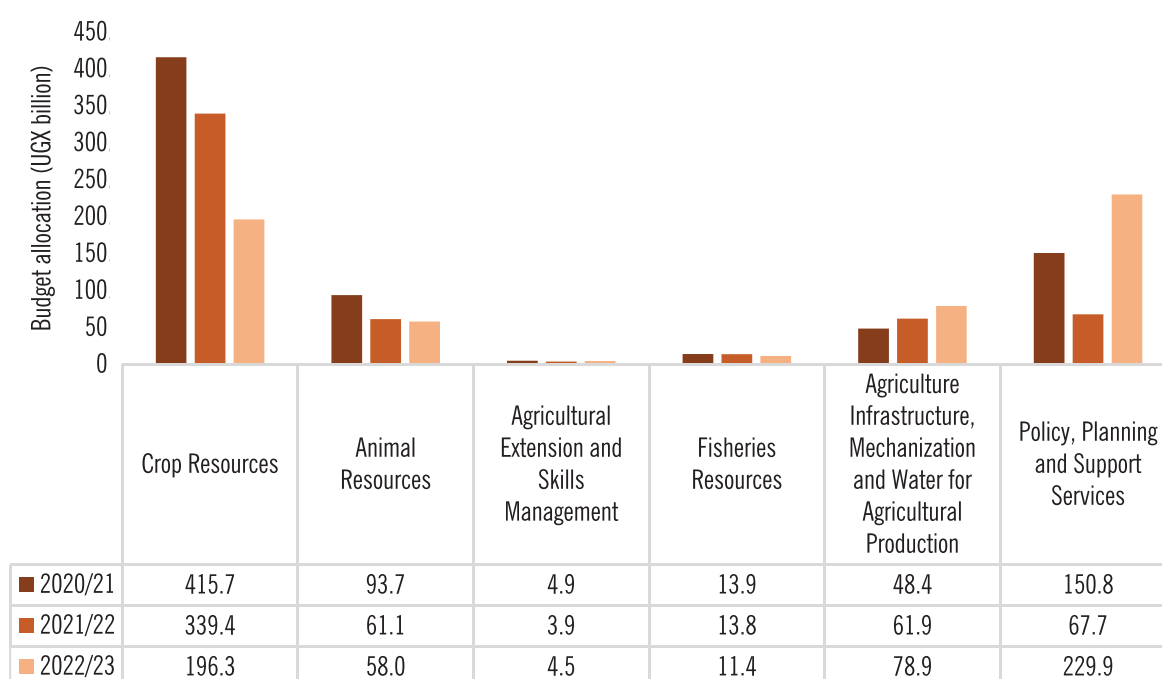
Figure 1 Local government transfers for Agro-Industrialisation Programme

Source: Authors' construction based on the FY 2020/21, FY 2019/20 Annual budget performance reports, Draft FY 2022/23 Budget Estimates of Revenue and Expenditure, Volume II: Local Government Votes, and 2023/24 Final budget call circular dated 24th May 2023

According to the FY 2023/24 Budget Framework paper, Uganda has ambitious performance targets. The country's Agro-industrialisation (AGI) programme aims by FY 2023/24 to reduce agricultural post-harvest losses to 18 percent from 37 percent in FY2017/18, increase the value of agricultural exports to USD 2.2 billion, grow agricultural manufacturing value added to 9.6 percent, boost agricultural production by 20 percent, increase the share of food secure households to 87.3 percent from 69 percent in 2017/18. Particularly, for agricultural extension provision under the production and productivity sub-programme, the country aims to increase adoption of improved agricultural technologies by 10.2 percent by FY2023/24, increase enrolment on e-the voucher management system for accessing inputs by 4.5 percent, increase access to agricultural extension services by 22.4 percent, increase the share of farmers practising sustainable land management by 4.3 percent among others. Given the above performance targets, this brief examines the FY2023/24 agro-industrialisation programme budget to assess its appropriateness towards supporting delivery of agricultural extension services in Uganda. Specifically, the brief presents the budget allocation inadequacies within the FY 2023/24 AGI programme budget that are likely to impede provision of agricultural extension.

Key observations on the FY 2023/24 agro-industrialisation programme budget

No budget allocation exists for non-wage operation grant at Local Government to support the provision of agricultural extension services in the FY 2023/24 budget. Although evidence presented in Figure 1 above reveals an upward trend in LG transfers for the AGI programme from UGX 127 billion in 2020/21 to UGX 357 billion in FY 2021/22, the FY 2023/24 AGI programme budget allocation to LG only prioritised the wage component. Specifically, the wage component increased two-fold from UGX 77 billion in 2020/21 to UGX 142 billion in FY 2023/24. This is to cater of salaries for the increased number of frontline extension officers at LG that were recruited since FY 2015/16, to close human resource gaps within the single spine system (MAAIF, 2020). However, the drastic growth of the wage component has not been matched with provision of the non-wage agricultural extension operations grant to facilitate provision of extension service. Particularly, in FY 2023/24 there is no allocation for agricultural extension operations. This is contrary to the FY 2023/24 AGI programme priorities which aim to strengthen agricultural extension system through increasing community sharing and mobilization, real-time provision of e-extension services information; monitoring of extension service delivery rolled out to 60 districts across Uganda, among other key priority activities (MoFPED, 2023). The current budget cut of the non-wage operational grant

Figure 2 Budgetary allocations to MAAIF Directorates (UGX billion)

Source: Authors' construction based on the FY 2020/21, FY 2019/20 Annual budget performance reports and 2023/24 Final budget call circular dated 24th May 2023

if not corrected, shall render the recently recruited agricultural extension staff at the local government level redundant.

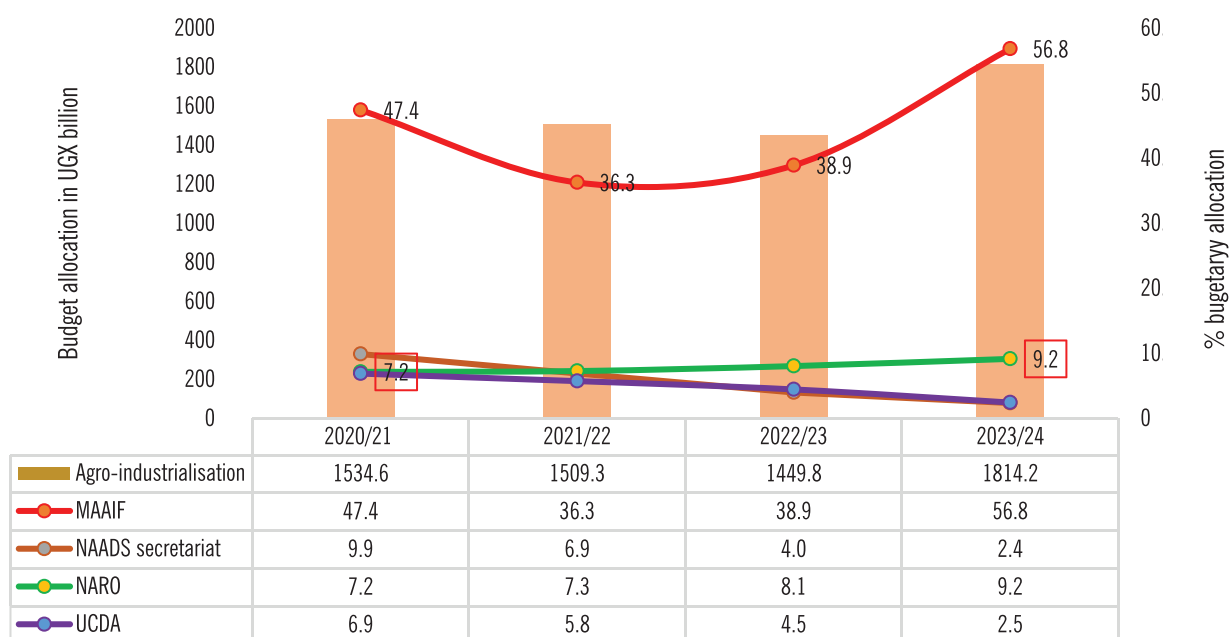
Besides FY 2023/24 AGI programme priorities, the budget cut is likely to slow down the implementation of PDM interventions at the parish and, subsequently, its anticipated impact on poverty reduction and agro-industrialization. Under the Parish Development Model (PDM) implementation, the Ministry of Agriculture Animal Industries and Fisheries (MAAIF) has the responsibility of re-organising Uganda's farming households through the nucleus farm model¹. Given the current extension delivery approach of face-to-face contact, the absence of budgetary allocations to facilitate farmer-extension contacts is likely to further constrain access to extension services even during the implementation of the PDM.

Budget allocation for agricultural extension coordination and supervision at the national level remain low. At the central government level, the institutional setup for the provision of agricultural extension services falls within the directorate of agricultural extension², which comprises four components, namely;

- ¹ In this model, MAAIF pilots the nucleus farmer through supporting at least 1 farmer in each parish to demonstrate the 4 acre model; supports sub-county nucleus farmers who then mobilize and organize farmers to produce sufficient quality and quantities of the prioritised commodity in line with the agriculture zoning strategy.
- ² Overall objective of the directorate is to support, promote and guide extension service delivery and to promote improved practices for production and productivity, post-harvest handling and value addition for agro-industrialisation

the department of agricultural extension and skills management, responsible for the provision of agricultural production extension services, the department of agricultural investment and enterprise development, responsible for the provision of value addition extension services as well as the department of agricultural extension, responsible for overseeing agricultural extension across LGs. Despite this robust institutional setup, the evidence presented in Figure 2 above reveals that the budget allocation for national coordination of agricultural extension service remains meagre. In the last three years (FY 2020/21 and FY 2022/23), the budget allocation has not exceeded UGX 5 billion. As a result, the financing gap for coordination of agricultural extension has doubled from 21.5 percent in 2021/22 to 48 percent in FY2022/23.

A large portion of AGI programme budget is retained at central government level. According to the Local Government Act (CAP 243), LGs are responsible for implementation of all decentralised Government functions as per the second schedule of the LG Act. Regarding the AGI programme, LGs are responsible for crop, animal, and fisheries husbandry extension services among other decentralized functions. Considering budget allocation within the AGI programme by vote, evidence presented in Figure 3 below reveals that more than 66 percent of the AGI programme budget in FY 2023/24 shall be retained at the centre by MAAIF and the National Agriculture Research Organisation (NARO) among other central MAAIF agencies.

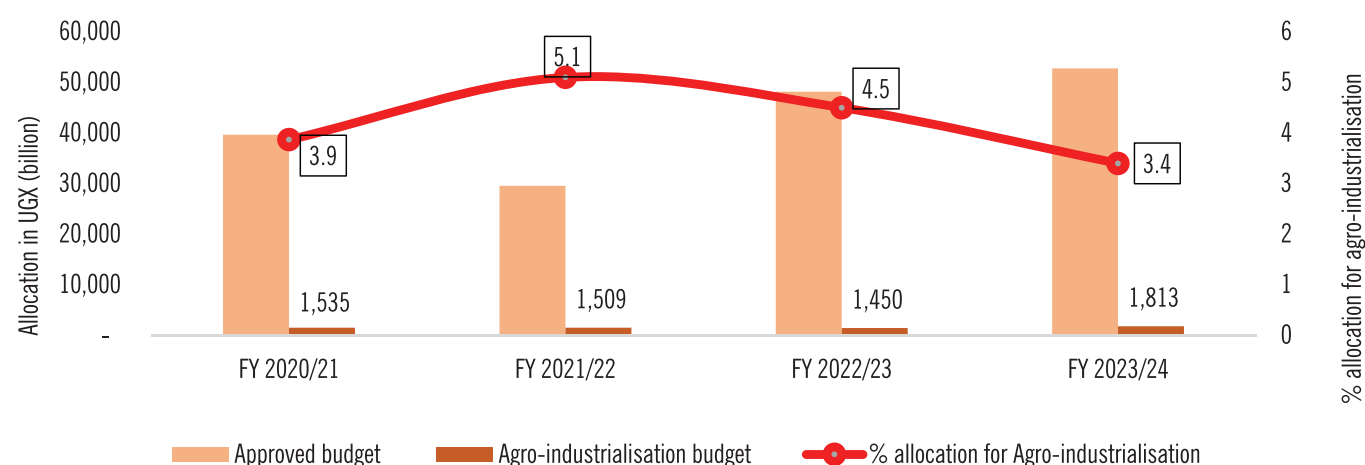
Figure 3 Share of agro-industrialisation programme budget allocated to central MAAIF agencies (%)

Source: Authors' construction based on the FY 2020/21, FY 2019/20 Annual budget performance reports and 2023/24 Final budget call circular dated 24th May 2023

Between FY2022/23 and FY 2023/24, MAAIF's budget is posed to double to UGX 1,031 billion in FY 2023/24 from UGX 564 billion in FY 2022/23. Ggoobi and Lukwago (2021) reported that the large budget retention at the centre was due to increased recentralization of both financial resources and functions catalysed by low local government implementation capacity, inadequate human resources, and corruption at the LG level. It is thus important to devise means to reduce the implementation capacity gaps at the local government

level to improve utilisation of funds from the central government.

Absolute budget allocation for Uganda's agro-industrialisation programme remains low. Government expenditure through the budget presents the most feasible way to achieve AGI, reduce poverty, boost agriculture exports, create productive employment opportunities and achieve socio-economic transformation as postulated under the PDM. To this effect, the absolute budget

Figure 4 Trends in budget allocation to the agro-Industrialisation programme, 2020/21-2023/24

Source: 2020/21 and 2021/22 from the annual Budget framework papers, while 2022/23 and 2023/24 from Budget speeches for the respective financial years

allocation for agro industrialization has increased by UGX 363 billion from UGX 1,450 billion in FY 2022/23 to UGX 1,813 billion in FY 2023/24 (Figure 4). While this growth is commendable in absolute terms, it remains small in relative terms. For instance, during the study period (FY 2020/21 to FY 2023/24), the share of the AGI programme in the national budget persistently declined from 5.1 percent in FY 2021/22 to 3.4 percent in FY 2023/24. In addition, just like previous years, the AGI programme budget has remained below 5 percent. This is contrary to the Maputo and NRM party declarations of 10 per cent and 7 per cent allocation respectively. These shortfalls could deter implementation of sector development programmes.

More than half of the agro-industrialisation programme budget in FY 2023/24 is expected from external financing. Considering AGI programme budget by source of financing, evidence in Figure 5 below reveals that during FY 2023/24, over 50 percent of the AGI programme budget is anticipated to come from external financing. According to the FY 2023/24 National Budget Framework Paper, the donor component of the FY 2023/24 AGI budget increased two-fold to UGX 1,007 billion from UGX 545 billion in FY 2022/23. A further disaggregation of the external financing component of the FY2023/24 AGI programme budget reveals that external financiers shall contribute UGX 818 billion (45% of the total AGI budget) towards the operations of MAAIF. This represents an increase of 117 percent from UGX 377 billion in FY 2022/23. In the same vein, external finance shall contribute UGX 173 billion (10% of the total AGI budget) towards activities of the Ministry of Water and Environment during the FY 2023/24, representing an increase of 43 percent from the previous financial year. The above findings are

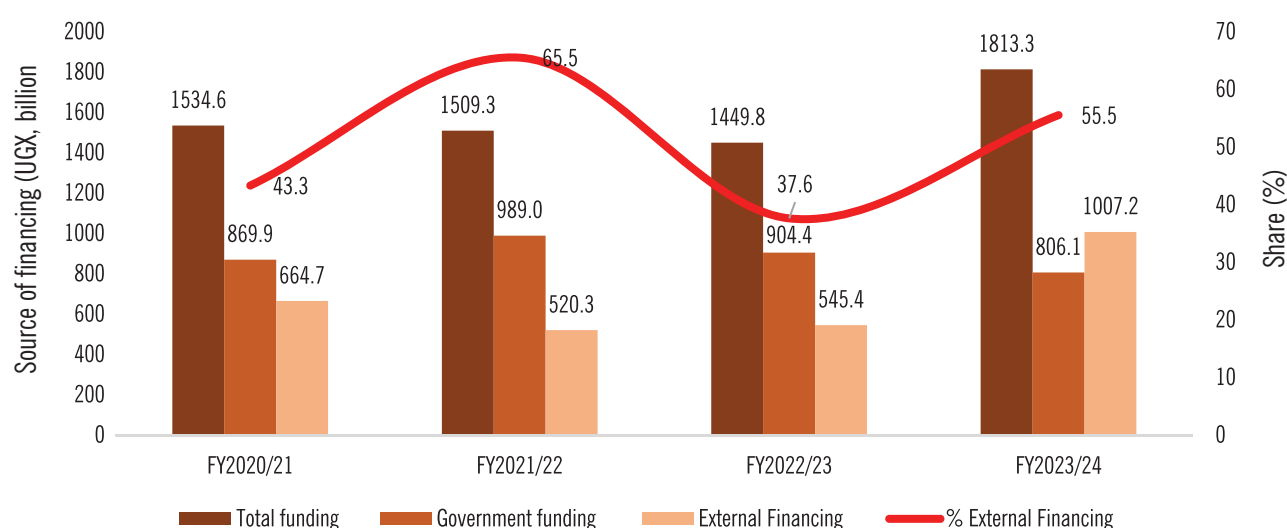
similar to those reported by Ggoobi and Lukwago (2021). Given the fact that externally sourced funds are no longer grants but project loans, the large external financing component in the programme budget is likely to constrain implementation of agricultural functions at local government levels since such funds are disbursed with strict lending conditions and terms.

Conclusion and policy implications

Financing AGI programme activities at LG is critical for achieving the objectives of Uganda's decentralization policy on agricultural extension. Most specifically with the advent of the parish development model and MAAIF's nucleus model that calls for intensive extension support at the local government level. Therefore, this brief examined the AGI programme budget estimates for the FY 2023/24 to understand the allocation for agricultural extension services and gaps therein. Following the examination, the following have been observed.

- (i) There is no budget allocation for non-wage operation grant at LG for supporting agricultural extension services in the FY 2023/24 budget. This has implications for achieving the AGI programme priorities for the FY 2023/24 as well as the effective implementation of the PDM.
- (ii) Absence of the non-wage operation grant for agricultural extension, notwithstanding, Government allocated a wage budget of UGX 141 billion for the salaries of agricultural extension staff at LG.
- (iii) Despite the decentralisation of most AGI programme functions to LGs, a large portion of the AGI budget continues

Figure 5 Trends of the agro-industrialisation programme budget by source of financing, 2020/21-2023/24



Source: 2020/21 and 2021/22 from the annual Budget framework papers, while 2022/23 and 2023/24 from Budget speeches for the respective financial years

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to be retained by MAAIF related agencies and MDAs at the centre. A large portion of the retained funds are agricultural project loans, inflexible for reallocation to the agricultural extension grant.

- (iv) Given the rigidity of project loan funds, Government could consolidate all the scattered agricultural extension funds within MDAs under the different institutions responsible for delivering on the AGI programme to facilitate provision of agricultural extension services at the local government level.

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