What are the implications of the COVID-19 pandemic on future budget priorities in the agriculture sector?

Overview

Globally, all nations are grappling with the unprecedented negative effects on economies due to the 2019 Coronavirus Disease (COVID-19) pandemic. Uganda is no exception with the first case of COVID-19 reported in March 2020, necessitating Government to institute total lockdown in the same month, with people staying at home.

Anecdotal evidence suggests that agriculture supply chains have been interrupted by the lockdown and the sector strategic objective of enhancing rural incomes, household food and nutrition security, exports and employment may not be realized in the short and medium term.

Deeper understanding of the agriculture sector performance trends prior and during COVID-19 pandemic, and the core sector challenges will inform future budget re-prioritization to support faster sector recovery.

Analysis was done for the five-year period FY 2016/17 – FY2020/21 using primary and secondary data collected by the Budget Monitoring and Accountability Unit (BMAU), Ministry of Finance, Planning and Economic Development (MFPED), Uganda Bureau of Statistics (UBOS), Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and agencies, Economic Policy Research Centre (EPRC) and print media.

Key Messages

- The budget allocation to the agriculture sector has declined from 4% in FY2016/17 to 3.2% in FY2020/21.
- The FY2020/21 budget does not compressively address the persistent and emerging challenges in the COVID-19 period.
- The FY2020/21 budget should be re-prioritized to increase support to extension, agro-processing and value addition, produce storage, farm mechanization, agricultural research and mitigating climate change that are critical for sector recovery post COVID-19.

Introduction

Over the five-year period FY2015/16 to FY2019/20, the budget expenditures in the agriculture sector have focused on achieving four strategic objectives: *increasing production and productivity of agricultural commodities and enterprises; increasing access to critical farm inputs*; *improving access to markets and value addition and strengthening the quality of agricultural products*; and *strengthening agricultural services and institutions*. The overall goal was to achieve an average growth rate of 6% per year over that period (MAAIF, 2015).

Budget prioritization prior to COVID-19

Between FY2016/17 and FY2019/20, Government of Uganda (GoU) allocated Ug shs 3,059.272 billion (Table 1) to agricultural sector programmes. Budget priority was given to provision of critical farm inputs through the agricultural advisory services that attracted more than a quarter of the sector budget (32.50%).

Table 1: Budget allocation excluding arrears and external financing by programme from FY 2016/17 to FY 2019/20 excluding arrears (Ug shs billions)

Programme(s)	2016/17	2017/18	2018/19	2019/20	Total	%share
Crop Resources, Animal Resources, Extension, Fisheries, Agricultural Infrastructure and Mechanisation	113.354	331.328	147.552	186.192	778.426	25.44
Dairy Development	6.618	6.966	5.735	10.132	29.451	0.96
Breeding and Genetic Development	12.14	14.579	10.997	63.242	100.958	3.30
Agricultural Research	40.121	89.903	62.467	79.662	272.153	8.90
Agricultural Advisory Services	318.607	279.705	249.988	145.894	994.194	32.50
Cotton Development	7.047	20.236	4.994	8.642	40.919	1.34
Coffee Development	67.92	76.9	76.419	96.702	317.941	10.39
District Production Services	51.077	52.013	122.967	122.57	348.627	11.40
KCCA	156.399	6.357	6.659	7.188	176.603	5.77
Total	**773.283**	**877.987**	**687.778**	**720.224**	**3059.272**	**100**
%share of total budget	**4.0**	**3.8**	**3.6**	**3.2**		

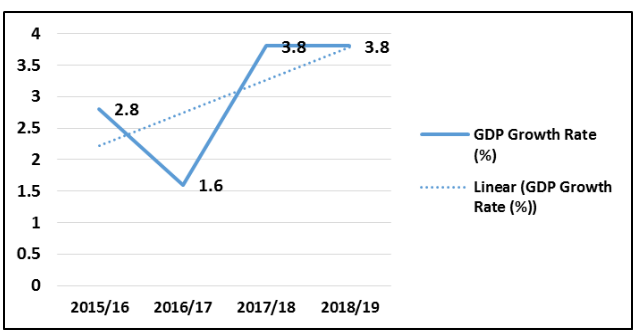
Source: MFPED Budget Documents, Background to the Budget, and Budget Monitoring Reports for various years

Although the nominal budget allocations to agriculture have improved in some years, the sectoral allocations of the total budget have been on a declining trend. This suggests that agriculture is not accorded sufficient priority as it ranks number 12 out of the 19 sectors in terms of budget allocation.

Sector performance prior COVID-19

The sector growth rate has improved but flattened in the last two years and below target of 6% over the past four years (Figure 1) implying the budget expenditures have not impacted significantly on agricultural production.

Figure 1: Real GDP growth for the agricultural sector (%)



Source: MFPED, 2019. Background to the Budget 2019/20

The production of some commodities such as bananas, maize, cassava, soya beans, simsim, coffee and tea has increased modestly while a decline was noted in FY2018/19 for rice, sweet potatoes, beans and cotton (Table 2).

Key sector challenges

<u>*Persistent challenges prior to the COVID-19 pandemic*</u>

Inequitable access to inputs by farmers as the disbursed volumes were inadequate for significant impact on production and food security. Most districts received 2-3 commodities that were distributed to less than 10% of the farming communities. There were gender inequalities in access to inputs with males being the dominant recipients.

Table 2: Production trends for selected agricultural commodities

Crops	FY 2016/17	FY2017/18	FY2018/19
Plantain Bananas and others (000 tons)	4,030.88	4,802.74	6,989.26
Maize (000 tons)	2,662.00	2,766.70	3,442.43
Rice (000 tons)	237.39	271.99	264.53
S/potatoes (000 tons)	2,002.75	2,373.02	1484.2
Irish (000 tons)	170.61	204.31	327.3
Cassava (000 tons)	3,023.45	3,284.95	4390.2
Beans (000 tons)	1,008.41	1,154.47	727.65
Ground nuts (000 tons)	283.15	312.38	651.85
Soya Beans (000 tons)	25.98	40.044	74.75
Simsim (000 tons)	144.26	173.49	196.24
Sun flower (000 tons)	235.89	293.58	372.08
Oil Palm (000 tons)	106.9	98.3	150.5
Coffee (million 60-kg bags)	5.39	5.634	6.95
Cotton (185kg bales)	151,071	202,357	189,444
Tea	62,468	74,201	79,466
Cocoa	25,712	28,945	34,518

Source: MAAIF and UBOS data

Adverse climate/weather conditions including drought, heavy rains and hailstorms providing conducive environment for increased pests and diseases leading to crop failure and low animal production in many parts of the country.

Loss of public land of agricultural institutions due to encroachment especially by public officials associated with lack of boundary demarcations, absence of land titles, and parceling out of land to individuals and private investors by Government.

Flaunting of Public Financial Management (PFM) regulations by sector accounting officers through accumulated arrears such as in Uganda Coffee Development Authority (UCDA); delayed approvals and warranting of funds; and diversion of funds in MAAIF.

Widespread soil infertility and low application of fertilizers and other chemicals by farmers leading to low production and productivity at farm level.

Low farm mechanization, irrigation, agro-processing and value addition due to limited access to agricultural finance/credit and machinery especially by women, youth, poor households and persons with disability.

Inadequate access by farmers to extension services and poor supervision of Government programmes due to understaffing in lower local governments, UCDA, and Dairy Development Authority (DDA) regional offices, limited transport means, and low skills among the extension cadre.

Limited access to agricultural credit: Since inception in 2009/10, the Agricultural Credit Facility (ACF) has received 872 loan applications amounting to Ug shs 845.85 billion, of which Ug shs 408.62 billion was disbursed to 668 eligible projects as at 31st December 2019 (BoU, 2019). With the lockdown, banks are cautious in extending credit to farmers.

Emerging challenges during COVID-19 period

Wastage of produce due to inaccessibility to markets and falling farm prices: Restrictions on movement during the COVID-19 period prevented farmers and buyers in remote distances from accessing markets. *"Our matooke is ripening in the garden. The price has reduced from Ug shs 20,000 to Ug shs 5,000 per bunch. I harvest 500 bunches of matooke every week. Sometimes I cannot even sell 100 bunches,"* said Julius Bigabwa, BIGLAD Farm in Kabarole District.

Inadequate farm labour and extension services: Farmers were observing social distancing in their fields, drastically reducing the number of people per farm consequently limiting the manpower available for land preparation. Extension workers could not be accessed by farmers as they were following the stay home guidelines leading to poor management of pests and diseases.

Shortage of raw materials: Livestock farmers faced inadequate supply of feeds and drugs, while other farmers lacked good quality seed and chemicals due to interruption in the transport system.

Budget priorities for FY2020/21

To achieve the sector priorities, Government should ensure adequate budget provisions to address key emerging challenges particularly: increase farmers' access to extension services; mechanization; drought, pest and disease tolerant crop and animal technologies; good quality seeds and chemicals; value addition equipment and markets.

The budget allocation to the agriculture sector for FY 2020/21 has remained almost at the same level (3.2%), despite the persistent and new challenges in the sector. Some of the budget strategies pronounced to address these challenges were not translated into improved budget allocations:

- The budget is at the same level for supervision of extension services by the MAAIF (Ug shs 2.9bn), and a small increase at LG level for supporting staff from Ug shs 122.60bn in FY 2019/20 to Ug shs 134.41bn in FY 2020/21, despite the increased number of administrative units.
- The MAAIF programmes that support mechanization, food safety and nutrition have been allocated less funds in FY 2020/21. For example, the budget for Improving Access to Agriculture Equipment and Mechanization Project reduced from Ug shs 45.84bn in FY2019/20 to Ug shs 26.05bn in FY 2020/21.
- The FY 2020/21 budget lacks provisions to accommodate the commitment by Government to rehabilitate existing storage infrastructure in cooperatives and promote development of the warehouse receipt system.
- The agricultural research budget has remained at the same level; it is unlikely that new drought, pest and disease tolerant and value addition technologies will be generated.
- The budget for the National Agricultural Advisory Services (NAADS) programme has remained at the same level despite the changing needs of farmers from accessing inputs to requiring value addition and agro-processing machinery.
- Expenditures on travel inland and abroad remain substantial despite the possibility of reduced travel in the post CoVID-19 period. For example, the budget for travel inland for MAAIF programmes has risen from Ug shs 10.585bn in FY 2019/20 to Ug shs 60.801bn in FY 2020/21.

Conclusion

The budget for FY 2020/21 remains the same as for previous years and does not adequately prioritize the persistent and new challenges arising from the COVID-19 pandemic, particularly increasing access to extension services, farm mechanization, research and technology generation

Recommendation

The MAAIF and agencies should re-prioritise the budget by cutting back on provision of agricultural inputs and travel inland and abroad and re-allocating the savings to extension, farm mechanization, research, storage and value addition along the value chains.

References

- BMAU Annual and Semi-Annual Monitoring Reports for various years;
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For more information, contact

Budget Monitoring and Accountability Unit (BMAU)
Ministry of Finance, Planning and Economic Development
Plot 1-12 Apollo Kaggwa Road
P.O.Box 8147, Kampala
www.finance.go.ug