THE REPUBLIC OF UGANDA



**MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES**

**Local Government Budget Framework Paper FY2014/15 Preparation Workshops**

***‘‘Implementation of the Commodity Approach, Promotion of Research/Advisory Interface (ATAAS) and Framework Implementation Plans for Non-ATAAS’’***

OCTOBER, 2013

KAMPALA

**CONTENTS OF THE PRESENTATION**

1. Introduction
2. Highlights of the Agriculture Sector Conditional Grant utilization agreement for financial year 2014 – 2015 between fisheries and local governments
3. Response to the questions raised in LGBFP 2011/12 (note that there were no budget workshops in the preparation of the budget for FY 2012/13)
4. formula allocation and parameters for the FY 2014/15

# 1.0 INTRODUCTION

There are two (2) grants being implemented by the Local Governments in the Agriculture Sector.

* These are: Production and Marketing Grant (PMG)
* National Agricultural Advisory Services (NAADS).

MAAIF is responsible for guiding the planning and implementation of PMG while NAADS Secretariat is responsible for the NAADS Development Grant; with guidance from MAAIF. The focuses of the two grants in the FY 2014/15 are as follows;

## 1.1 IMPLEMENTATION OF THE COMMODITY APPROACH

In 2011; Government took a decision to come up with a short term, affordable and practical approach to addressing supply side constraints impacting on food security, household incomes and exports by implementing a commodity based approach to increase agricultural production and productivity; within the contexts of the NDP, the DSIP and the Agricultural Zoning Strategy of 2004.

To ensure focus and maximum impact in a short run, eleven commodities were selected; which were categorized into two; namely; food security commodities and market oriented commodities.

Under the first category on improving food security, eight commodities were prioritized:

1. Maize, (ii) Beans, (iii) Rice, (iv) Bananas, (v) Cassava, (vi) Dairy cattle, (vii) meat (viii) Fish.

Under the second category (market oriented), seven commodities were prioritized:

1. Maize, (ii) Beans, (iii) Cassava, (iv) Rice, (v) Coffee, (vi) Tea, (vii) Fish, market fruits (citrus, apples and pineapples) and vegetables.

*All local governments (regions) are required to implement the commodity approach in accordance to the Zoning Strategy*

**NB: This does not mean that other commodities will be ignored by Government. It’s just that the above were identified as strategic and will be given more emphasis at National level. Otherwise individual districts and sub counties will continue to promote selected enterprises under the NAADS Program**.

## 1.2 SINGLE SPINE IMPLEMENTATION

Government has adopted a single spine extension system to merge traditional extensional services with NAADS extension system. Implementation of this will be gradual because of contractual issues with the current NAADS staff.

## 1.3 NAADS CONCERNS AT LOCAL GOVERNMENT LEVEL

1. **The continuous changes in the NAADS guidelines have caused operational challenges.**

MAAIF/NAADS Secretariat is in the process of finalizing the NAADS grant utilization guidelines for 2014/15; they will emphasize streamlining the provision of seed, planting, stocking and breeding material through the Food Security, Market Oriented and Commercialized Farmer Categories.

MAAIF/NAADS will endeavor to ensure stability of the NAADS guidelines and that users of such guidelines are consulted in case guidelines are to be reviewed. However, changes may come as and when the ATAAS Project Implementation Manual (PIM) is reviewed during project implementation. e.g Mid Term Review in January 2014.

1. **Budget line for Community Mobilization under the NAADS programme.**

Community mobilization facilitation has been provided for under the operational expenses for District Community Development Officer (DCDO) and Commercial Officer (DCO) at District level and Community/Assistant Development Officers (CDOs/ACDOs) and Agricultural Advisory Service providers (AASPs) at Sub-County level.

The facilitation is to support coordination and supervision of farmers’ institutional development activities at community level including formation and strengthening of farmer groups and Higher Level Farmer Organizations (HLFOs), training farmer groups. etc

1. **The need for NAADS to emphasize technology transfer to enhance adoption of high quality inputs**

MAAIF/NAADS will ensure technology inputs transferred be quality assured by Subject Matter Specialists (SMS) before they are procured.

1. **OBT Versus Reporting Formats under NAADS**

Refining of the NAADS guidelines to match with the annual work plans (OBT outputs) with quarterly funds release advises. This will ensure harmonization of the quarterly financial and progress reports from districts/sub counties with the release advises. To work closely with the Office of the Prime Minister and MoFPED regarding the alignment of Key performance Indicators in the ATAAS Project Implementation manual and the OBT .

1. **NAADS GRANT Allocation Formula and parameters for the FY 2014/15**

Allocations for operational funds are as per District with the following parameters; Area (25%), Poverty (20%) and Population 55%. The districts then allocate an average to lower local Governments. The size of lower local Governments is not considered due to inadequate statistics on the land area and poverty index for some LLGs. However, an effort has been made to collect statistics on the parameters for a number of LLGs from UBOS but the data is still insufficient to warrant utilization of the formula.

The implementation of the priority commodities under the commodity approach is currently allocated 70% of the technology uptake Grant while other district priority commodities take an average of 30%.

1. **Commercialization Challenge Fund**

That the number of commercializing farmers should be increased in order to build momentum for modernization of agricultural production

There has been change in implementation modality for the support given to commercializing farmers under Commercialization Challenge Fund (CCF) window 2. i.e. change from individual farmers to farmer groups, associations, cooperative societies or unions. The NAADs Secretariat is working on the CCF framework that will guide on the implementation. This approach will result into increased number of beneficiaries.

MAAIF shall expedite finalization of the CCF Framework to guide implementation of the new strategy under CCF window 2.

**2.0 HIGHLIGHTS OF THE AGRICULTURE SECTOR CONDITIONAL GRANT UTILIZATION AGREEMENT FOR FINANCIAL YEAR 2014 – 2015 BETWEEN MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES AND LOCAL GOVERNMENTS**

**OBLIGATIONS OF THE MAAIF**

1. The Ministry shall prepare and disseminate the sector guidelines which will become effective at the commencement of the year for which the negotiation is targeting (FY 2014/2015).
   * **MAAIF is in the process of finalizing the PMG guidelines for 2014/15 (they will largely emphasize the implementation of the Commodity Approach Strategy at the local government level).**
   * **MAAIF/NAADS Secretariat are in the process of finalizing the NAADS grant utilization guidelines for 2014/15; They will emphasize streamlining the provision of seed, planting, stocking and breading material through the Food Security, Market Oriented and Commercialized Farmer Categories.**
2. The Ministry shall include the signed agreement for the Financial Year 2014/2015 as an annex to its Ministerial Policy Statement.

* **Action will be taken during compilation of the Ministerial policy Statement for FY 2014/15.**

1. Shall communicate through circulars addressed to the Chief Administrative Officers and Town Clerks on, the issues agreed upon in the negotiations for local governments to implement in their respective sectors.

* **The Circulars will be distributed to local governments alongside the PMG Guidelines for FY 2014/15**

1. The guideline to the ratios of 45% and 55% for Re-current and Capital Development grants under the PMG.

Agreed that:

1. The Status Quo remains at 45%:55%, but the Ministry should study and establish the minimum operating cost for recurrent expenditures for each District.
2. All local governments should comply with the above ratio of resource sharing.
3. The Ministry should continue to advocate for the increase in the Production and Marketing Grant

* **MAAIF will present the need for additional funding of the PMG during the FY 2014/15 budget negotiations and in the issues paper to the MFPED.**

E) The inadequacy of the grant (PMG) provided to Districts to carry out all development work. i.efor Disease control and capital investment especially Disease Diagnostic mini-laboratories.

Agreed

1. The MAAIF should lobby for an increase on the allocation especially considering the high cost of materials for infrastructural development
2. MAAIF should provide transport (vehicles and motor bicycles) to all LGs to allow for effective field monitoring and supervision
3. Funding should be increased to facilitate the construction of Disease Control Infrastructures

* **MAAIF will present the need for additional funding of the PMG during the FY 2014/15 budget negotiations and in the issues paper to the MFPED.**
* **MAAIF notes however that provision of a vehicle for every district would require over UGX: 14 billion; which is even higher than the current PMG annual MTEF of 10.04 billion. Therefore, this can only be attained by MAAIF obtaining a conditional budget increment under its GoU Domestic Development Budget. MAAIF will pursue the issue with the MFPED.**

F) Restructuring of the Production Department: Non approval of production structure has continued to create a vacuum in the LGs thereby rendering poor service delivery. The situation is worse at the Sub County level. In addition, the Current structure does not capture some important and relevant functions e.g. Laboratory Technologists or lab technicians for district with laboratories; Food Technologists especially if LGs are to promote value addition; Artificial inseminators which encourage improved breeding and Agri-business which is currently an issue but without a specialist.

Agreed

1. MAAIF and other relevant institutions should expedite the approval of the new production single spine structure at all levels of local governance by December 2013, otherwise the funds to support the structure will not be provided for in the 2014/2015 budget.
2. MAAIF should share information on current staffing levels under production and NAADs for planning and budgeting purposes.

* **Ministry will continue to follow up on the matter with the cabinet sub-committee, as the Committee is yet to pronounce itself on this matter; while noting the current Government decision to review the extension services into a single spine extension system.**

G) The coming up with an Urban Agriculture Policy is a matter, that has been on table for too long.

Agreed

1. The Ministry should expedite the process of finalizing and sharing the draft policy with relevant stakeholders by December 2013.

* **MAAIF is expediting the finalization of the Draft Urban Policy and will soon be presented to MAAIF Top Management for review.**

**H).** National Agricultural Advisory Services Grant NAADS (NAADS Grant) in the FY 2013/14 there was an exclusion of a budget line for community mobilization under the programme; and the allocation of operational funds to Lower Local Governments does not consider the size of the Lower Local Governments**.**

Therefore; the continuous changes in the NAADS guidelines have caused operational challenges.

The clarification is that allocations for operational funds are as per district with the following parameters; area (25%), poverty (20%) and population 55%. The districts then allocate an average to lower local Governments. The size of lower local Governments is not considered due to inadequate statistics on the land area.

The need for NAADS to emphasize technology transfer to enhance adoption of high quality inputs was noted.

Agreed

1. MAAIF should ensure stability of the NAADS guidelines and the users of such guidelines should be consulted in case guidelines are to be reviewed.
2. The technology inputs be quality assured by subject matter specialists before they are procured.

* **MAAIF will pursue the refining of the NAADS guidelines to match with the annual work plans (OBT outputs) with quarterly funds release advises from the NAADS Secretariat. This will ensure harmonization of the quarterly financial and progress reports from districts/sub counties with the release advises.**

I). Fisheries activities in LGs: Local Governments have continued to express concern over the fact that since MAAIF took over the licensing of boats mandate from the Local Governments, it has been impossible for Local Governments to raise revenue from this area and yet in accordance with the Local Governments Act Cap 243, boat licence is one of the listed sources of local revenue for Local Government.

On the other hand the Ministry maintained that the regulatory function is vested in MAAIF under the Fish Act Cap 197, and accordingly it recentralized the issuance of license and collection of fees therefore from.

* **The Local Government Finance Commission/MAAIF are to refer this matter to the Solicitor General for legal interpretation and provide the necessary feedback to concerned parties.**

**OBLIGATIONS OF THE LOCAL GOVERNMENTS (FOR NOTING; TO BE IMPLEMENTED BY THE LOCAL GOVERNMENTS)**

1. The UNAT through their Constituent organizations shall disseminate to their members the agreements and highlight the obligations of the local governments.
2. Implement their programmes based on the guidelines issued by the MAAIF.
3. Ensure timely response to issues raised by the Agricultural Ministry.
4. Provide timely and accurate data on their plans, achievements and status of Agriculture, Animal Industry and Fisheries activities.
5. Share the agreed positions with the Parliamentary Committee on Local Government and Public Service and the Office of the Prime Minister.

**Mid-term Review (April 2014)**

1. There shall be a Joint Technical Committee (JTC) comprising of six (6) members drawn in the following ratio
2. Local Governments Finance Commission: 1
3. Uganda Local Governments Association: 1
4. Urban Authorities Association of Uganda :1
5. Sector Ministries: 2 from sector
6. Office of the Prime Minister: 1

(2) It is agreed that the following shall be ex-officio members to the Committee for purposes of providing technical guidance.

1. Ministry of Finance : 1
2. Ministry of Local Government: 1
3. Ministry of Public Service: 1
4. National Planning Authority: 1

(3) It is further agreed that Local Government Finance Commission shall be the organizer and Chair of the JTC

(4) It is agreed that the following shall be the terms of reference (TORs) for the Joint Technical Committee.

* Oversee implementation of the agreements and monitor the progress of either party.
* Ensure that the Agreements are disseminated to all stakeholders.
* Conduct a midterm review of the implementation process so as to obtain feedback and disseminate it to the parties.
* Identify the non complying parties and make recommendations to MoFPED, and Office of the Prime Minister for appropriate sanction
* Handle any other upcoming issues.
* The Joint Technical Committee shall report to the respective Policy Organs of their Institutions.
* Any other activity that may be agreed upon by the parties.

**3.0 RESPONSE TO THE QUESTIONS RAISED IN LGBFP 2011/12 (NOTE THAT THERE WERE NO BUDGET WORKSHOPS IN THE PREPARATION OF THE BUDGET FOR FY 2012/13)**

1. During the FY 2011/12, the salary of extension staff was budgeted for under the LG’s. However, there was concern that numbers provided by MAAIF do not correspond with the exact number of agric extension workers in some LG’s.

**Response**

There are Extension staff that crossed to NAADS. MAAIF is working with LGs to harmonise staffing under LGs

1. On the banana wilt which is affecting a number of local governments, there was a concern that sector policy issues paper by MAAIF is silent on the strategies to be undertaken in FY 2012/13 to address this problem. It was proposed that part of the funding to banana programme under Ministry of Finance be used to address this problem.

**Response**

Current efforts by World Bank, through ATAAS, have indicated that they will avail some funds per year to support the efforts to control BBW. Activities have been ongoing in the entire FY 2012/13. MAAIF drafted an integrated work plan for BBW control, bringing on board the department of crop protection, NARO, NAADS, and LG. The World Bank through the ATAAS did partly finance the BBW control activities in FY 2012/13; and the activities are continuing in FY 2013/14..

1. It was observed that the guidelines for Production and Marketing grant (PMG) allocates 55% of the grant to Development activities and 45% to recurrent. This leaves little funds for recurrent given the overall allocation under PMG. It was recommended that the Ministry should consider increasing the recurrent component.

**Response**

The Capital Development activities are expected to show the physical development on ground over recurrent therefore it cannot be reduced due to the limited funds availed.

* 1. **FORMULA ALLOCATION AND PARAMETERS FOR THE FY 2014/15**

|  |  |  |
| --- | --- | --- |
| Parameter | Weight |  |
| Population: | 60% |  |
| Area: | 20% |  |
| Poverty index: | 20% |  |

Population: 60%

Area: 20%

Poverty index: 20%

Total IPF Allocation 10.04 bn

Population allocation 6.02 bn

Area allocation 2.0074606 bn

Poverty allocation 2.0074606 bn

Total Popn: 31,558,826

Total land area 241,446.67

Total no of people under poverty 12,591,818

Note: The formula is a total of the allocations of the following: population, area and poverty. To find the allocations, you have to first calculate the population index, area index and poverty index

The Population index formula is the area population divided by the total population.

The Area index formula is Area covered divided by the total area.

The poverty index formula is the number of people in the area under poverty divided by the total people under poverty.

Please note that to find the number of people in the area under poverty, multiple the poverty head count by the population divided by 100.

**Example: Adjumani district**

|  |  |  |  |
| --- | --- | --- | --- |
| Popn: | 375,800 |  |  |
| Land: | 3088.8 |  |  |
| Poverty level: | 74 |  |  |
| poverty | poverty head count\*population/100 | *74\*375,800/100,* | *=278,092* |
| Popn index | Adjumanipopn/total | *375,800/31,558,826* | *=0.0119* |
| Area Index | Adjumani Land Area /total | *3088.8/241,446.67* | =*0.0128* |
| Poverty index | Adjumani no. of people under poverty/total people under poverty | *278092/12,591,818* | *=0.0221* |
| Allocation by Popn | 6.02\*popn index | *6.02\*0.0119* | *=0.072* |
| Allocation by area | 2.0074606\*area index | *2.0074606\*0.0128* | *=0.026* |
| Allocation by poverty | 2.0074606\*poverty index | *2.0074606\*0.0221* | *=0.044* |
| Adjumani IPFs | popn all +poverty all+ area all index | *0.072+0.026+0.044* | =*0.142* |

**NAADS GRANT Allocation Formula and parameters for the FY 2014/15**

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