# **01 Agriculture and Commercial Services**

# 2016/17 Sector Grant and Budget Information – BFP Draft 1

### ***IMPORTANT: This is a draft paper for use by local governments in their preparation of Budget Framework Papers. It therefore may to be subject to change. A final paper will be issued alongside the second budget call circular in February. As a draft it should not be regarded as the final the policy position of any Government of Uganda institution.***

## National Sector Policy Priorities

The overall strategic thrust of the agriculture sector is to ensure sustainable and market oriented production, food security and household incomes in the country (NDP II pg.157). The National Development Plan II includes objectives to enhance agricultural production and productivity, increasing access to critical farm inputs; improving agricultural markets and value addition by the 12 prioritised commodities and strengthen institutional capacity of MAAIF and public agricultural agencies.” Under the NDP II period, the target is the increase agricultural exports to USD 4 billion by 2020 from the current USD 1.3 billion and reducing the number of labour force in subsistence production from 6 million in 2012/13 to 3 million by 2019/2020 (NDP II page 157).

In addition, under the NDP II period, the trade and cooperatives sector will aspire to ensure the promotion of sustainable industrialization and appropriate technology and development to ensure availability of goods and services by expanding and diversifying domestic and export markets. The objectives of the trade and cooperatives sector are to: increase the share of manufactured goods and services in total exports; improve private sector competiveness; increase market access for Uganda goods services in the regional and national markets; improve the stock and quality of trade infrastructure; promote the formation and growth of cooperatives; enhance the capacity of cooperatives to compete in the domestic regional and international markets; and increase in diversity in type and range of enterprises undertaken by cooperatives.

## Roles, responsibilities and mandate of Local Government

The Local Government Act (Chapter 243) specifies that the Local Government has the responsibility for “all decentralised services and activities which include but are not limited to - crop, animal and fisheries husbandry extension services” as well as entomological services and vermin control[[1]](#footnote-1). The services provided by Local Government include responsibilities for controlling diseases, enforcing agricultural laws and regulations, inspection and certification of inputs, supporting extension services and agricultural statistics.

Services are budgeted under two vote functions – for district production and commercial services. Production services provide for agricultural extension and the control of diseases in agriculture, overseen by the Ministry of Agriculture. Commercial services aim to connect local markets and encourage investment to support the trade of agricultural produce, overseen by the Ministry of Trade and Industry.

| Vote Function | Associated LG Mandate (as laid out in the LG Act CAP 243) |
| --- | --- |
| 0182 District production services  | * Crop and animal husbandry
* entomological services and vermin control
 |
| 0183 District commercial services | * Licencing of produce buying
* Trade development services
* Commercial inspectorate
* Cooperative development
* Market linkage services
* Local, national and regional integration
* Value addition
 |

## Transfer Details

### Overall Structure and Purpose of transfers and Overall Allocations

Increase the number of functioning and sustainable farmer’ organization involved in collective marketing and deepen service provision at local levels under district commercial officers

| Grant | Purpose |
| --- | --- |
| **Wage Conditional Grant**  | At the district level, the proposal is to ensure office based on with an agricultural officer, veterinary officer and fisheries officer (where applicable). In as much as the NAADS grant is now ended, extension services are still required. A proposal is before cabinet to have 1 extension worker per sub county. |
| **Non-Wage Recurrent (NWR) Conditional Grant** | Supports increased input use of fertilizer and improved seed; water for production; disease control, and; and to collect agriculture and trade statistics and others as per the PMG guidelines. The allocation is earmarked to Production and Marketing Grant.  |

Overall, the purpose of transfers to Local Governments for agriculture services aim to support services that increase the level of production and productivity of priority agricultural commodities. Wage allocations for extension services are provided to all Districts and Municipalities, while the allocations for Production and Marketing are targeted at Districts only, except where a Municipality has opted to allocate resources through under the DDEG. Both grants are fully funded by the Government of Uganda. Allocations to the National Agricultural Advisory Services (NAADS) programme have been phased out since 2014/15.

### **Grant Allocation Formula**

The proposed grant allocation formula is described in the table below for both production and commercial services.

| **Variable** | **Weighting** | **Justification** |
| --- | --- | --- |
| **NWR** | **Wage** |
| Land Area (Hectares) | 10 | 10 | Land suitable for agriculture to an approximate target population for agriculture. |
| Population | 48 | 48 | The target population is in both rural and urban area for both agriculture and commercial services. |
| Population in Hard to Reach Hard to Stay Areas | 2 | 2 | Those areas which are hard to reach are given priorities. Island areas are classified as hard to reach and therefore fishing areas are compensated. |
| Poverty Headcount | 10 | 10 | Approximates need, with higher poverty levels getting a higher allocation. |
| Rural Population | 30 | 30 | Most of the people in the rural countryside are engaged in agriculture. Additional weight is therefore given to rural population |

The **medium term phase in plan** for the allocation formulae, in line with the 1st Budget Call Circular is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
| **Agriculture & Commercial Services** | **26** | **26** | **29** | **32** | **34** | **37** |
| **Wage Conditional Grant** | **16** | **16** | **17** | **18** | **19** | **20** |
| *% formula usage* | *-* | *0%* | *10%* | *20%* | *30%* | *40%* |
| **NWR Conditional Grant** | **10** | **10** | **12** | **14** | **15** | **17** |
| *% formula usage* | *-* | *20%* | *40%* | *70%* | *100%* | *100%* |

## Overview of Sector Budget Requirements

In order to access conditional grant funding local governments are required to adhere to a number of specific requirements relating to the relevant sector budgets. These are specified in the following sections, and are summarised in the table below

| Grant | Summary of Requirements |
| --- | --- |
| **Budget Requirements** |  |
| *Recurrent* |  |
| Salaries | Salaries for district/municipality staff will be paid out of the wage unconditional grant. * For District Local Governments: budget for at least 1 staff in each of the 4 sub-departments including a commercial officer.
* For Municipalities: provide for 1 veterinary officer and 1 agronomist.

For the agriculture wage grants Local Governments may not exceed the ceiling provided, corresponding to the approved structure and the right salary scales as follows:* For Sub-County Local Government: budget at least 1 Extension worker

Local governments with wage conditional grant allocations greater than what their allocations would be under the new formula may not budget for hiring new staff. A schedule of those LGs required to stop hiring is provided alongside the IPFs.  |
| Lower Local Services | A minimum of UGX 860,000 per year of the agriculture sector non-wage recurrent grant should be allocated per sub country.  |
| Higher Local Services | The non-wage recurrent budget for production and commerce activities should cover the following activities only:* Promotion of value addition and trade
* Support to district efforts on crop and animal husbandry
* Mobilisation for agribusiness
* Initiatives for technology development
 |
| Monitoring and Management of Service Delivery | LGs may budget up to a maximum of 5% of the sector non-wage development budget for monitoring and management, covering:* Operational costs of the district agricultural office
* Coordination expenses, including oversight community mobilisation for production
* Monitoring and supervision of agricultural sector activities
* Data management to support NFASS which is in the pipeline
 |
| *Development* |  |
| Capacity Development | LGs may fund capacity development activities in the sector from the discretionary development equalisation grant (DDEG). LGs shall adhere to the indicative positive and negative lists (below) and requirements for use of this grant for capacity development when selecting capacity development interventions. |
| Capital Investments | LGs must allocate a minimum of 80% of the development budget to capital for service delivery, including production service delivery facilities and equipment. For example: * Construction of small size farmer field schools valley dams, slaughter slabs, post-harvest loss saving stores, value addition facilities and cooling service points for fish
* Irrigation support infrastructure (in as much as this can be designed and managed by the centre)

A maximum of 20% of the development budget allocations can be spent on administrative infrastructure e.g. construction of office blocks or purchase of office equipment. |

The table below provides an indicative list of **capital investments and other development activities** which may or may not be funded under the sector development budget from central government grants:

|  | Positive list (what may be funded) | Negative list (what may not be funded) |
| --- | --- | --- |
| Capital Investments | * Small scale communal valley dams for livestock watering with a watering trough or a cattle crush.
* Small level irrigations systems in drought prone areas for communal use, Irrigation demonstration centres at small scale.
* Construction of slaughter slabs and abattoir, Livestock markets, Communal cattle dips.
* Equipment to support tests for disease outbreaks affecting livestock.
* MIS to support data management for farming produce, SMEs and other value addition and trade aspects as they evolve.
* Demonstration fish ponds, fisheries landing sites, cool chains for landing sites, fish drying kiln
* Market structures
* Group marketing facilities such as storage
* Plant clinics/mini laboratories
 | * Large scale valley dams
* Farmer Institutional Support Services
* Large scale Training centres
* Specialist Farmer field schools – which should be at this stage coordinated by the centre
 |
| Development Activities | * Communal nurseries
* School gardens
* Provision of foundation seeds for improved crop varieties to farmer groups
* Provision of foundation stocking materials of improved breeds of livestock (including poultry) to farmer groups
* Provision of support to community-based multiplication of planting and stocking materials
* Support to community hatcheries for fish fry and fingerlings
* Establishing commodity outlet centres for bulking; value addition; grading; packaging and branding
* Pilot soil testing, artificial insemination activities / programmes
 | * Procurement of vaccines / veterinary supplies
 |

The table below provides an indicative list of **capacity development activities** which may or may not be funded under the sector development budget from central government grants:

| Positive list (what may be funded) | Negative list (what may not be funded) |
| --- | --- |
| * Support training for extension service workers especially on new fish farming practices, crop technologies/varieties, and livestock practices
* Short courses for staff in specific technical areas
 | * Training at high level especially Master Programs for district level technical staff
 |

1. In the Local Government Act it is noted that Government is responsible for Agricultural Policy. For more information see Functions and Services of the Government and Local government (second schedule 30,31), page 103 of the Local Government Act. [↑](#footnote-ref-1)