



MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

**LOCAL GOVERNMENT BUDGET FRAMEWORK PAPER FY2016/17
PREPARATION WORKSHOPS**

AGRICULTURE SECTOR ISSUES PAPER

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1. INTRODUCTION

The National Development Plan II (NDPII) was launched by H.E the President of Uganda on 11th June 2015. It will run from FY 2015/16 to FY 2019/20. The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), in coordination with the National Planning Authority (NPA), is in the process of finalizing the Agriculture Sector Strategic Plan (ASSP) which will deliver the detailed sector strategy to implement the Agriculture chapter in the NDPII.

The Agriculture chapter of the NDPII focuses on the following priorities:

- Increasing agricultural production and productivity
- Increasing access to critical farm inputs
- Improving agricultural markets and value addition for the 12 priority commodities
- Strengthening the institutional capacity of MAAIF and its public agricultural agencies.

These are the priorities which will guide Agriculture sector planning in the NDPII period of FY 2015/16-2019/20, with a target of increasing exports from UGX 1.3 billion in FY 2013/14 to UGX 4 billion by FY 2019/20.

2. PROGRESS ON IMPLEMENTATION OF RECOMMENDATIONS FROM LG BUDGET CONSULTATION OF FY 2015/16

2.1 Recommendation 1 - Restructuring of the Production

Department: The sector was requested to expedite the process to have one single spine structure which combines both staff in NAADS and the traditional structure.

Action taken: In June 2014, Cabinet under Minute 186 (CT 2014) directed MAAIF to adopt the single spine structure, whose implementation commenced on 1st July 2014. Since July 2014, NAADS staff contracts in District Local Governments were terminated; MAAIF identified and costed all the vacant posts at the District Local Government and sub-counties; MAAIF's structure was re-organised to provide for a Directorate of Agricultural Extension Services, which would co-ordinate Agricultural Extension in the country; the sector was allocated UGX 10 billion in the budget of FY 2015/16 for the recruitment of extension officers at district level. Recruitment of District Production Staff is, therefore, currently ongoing.

2.2 Facilitation of the UPDF for distribution of inputs: It was noted that on several occasions, the Army requests for facilitation for the distribution of farm inputs and the logistics for the distribution.

Remark:

The Standing Orders of Procedure (SOP) for Operation Wealth Creation (OWC) were issued by H.E the President of Uganda in February 2015.

The SOP were produced in order to identify / clarify the roles / responsibilities of stakeholders and to spell out implementation arrangements for OWC. According to the SOP, District Local Governments will be in charge of mobilizing LG resources to support implementation of OWC.

2.3 Create a structure for Commercial Services separate from

Production: Local Governments were also concerned that there are several urban centers and trade centers cropping up, which means there are various commercial activities operating at those vicinities. However, the officers charged to coordinate commercial sub-sector under the Local Government structure are not available. It is therefore proposed that the structure be adjusted to include the Commercial Officers. Local Governments were however informed that MoPS has approved the structure and negotiations between MoLG & MoFPED on the wage implication are ongoing.

Remark:

The commercial officers are considered in the structure however, they are under the Ministry of Trade and Co-operatives.

2.4 Input deliveries for NAADS arriving at wrong time with no

guidelines: LGs noted that in a number of districts, most of the Agricultural inputs had been coming in late, towards the end of the rainy season. For example, in Kaberamaido and Amolatar districts 10 tonnes of bean seed, 20 tonnes of maize, 10,000 of citrus and mangoes were delivered in the dry season. The Districts proposed that they should be requested to provide specifications for the inputs according to their needs and also ensure that the deliveries be made timely in line with the

planting season. They also requested that the UPDF be deployed at stations with clearly stipulated roles.

Action taken:

- i. The NAADS Secretariat annually compiles a database of the priority commodities to be supported under the Commodity Approach, for each DLG based on both national priority commodities and zonal/district specific priority commodities. NAADS will continue to support DLGs with agricultural inputs in line with both national and district specific priority commodities. This will require DLGs to submit their priority commodities by ranking, in line with the Commodity Approach, to the NAADS Secretariat; for appropriate allocation of resources. To realize impact in implementation of the Commodity Approach, a maximum of nine (9) national and district specific priority commodities will be supported. All DLGs are therefore requested to submit the nine (9) priority commodities by ranking, with projected quantities for 3 years, as shown in the attached format (**Annex I**). The deadline for submission of the required information is 30th September 2015.

- ii. The roles of UPDF were clarified in the Standing Orders of Procedure for Operation Wealth Creation.

2.5 No clear guidelines on the operationalization of NAADS:

Following Cabinet's directive to reallocate all NAADS funds from the District Local Governments to NAADS Secretariat for the procurement of inputs and planting materials. It was agreed that the sector expedites consultations with all stakeholders on the development of the new NAADS guidelines.

Action taken:

- i. Standing Orders of Procedure for Operation Wealth Creation were issued by H.E The President of Uganda and distributed in February 2015.
- ii. As part of the NAADS reforms, the NAADS Secretariat was given a new mandate of:
 - a) Management of the Agricultural input distribution chains;
 - b) Strategic interventions, entailing promotion of priority commodities under the commodity approach, including multiplication of planting and stocking materials;
 - c) Agribusiness development;
 - d) Supporting value chain development focusing on the upper end of commodity chains.
- iii. NAADS also provided guidelines for input distribution to all the districts through the Chief Administrative Officer's.

3. IMPLEMENTATION CHALLENGES TO SERVICE DELIVERY

- a) Inadequate operational funds under the Production Department: The district production departments only have the Production and Marketing Grant for operation. Given the recruitment of extension workers that is currently ongoing; and the Operation Wealth Creation initiative, the PMG Grant is insufficient to ensure adequate service delivery at the LGs. Moreover, the wage bill is currently approximately equivalent to the operational funds.
- b) Lack of transport facilities. With the recruitment of new staff at the district Production level, there is need to provide transport facilities (motor cycles and motor vehicles) for better service delivery.

4. KEY POLICY AND ADMINISTRATIVE ISSUES

4.1 The Single Spine Agricultural Extension System

4.1.1 In June 2014, Cabinet under Minute 186 (CT 2014) directed MAAIF to adopt the single spine agricultural extension system, whose implementation commenced on 1st July 2014. Cabinet also directed that NAADS be restructured in order to meet the objective of commercializing agriculture.

4.1.2 NAADS staff contracts at the District Local Governments level were subsequently terminated and MAAIF identified all the vacant posts at the District Local Government. At the district Level, of the 1443 approved agricultural technical positions on the structure for Production and Marketing; only 268 were filled leaving a gap of 1,175. While at the sub county level, out of 3,236 positions approved by cabinet, only 389 had been filled leaving a gap of 2,850.

4.1.3 For FY 2015/16, the sector was allocated UGX 10 billion shillings for recruitment of extension staff at Local Government. Ministry of Public Service, in collaboration with MAAIF, had provided guidance on the recruitment. Priority is being given to recruitment of extension staff at the district level and MAAIF projects that about 80% of vacant positions at district level will be filled.

4.2 Creation of the Directorate Of Agricultural Extension Services (DAES)

4.2.1 As part of the reforms under extension, the mandate of extension was moved from the NAADS Secretariat to MAAIF. The structure of MAAIF has been re-organised to provide for the effective and efficient coordination of Agricultural Extension Services in the country. A Directorate of Agricultural Extension Services (DAES) was

approved by the Ministry of Public Service (MoPS) and was operationalised on 1st July 2015.

4.2.2 The DAES features two (2) Departments and five (5) divisions as follows:-

- a) Department of Agricultural Investment and Enterprise Development
 - Primary processing and Value Addition Division
 - Agribusiness Division
- b) Department of Agricultural Extension and Skills Management
 - Agricultural Extension Coordination Division
 - Skills Management Division
 - Information and Communication Division

4.2.3 Objectives of the Directorate of Agricultural Extension Service

- To strengthen human and institutional capacity for delivery of agricultural extension services in local governments;
- To strengthen and support linkages and collaboration with other sectors on issues pertaining to agricultural extension service delivery;
- To set standards for extension and technical services relating to crop, animal and fisheries production;
- To continuously identify emerging areas for public and private sector investments and advise Uganda Investment Authority and the private sector accordingly.

4.2.4 Key functions of the DAES to the District Local Governments

- Setting standards and providing guidelines;
- Ensuring quality of service provision;
- Technical backstopping;

- Capacity building in skills and career development by linking them to Universities, NGOs, Development Organizations, to open up their opportunities;
- Formulating programs and projects which they will implement;
- Create multi-stakeholder platforms for engagement of enterprise value chain actors/development;
- Training para-professionals to attain formal certificates in identified capacity needs (UPDF for Operation Wealth Creation, Lead Farmers, etc);
- Develop Agribusiness skills for Extension practitioners to facilitate commercialization of Agriculture;
- Strengthen Communication and information through radio and tv programs in local languages regionally; knowledge and information materials (manuals and fact sheets), ICT tools and approaches;
- Ensure efficient and effective execution of administrative, financial management, procurement, coordination of programs and projects and implementation of safe guards;
- Carry out policy reviews and social economic studies

4.3 The Commodity Based Approach

4.3.1 The sector budget is based on the Cabinet Decision, made after the Joint Cabinet Paper by the Hon. Minister - MAAIF and the Hon. Minister – MFPED; where it was decided 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.

4.3.2 This was done to address concerns of food security, household incomes, value addition and exports growth. Cabinet took a decision

to address these challenges through a commodity based approach within the contexts of the National Development Plan (NDP), the Agriculture Sector Development Strategy and Investment Plan (DSIP) and the Agricultural Zoning Strategy of 2004.

4.3.3 To ensure focus and maximum impact in a short run, eleven commodities were selected and categorised into two; namely food security commodities and market oriented commodities (some commodities falling under both categories). Under the first category on improving food security, eight commodities were prioritized: Maize, Beans, Rice, Bananas, Cassava, Dairy Cattle, Beef Cattle and Fish. Under the second category (market oriented), eight commodities were prioritized: Maize, Beans, Cassava, Rice, Coffee, Tea, Fish and Market fruits and vegetables. The selected commodities were the ones with a high impact in the short-run and, therefore, interventions would cover all the areas of Uganda using existing implementation arrangements.

4.3.4 Annual update of the list of priority commodities (both national and district) under the Commodity Approach for the FY 2016/17, 2017/18 and 2018/19:

Annually, the NAADS Secretariat compiles a database of the priority commodities to be supported under the Commodity Approach, for each District Local Government, based on both the national priority commodities and district specific priority commodities.

NAADS Secretariat in conjunction with Operation Wealth Creation Secretariat will continue to support District Local Governments with agricultural inputs in line with both national and district specific priority commodities. This will require that District Local Governments submit their

priority commodities by ranking based on both national and district specific priority commodities in line with the Commodity Approach to the NAADS Secretariat for appropriate allocation of resources.

To realize impact in implementation of the commodity approach, **a maximum of nine (9)** national and district specific priority commodities in line with the Commodity Approach will be supported. Therefore, all district local governments shall be required to submit nine (9) priority commodities by ranking with projected quantities for the Medium term (**FY 2016/17, 2017/18 and 2018/19**). The deadline for submission of an updated list of priority commodities by ranking with the projected quantities for three years to the NAADS Secretariat is **30th September, 2015**. **A circular to this effect was issued out to all Local Government Accounting officers.**

4.4 Operation Wealth Creation (OWC)

4.4.1 This initiative was launched in 2014, by H.E. the President of Uganda, as a result of the success enjoyed by the 'Luwero-Rwenzori anti-poverty campaign'. Standing Orders of Procedure (SOP) for OWC were thereafter produced and distributed in February 2015. According to the SOP, the main focus of OWC is to:

- Provide for strategic interventions in: distribution of seed, planting, stocking and breeding material; value addition; tractorisation and mechanisation; and water for production focusing on small scale irrigation
- Streamline the output marketing structures through: farmer cooperatives / institutions; handling postharvest handling structures; and marketing, addressing both domestic and international markets.

4.4.2 Under OWC, District Local Governments are mandated to:

- Carry out planning, selection of priority commodities within the framework of the zonal priorities, ascertaining beneficiaries, receipt and verification of technologies
- Provide agricultural extension and advisory services
- Mobilise LG resources to support implementation of OWC
- Carry out inspection, monitoring and evaluation at district level
- Documentation and reporting (District performance reports)

4.4.3 Guidance to District Local Governments on Distribution of Agricultural Inputs

- In addition to the SOPs for Operation Wealth Creation, the NAADS Secretariat in conjunction with OWC Secretariat, before the beginning of every agricultural season, provide guidance to District Local Governments (DLGs) regarding the distribution of agricultural inputs for the Season in question. The guidance offers explanatory notes regarding the use of the planting and stocking materials in respect of the various commodities indicated in the advice slip for the individual DLGs.
- However, it has also been noted that some DLGs do not adhere to the guidance which has sometimes resulted into complaints on the ground that some farmers are not given adequate quantities of inputs to plant. This is therefore to urge all DLGs to adhere to the guidance issued from time to time by the NAADS Secretariat in line with procedure for distribution of agricultural inputs for Operation Wealth Creation.

5. IPFS ALLOCATION FORMULA AND BUDGET GUIDELINES

5.1 PMG Allocation Formula

The example below gives an illustration of the formula used to calculate district IPF allocations for PMG

Parameter	Weight
Population:	40%
Area:	20%
Poverty index:	40%

Total IPF Allocation	10.04bn
Population allocation	4.008bn
Area allocation	2.004bn
Poverty allocation	4.008bn
Total population	31,558,826
Total land area	241,446.67
Total no of people under poverty	14,265,059 (To find the number of people in the area under poverty, multiple the poverty head count by the population divided by 100)

- Note:** a) The formula is based on the allocation weights of the following parameters: population, area and poverty.
- b) To find the allocations, we calculate the population index, area index and poverty index as a first step.
- c) The Population index formula is the area population divided by the total population.
- d) The Area index formula is Area covered divided by the total area.
- e) The poverty index formula is the number of people in the area under poverty divided by the total of people under poverty.

EXAMPLE: KOTIDO DISTRICT PMG ALLOCATION

Popn:	265,400		
Land (sqKms):	3,610.8		

Poverty level (%):	88.9		
No. of people under Poverty in Kotido	poverty head count*population/100	$88.9*265,400/100$	$=235,940.6$
Popn index	Kotido popn/total popn	$265,400/31,558,826$	$=0.008$
Area Index	Kotido Land Area /total area	$3,610.8/241,446.67$	$=0.015$
Poverty index	Kotido no. of people under poverty/total people under poverty	$235,940.60/14,265,059$	$=0.017$
Allocation by Popn	Overall Popn allocation*popn index	$4.008*0.008$	$=0.031$
Allocation by area	Overall Area allocation*area index	$2.004*0.015$	$=0.03$
Allocation by poverty	Overall Poverty allocation*poverty index	$4.008*0.017$	$=0.066$
Kotido IPFs (bn)	Allocation by Popn + Allocation by area + Allocation by poverty	$0.031+0.03+0.066$	$=0.127$

5.2 NAADS Allocation Formula

The allocation of the NAADS resource for provision of agricultural inputs to all District Local Governments is based on the allocation formula which takes into account the Population, Land Area and Poverty Head Count.

- Allocation of resources for provision of agricultural inputs to District LGs will continue to be based on the allocation formula (Population-55%, Land Area-25% & Poverty Head Count -20%). **However, this allocation formula does not apply to resources allocated for special interventions.**

- In addition to the above criteria, for proper planning and budgeting for the Medium Term FY 2016/17, 2017/18 and FY 2018/19, allocation of resources to District local Governments will also be based on ranking of priority commodities in order to allocate substantial resources to those commodities that the district attaches greater importance.
- The funds will continue to flow to each district local government in form of technologies /inputs
- NAADS Secretariat will endeavor to issue Indicative Planning Figures on Quantities of inputs to be procured and distributed for each District Local Government in a timely manner to guide selection and preparation of farmers.

5.3 Budget guidelines

- a) Emphasis should be given to the Agriculture Sector priorities in the Agriculture chapter of the NDPII as highlighted in the introduction
- b) The PMG budgets/work plans for 2016/17 should specifically indicate how the district(s) will promote the production of the priority commodities. The zoning strategy should guide the districts (regions) on the appropriate commodities per individual district.
- c) Status quo remains at 55%:45% for capital versus recurrent expenditure respectively.
- d) In support for Operation Wealth Creation (OWC), funds utilised for inspection, monitoring and evaluation under the Production and Marketing Grant should be used to support the Local Government mandate under the initiative

6.0