

PUBLIC EXPENDITURE PROFILE FOR THE AGRICULTURAL SECTOR

1. Overview

Like many developing countries, the agricultural sector plays an important role in Uganda's economy. The population largely depends on the sector either directly through food consumption and employment or indirectly through agro-processing and trade. The sector employs about 66 percent of the population.¹ Further, with 80 percent of the population residing in rural areas and largely dependent on agriculture for sustenance, investment in the sector is key for poverty reduction efforts. It is therefore not surprising that the recently adopted National Development Plan (NDP) recognises agriculture

as a primary growth sector of the economy. Enhancing the performance of the sector in part calls for earmarking considerable public resources for this purpose.

Under the current configuration, the agriculture sector covers crop husbandry and animal husbandry and fisheries. The sector has three key outcome areas namely; agricultural production and productivity, improved markets and increase in value addition and, improvement of the enabling environment and institutional strengthening.

This profile presents the trend of public expenditure in the

¹ Uganda Bureau of Statistics, 2012 Statistical Abstract



agricultural sector and its performance between 2007/08 and 2011/12.

2. Funding to the Agricultural Sector

The agricultural sector is primarily funded through the national budget, with additional resources coming from donors in form of project support. In spite of its significance, the sector has continued to receive less than 5 percent of the budget (Table 1).

The country is therefore still lagging behind with regard to the implementation of the Maputo Declaration (2003) which calls for states to raise the share of funds allocated to the agricultural sector to at least 10 percent. During the Asian revolution, governments spent more than 15% of their budgets on the sector to increase and sustain growth. Government spending is therefore undoubtedly one of the most direct and effective tools for agricultural growth.

Table 1: Sectoral revenue allocations and outturns for FY 2007/08 – 2011/12 (Billions UGX)

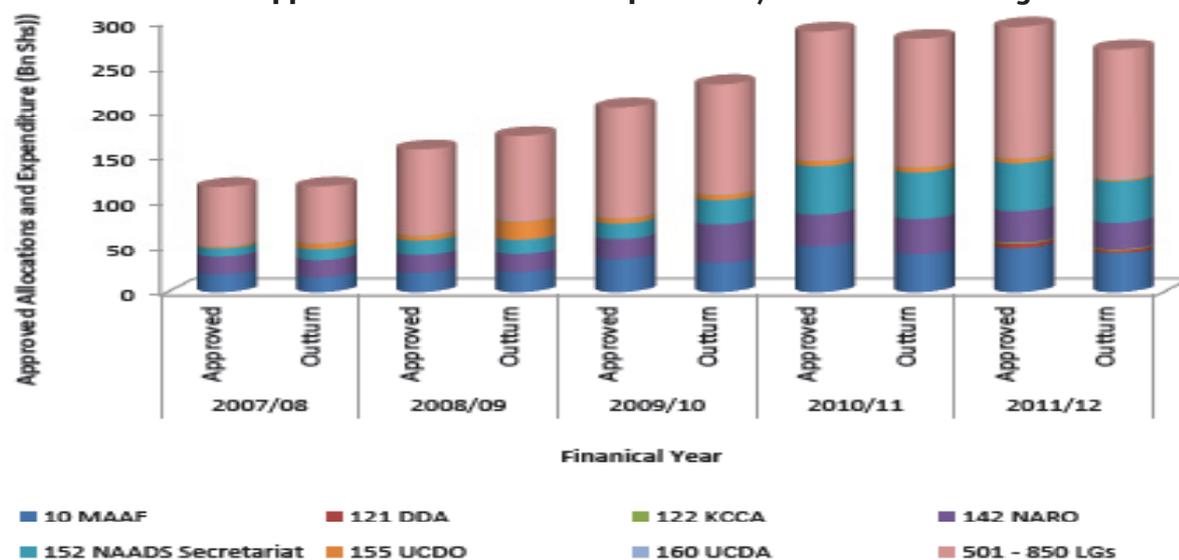
Sector	2007/08		2008/09		2009/10		2010/11		2011/12	
	Approved	Outturn								
Security	9.32	12.07	8.15	12.71	6.92	10.94	8.80	27.68	9.28	13.40
Works and Transport	13.16	7.62	18.50	13.46	17.24	11.65	14.07	9.01	9.15	11.30
Agriculture	4.26	3.16	3.70	3.67	4.41	4.52	4.96	3.81	4.81	3.67
Education	16.13	19.44	15.35	16.91	15.33	17.63	16.85	14.83	15.71	16.47
Health	9.01	7.20	10.42	7.94	10.47	8.15	8.95	7.59	8.58	7.89
Water and Environment	3.29	2.35	2.56	2.06	2.45	2.28	3.39	1.66	3.02	1.80
Justice/Law And Order	4.87	6.56	4.73	6.00	5.11	8.62	7.22	8.41	5.89	8.13
Accountability	7.07	5.99	7.12	6.64	6.57	6.58	6.67	4.49	6.02	5.13
Energy and Mineral Development	9.45	5.82	7.84	5.19	9.92	7.69	5.27	2.94	14.62	13.54
Tourism, Trade and Industry	0.88	0.54	0.29	0.52	0.68	0.92	0.67	0.47	0.59	0.63
Lands Housing and Urban Development	0.23	0.28	0.13	0.15	0.29	0.38	0.32	0.19	0.36	0.34
Social Development	0.51	0.55	0.17	0.47	0.46	0.54	0.43	0.33	0.77	0.46
Information and Communication Technology	0.14	0.16	0.10	0.13	0.14	0.13	0.16	0.19	0.13	0.17
Public Sector Management	10.22	10.03	4.15	8.90	10.01	12.05	11.31	9.51	10.92	8.98
Public Administration	3.67	7.42	0.63	4.01	3.09	6.76	4.08	6.73	2.56	4.58
Legislature	1.66	2.28	0.27	2.64	1.73	2.33	2.21	2.14	1.90	3.47

Source: Compilations from Annual Budget Performance Reports 2007/08 – 2011/12

2.1. Allocations within the Agricultural sector

Within the sector, the largest share of the budget is spent on activities at the Local Government level (Figure 1). The share increased from 55 percent in 2007/08 to 59 percent in 2009/10 and 53 percent in 2009/10 to 53 percent in 2011/12. This is not surprising, given that, the implementation of the National Agricultural Advisory Services (NAADS) program, which is a major budget item, is through local governments. However it should be noted that most of this funding is largely conditional. This top-down approach constrains Local Governments from setting and implementing agricultural development priorities. Administration costs, both at the center - ministry level (MAAIF) and the NAADS secretariat - have also been substantially increasing, especially in 2011/12.

Figure 1: Breakdown of approved allocations and expenditure/ outturns for the agricultural sector

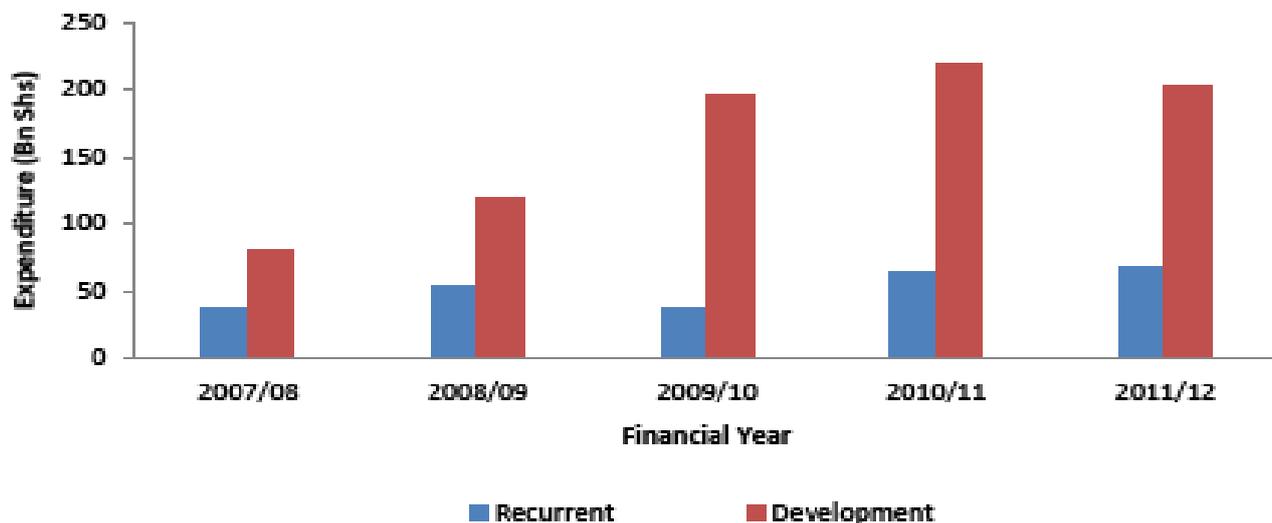


Source: Compilations from Budget Performance Reports, 2007/08 – 2011/12

2.2. Recurrent and development expenditure

Recurrent expenditure is defined as those expenses that are incurred every financial year: for instance, expenditure on wages, consumables, utilities etc. Under the budget, they are categorized into wage and non-wage. Within recurrent expenditure, the share of wages and salaries grew from 20 percent during the 2007/08 financial year to 39 percent in 2011/12. Non-wage expenditure, which includes expenses incurred on the purchase of goods and services such as maintenance, travel and transport, supplies, utility and property, has continued to expand consistently above 50 percent during this period (figure 2). Overall, development expenditure takes up the biggest percentage of the allocations in the sector (Figure 2). The difference between development and recurrent expenditure grew from 36 percent in 2007/08 to about 50 percent in 2011/12.

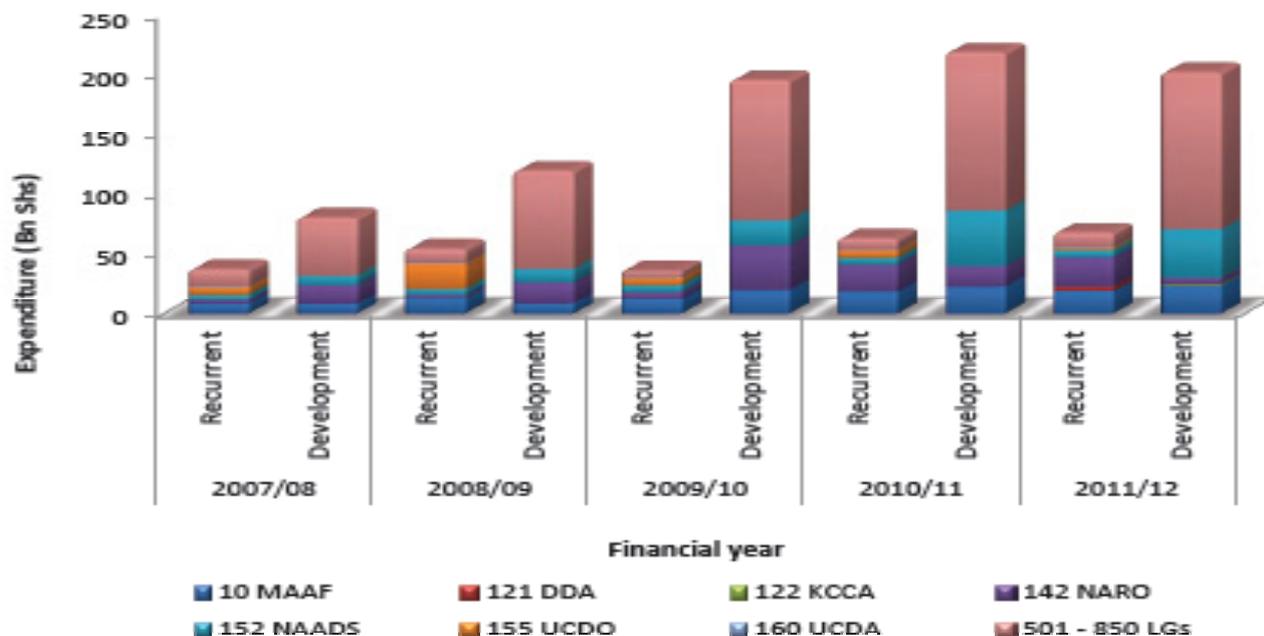
Figure 2: Recurrent and Development Expenditure for the Agricultural Sector



Source: Compilations from Annual Budget Performance Reports, 2007/08 – 2011/12

A large proportion of development expenditure has continuously been earmarked for programs at the Local Government level (Figure 3). Although Local Governments have limited powers to influence the resource envelop, this expenditure trend indicates government effort to support agriculture development in rural areas.

Figure 3: Breakdown of Recurrent and Development Expenditure for the Agricultural sector



Source: Compilations from Annual Budget Performance Reports, 2007/08 – 2011/12

Most of the development expenditure to the Ministry of Agriculture (MAAF) in 2011/12 was dedicated to relocation and temporary settlement of the Ministry Headquarters from Entebbe to Kampala, as well as fast-tracking of the proposed construction of permanent headquarters in Kampala.²

3. Performance of the Sector

3.1. Contribution to the national economy

The sector has made substantial contribution to the overall national economy. It is the largest source of employment, sustaining about 66 percent of the working population.³ However, the employment trends have been declining over time, from 70 percent in 2009/10 to 66 percent today.⁴ It is also worth noting that, the largest proportion employed in the sector is engaged in subsistence production, which poses a challenge to the national effort to substantially reduce rural poverty.

Unlike in the 1990s when the sector performed remarkably, with regard to contribution to GDP growth, its performance in the 2000s has been low. During the period of study, the sector has lagged behind the services and industry (table 2). The GDP contribution has shown an unsteady trend where the contribution of the agricultural sector has been changing from 21.4 percent in 2007/08 to 23.1 percent in 2008/09, 22.7 percent in 2010/11 and 23.7 percent in 2011/12.

Table 2: Percentage share of GDP by Economic Activity

Sector	2007/08	2008/09	2009/10	2010/11	2011/12
Agriculture, forestry and fishing	21.4	23.1	23.6	22.7	23.7
Industry	25.8	24.7	24.9	25.3	26.3
Services	46.9	46.4	45.5	46.2	45.1
Adjustments	6	5.7	6	5.8	4.9

Source: UBOS, Statistical Abstract, 2012

3.2. GDP growth rate and agriculture

The contribution of the agriculture sector to GDP growth has been mixed. In the late 1990s and early 2000s, agricultural GDP registered an average growth rate of 5.4 percent, but deteriorated markedly thereafter. During the period of study, it grew at less than 3 percent, much lower than services (7.64%) and industry (6.02%).

3.3. Exports and export earnings

During this period, agricultural products formed a big

2 Ministry of Finance, Planning and Economic Development, 2012, Annual Budget Performance Report FY 2011/12

3 Uganda Bureau of Statistics, 2012, Statistical Abstract, 2012

4 Uganda Bureau of Statistics, Statistical Abstract, 2009 and 2012

percentage of Uganda's exports. Coffee has been the main traditional agricultural export fetching over 60 percent of the foreign exchange (Table 3). This is followed by tea and tobacco. Cotton production has been reducing over the years, in part as a result of the collapse in world cotton prices in the early 1980s, the civil war in northern Uganda, a traditional cotton-growing region,⁵ low quality of cotton, lack of domestic textile industries, and low use of purchased inputs due to lack of rural credit as some of the key constraints.⁶

Table 3: Traditional Export Earnings ('000 US \$) for 2007 - 2011

Financial year	2007	2008	2009	2010	2011*
Coffee	265,853	403,179	280,209	283,891	466,659
Cotton	19,568	13,160	22,718	19,919	86,011
Tea	47,629	47,222	59,761	68,263	72,126
Tobacco	67,203	69,094	62,426	68,662	53,981
Total	400,253	532,655	425,114	440,735	678,777

Source: Statistical Abstract, 2012

*Figures for 2011 are provisional

Non-traditional exports have also contributed significantly to the country's export earnings with agricultural products still contributing a large percentage (figure 5).⁷

3.4. Food crops

Food crop production in the country has varied over the years with plantain bananas, cereals and root crops being the most produced at the expense of pulses and legumes as shown in table 4. The pattern of food crop production is largely determined by suitability of the soils for example banana production today is mainly from the western region, followed by the central region. Cereals, legumes and root crops are mainly from the eastern region of Uganda.⁸

There has been a fairly constant trend of fish extraction, around 360,000 tonnes between 2007 and 2009. The volume

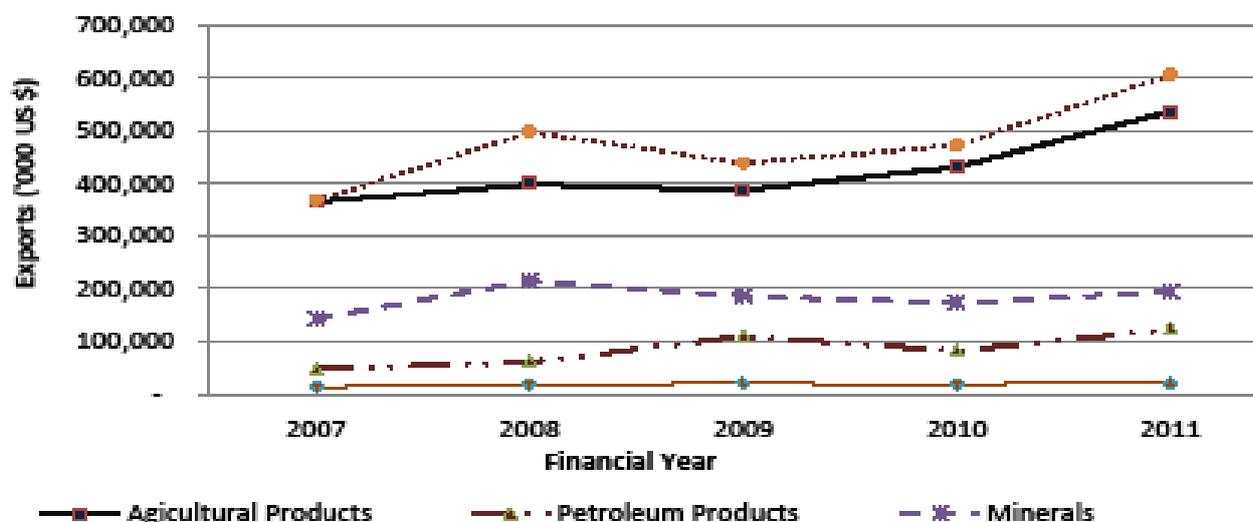
5 Francis Kagolo, (2012) Cotton Industry Recovers, Production Doubles. The New vision, accessed on 9th/4/2013 available at <http://www.newvision.co.ug/news/636918-cotton-industry-recovers-production-doubles.html>

6 John Baffes, Comparative Analysis of Organization and Performance of African Cotton Sectors: The Cotton Sector Of Uganda, World Bank Working Paper Series No. 123 March, 2009

7 For purposes of this analysis, non-traditional exports have been categorized into agricultural products, petroleum products, minerals, utilities and other products. Agricultural products include; fish and fish products, animal/vegetable fats and oils, sugar and sugar confectionery, beer, maize, cocoa beans, roses and cut flowers, rice, beans and other legumes, sesame seeds, cattle hides, vegetables, vanilla, live animals, soya beans, fruits, pepper, bananas and groundnuts

8 According to the total production of Major Crops by district in the UBOS Statistical Abstract 2012

Figure 4: Export earnings from non-traditional exports over the years ('000 US\$)



Source: Compilations from UBOS, Statistical Abstract, 2012

Table 4: Food crop production in Uganda, 2008 – 2011 (Metric Tonnes)

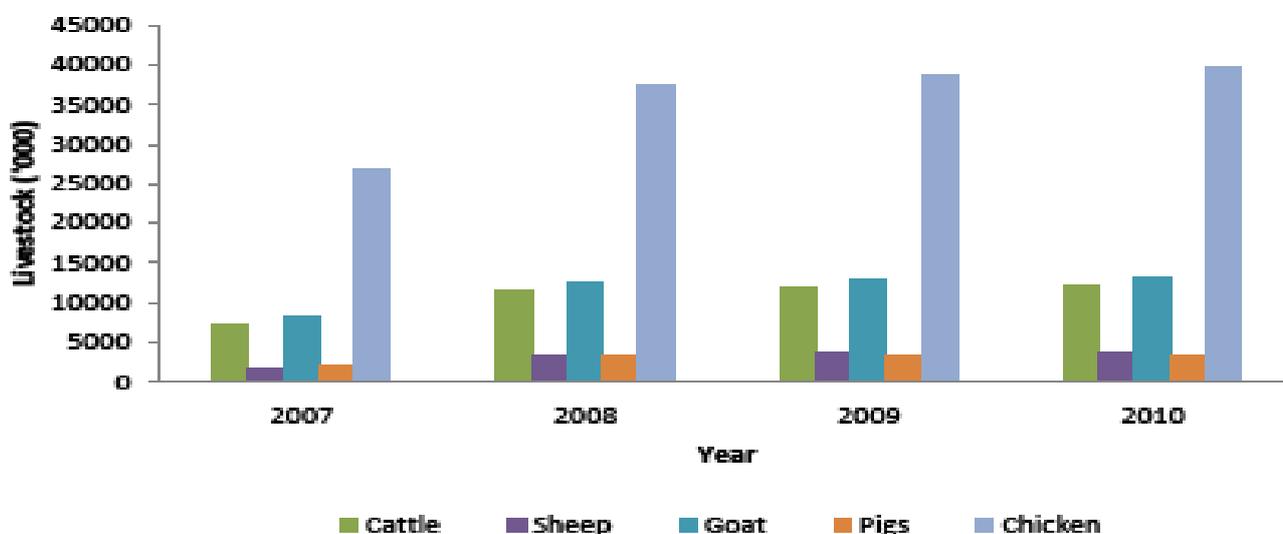
Type	Plantain bananas and cereals					Pulses and Legumes					Root crops		
	Bananas	Maize	Sorghum	Millet	Rice	Beans	Ground nuts	Simsim	Soya beans	Cow peas	Cassava	Sweet potatoes	Irish potatoes
2008	4229	2315	342	275	178	912	230	99	22	9	2876	1794	147
2009	4522	2355	374	250	206	925	258	115	27	11	2952	1943	162
2010	4594	2374	391	268	218	949	276	119	27	12	3017	1987	167
2011	4895	2551	437	292	233	915	327	142	32	12	2712	1798	180

Source: UBOS, Statistical Abstract, 2012

3.5. Livestock

Livestock production in Uganda is increasing steadily, with poultry ranking highest and most consumed, especially for the eggs. Cattle-rearing and goats are relatively high, with beef being consumed highly all over the country. Sheep and pigs production on the other hand is still low compared to the others (figure 6).

Figure 5: Livestock production in Uganda, 2004 – 2010



Source: UBOS, Statistical Abstract, 2011

3.6. Fisheries

Uganda has 20 percent of its surface area under water, with five major lakes; Victoria, Albert, Kyoga, Edward and George, and about 160 minor lakes, rivers and wetlands. Fishing activities are undertaken in these lakes as shown in table 5 below, and the current catch is estimated at 475,000MT. of fish harvest increased to 381,000 tonnes in 2010. Direct

employment in the fisheries sub-sector also increased from 51,916 in 2008 to 56,957 in 2010. However, storage facilities are still a challenge for the sub sector, which significantly affects quality and marketing. The taxation system has also not been harmonized, thus inhibiting operations of businesses in the sector.

Table 5: Fish catch by water body ('000 tonnes)

	2007	2008	2009	2010
Lake Victoria	223.1	219.5	221.3	220.4
Kyoga	60	60	60	70
Albert	56.4	56.5	56.5	60.5
Edward, George & Kazinga Channel	8.8	8.8	8.8	9
Others	21	20	20	22
Total	369.3	364.8	366.6	381.9

Source: UBOS, Statistical Abstract, 2011, NDP, 2010

About ACODE and CBTIC

The Advocates Coalition for Development and Environment (ACODE) is an independent public policy research and advocacy think tank registered in Uganda with operations in the Eastern and Southern Africa sub-region. Our mission is to make public policies work for people. Through our work, we empower citizens to demand for justice and promote public participation in the decision making processes that affect livelihoods and the environment. ACODE has become the premier organization that facilitates policy dialogue and debate on emerging and cutting edge public policy issues.

The Citizens' Budget Tracking and Information Centre (CBTIC) is one of ACODE's premier initiatives that seek to put control of public expenditure and the budget in the hands of citizens. The goal of the Centre is "to increase accountability and transparency in the allocation and utilization of both local revenue and donor funds by raising citizens' awareness." Funding for the CBTIC is provided by The Netherlands Embassy, Kampala, the Hewlett Foundation and the Think Tank Initiative (TTI) through core funding.