The Uganda Farmers Common Voice Platform
and
Caritas Uganda

Small Holder Farmers in Uganda:

Analysis of Access to Agricultural Financing and its Effect on Agriculture Productivity in Uganda-
A case of eight districts

Submitted to

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July, 2013

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List of Acronyms

AAMP	Area-Based Agriculture Modernisation Programme
ACAO	Assistant Chief Administrative Officer
AMFIU	Association of Microfinance Institutions in Uganda
ARCOD	Arua Rural Community Development
ATAAS	Agricultural Technology and Agricultural Advisory Services
AU	African Union
BFP	Budget Framework Paper
CAADP	Comprehensive Africa Agriculture Programme
CAIIP	Community Agriculture Infrastructure Improvement Programme
CAO	Chief Administrative Officer
CAPCA	Central Archdiocesan Province Caritas Association
CBOs	Community Based Organizations
CDD	Community Driven Development
CEFORD	Community Empowerment for Rural Development
CFO	Chief Finance Officer
CG	Central Government
CIDI	Community Integrated Development Initiatives
COFOG	Classification of Functions of Government
CS BAG	Civil Society Budget Advocacy Group
CSOs	Civil Society Organizations
DANIDA	Danish Agency for International Development
DAO	District Agricultural Officer
DCO	District Commercial Officer
DDPs	District Development Plans
DFA	District Farmers' Association
DFID	Department for International Development
DLG	District Local Government
DLSP	District Livelihood Support Programme
DMF	Department of Microfinance
DNC	District NAADs Coordinator
DPC	District Production Coordinator
DSIP	Development Strategy and Investment Plan
ENR	Environment and Natural Resources
EPRC	Economic Policy Research Centre
EU	European Union
FAO	Food and Agricultural Organisation
FGDs	Focus Group Discussions
FIEP	Farm Income Enhancement Project
FIs	Financial Institutions
FOWODE	Forum for Women in Democracy
FY	Fiscal / Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
GTZ	German Organisation for Technical Cooperation
HELU	Humanist Empowerment of Livelihoods in Uganda
HHs	House Holds
HPH	Hope and Peace for Humanity
IDA	International Development Assistance
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IPFs	Indicative Planning Figures
KACFA Association	Kasaali Coffee Farmers
KCCA	Kampala City Council Authority
LC	Local Council
LG	Local Government
LGA	Local Government Act
LGDP	Local Government Development Programme
LGFC	Local Government Finance Commission
LGMSDP	Local Government Management and Service Delivery Programme
LLGs	Lower Local Governments
LRA	Lord Resistance Army
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MADDO	Masaka Diocesan Development Organisation

MDAs	Ministries, Department and Agencies
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MFPED	Ministry of Finance and Planning for Economic Development
MFSC	Micro-Finance Support Centre
MGLSD	Ministry of Gender, Labour and Social Development
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MSCL Limited	Microfinance Support Center
MTEF	Medium Term Expenditure Framework
NAADS	National Agricultural Advisory Services
NAP	National Agricultural Policy
NARO	National Agricultural Research Organization
NBFP	National Budget Framework Paper
NCC&I	National Chamber of Commerce and Industry
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organisations
NPA	National Planning Authority
NPPAs	National Priority Programme Areas
NRM	National Resistance Movement
NSCG	Non Sectoral Conditional Grant
NURP	Northern Uganda Reconstruction Programme
NUSAF	Northern Uganda Social Action Fund
NW	Non-Wage
OBT	Output Budgeting Tool
OPM	Office of the Prime Minister
OPM	Office of the Prime Minister
PAF	Poverty Action Fund
PDCs	Parish Development Committee
WFP	World Food Programme
PEAP	Poverty Eradication Action Plan
PFA	Prosperity for All
PMA	Plan for Modernization of Agriculture
PPP	Public –Private Partnership
PRDP	Peace, Recovery and Development Plan
RDS	Rural Development Strategy
RF	Road Fund
RFSP	Rural Finance Support Programme
RRP	Rural Road Programme
SACCOs	Savings and Credit Cooperatives
SAS	Senior Assistant Secretaries
SFA	Sub-County Farmers' Forum
SIDA	Swedish International Development Cooperation Agency
SWG	Sector Working Group
TAAC	Transparency, Accountability and Anti-Corruption
TPC	Technical Planning Committee
TPCs	Technical Planning Committees
UBOs	Uganda Bureau of Statistics
UCA	Uganda Cooperative Alliance
UCDA	Uganda Coffee Development Authority
UCDO	Uganda Cotton Development Organization
UCGAP	Microfinance Capacity Building Framework
UCSCU	Uganda Cooperatives Savings & Credit Union
UDBL Limited	Uganda Development Bank
UGOPAP	Uganda Governance and Poverty Alleviation Programme
UNFFE	Uganda National Farmers' Federation
UNHS	Uganda National Household Survey
USAID	United States Agency for International Development
UWESO	Uganda Women's Effort to Save the Orphans
VSLA	Village Savings & Lending Association

Acknowledgements

The researchers would like to thank very much the Caritas and UGOPAP partners (also members of the Uganda Farmers Common Voice Platform) in the districts for supporting the research teams; especially for identifying and mobilising respondents and most especially for introducing the team to the local government (LG) officials especially at the district.

We would like to thank all LG officials, bank and MFI officials for accepting to participate in the interviews despite their busy schedule. Special thanks go to Mr Jonathan Wamala ACAO Iganga for introducing the research team to all district leaders and other stakeholders in the district.

Many thanks also go to the Programme Management Committee of the UGOPAP programme for its quality assurance role in this piece of work, Management and leadership of Caritas Gulu, Caritas Arua, members of the Uganda Farmers Platform and its Steering committee team for its tireless efforts in seeing to it that the study and this document is to the desired standards.

In a special note we also want to thank our development partners; Caritas Denmark and the Danish Government through DANIDA for the financial and Technical support rendered to the UGOPAP programme and the Uganda Farmers Common Voice platform, which support has enabled this work to reach its final stage where it can be consumed by the different stakeholders for the betterment of the small holder Framer in Uganda.

[to be completed by Caritas]

Executive Summary

This study was motivated by an observation that agriculture is the backbone of Uganda's economy. Most households directly or indirectly derive their livelihood from agriculture. Agriculture provides the basis for growth in other sectors such as manufacturing and services. Despite the importance of agriculture in the economy, the sector's performance has not been impressive in recent years. Real growth rate in agricultural output declined from 7.9 percent in 2000/01 to 3.0 percent in 2011/12.

Agriculture in Uganda is dominated by small holder farmers who occupy the majority of land and produce most of the crop and livestock products. The key long-standing challenge of the small holder farmers is low productivity stemming from the lack of access to markets. Studies have shown that that the shortage of capital and credit is the single biggest constraint to improving farming in Uganda. Farmers need credit to manage the seasonality of their cash flows, to make investments, and to cope with the vulnerabilities of farm production. Unfortunately, government is not investing enough resources in providing credit to farmers, neither do financial institutions lend in sufficient quantities. According to the most recent Uganda Census of Agriculture, only about 10% of agricultural households had received a credit in the past five years.

Agricultural Finance in Uganda is a policy "orphan". There is absence of a designated institutional home fully mandated to handle agricultural finance policy. It falls somewhere in an awkward gap between various ministries responsible for Finance, Agriculture, and Trade and Commerce. However, in none of these Ministries is it a major focus. This fact, together with the shared responsibility, means that Agricultural Finance all too easily falls off the desks of key policy makers.

With these observations, Caritas Uganda under the Uganda Governance and Poverty Alleviation Programme (UGOPAP) undertook this study to provide reliable information on agriculture financing focusing on small holder farmers' access to financial support.

The major objective of this study was to provide reliable information on agriculture financing focusing on small holder farmers' access to financial support either by government or by the private sector. The study involved a sample survey of 697 small holder farmers, government officials, and private sector actors in eight districts of Manafwa, Iganga, Soroti, Mpigi, Rakai, Luweero, Gulu, and Arua. This was complemented by review of relevant literature.

The study found that in absolute terms, government direct spending on the agricultural sector (national budget allocation) has been increasing from UShs 173.5 billion in 2008/09 to UShs 378.9 billion in 20012/13. However, the agricultural sector is among the lowest ranked sectors in the national budget. The sector has not received more than 5% of the national budget any year since 2008/09. This level of spending on the agricultural sector is grossly insufficient to address the constraints in improving agricultural productivity.

Most policy documents and strategies such as the National Development Plan (NDP) 2010/11-2014/15 and the MAAIF Development and Investment Strategy (DSIP) 2010/11-2014-15 emphasize increased access to agricultural financing as a fundamental input to the sector transformation. However, the institutional and policy factors are not well streamlined along the credit market chain to solve the demand factors at household level. The policy

inconsistency is demonstrated from an unimpressive performance of a number of rural finance and agricultural financing initiatives such as Entandikwa Credit Scheme, Rural Farmers Scheme, Cooperative Credit Scheme, the Medium Term Competitive Strategy and Rural Financial Services programme among others, that largely failed.

Currently, agricultural financing is provided by the private sectors which include formal financial institutions, MFIs, member-owned organizations, and informal sources. However, they are lending insufficient quantities on unfriendly terms and conditions. Most of the financial institutions interviewed allocate a small portion of loans to agricultural credit. The result is a massive gap in funding for agriculture that is locking millions of farmers in a poverty trap.

Government has made some effort to increase access to finance to the rural population who are largely small holder farmers. For instance, in 2004, Government established the Rural Financial Services Programme (RFSP), with a strong focus on capacity building of existing financial institutions at different tiers to increase their outreach to rural areas and their sustainability as part of the financial system. The Microfinance Support Centre (MSC), was established to provide wholesale lending to SACCOs, who then retail the funds to their members. Although in relative terms there was an improvement in microfinance allocation to agriculture from less than 10 percent in 2005 top to 75 percent in 2010, of total microfinance through the MSC, this amount is far less than the actual credit demand for small holder farming and related activities along the value chains.

In 2009, government operationalized the Agricultural Credit Facility (ACF) scheme. The scheme has been implemented by 27 financial institutions in three phases. Phase I was from October 2009 to June 2010; Phase II from July 2010 to June 2011 and Phase III from July 2011 to date. Government's contribution to the ACF is interest free to the participating financial institutions. However, majority of the loans have mainly been extended to larger commercial farmers and agro-processors, many of which are well established companies that already have access to bank finance but not small holder farmers. The modalities of accessing loans under the ACF are not suitable for small holder farmers. For example, the participating financial institutions require borrowers to provide collateral security for the credit facilities in form of machinery and equipment financed and other marketable securities, but many small scale borrowers cannot meet such conditions. By 2012, only 18 large scale borrowers obtained loans worth Shs 55.10 billion, which is 62 percent of the entire amount of credit disbursed under the ACF.

The study further found that the ACF has not been well advertised; many people are not aware of its availability. The survey found that a small percent (12%) of local government knew about the ACF. Even those who were aware of the ACF were not conversant with its modalities; they only know that it can be accessed through commercial banks such as Centenary Bank.

The fact that ACF can only be accessed through formal financial institutions, made it harder for small holder farmers to access it. For instance, the study found that only 4 percent of the small holder farmers interviewed had accessed credit from commercial banks. Commercial Banks note that providing credit to small holder farmers involves large transaction costs and high risks for them; thus they are less inclined to provide micro-credit. In addition, majority of farmers don't have regular income, don't have collateral and don't even have bank accounts with the commercial banks which they can use to access credit.

Consequently, most small holder farmers tend to borrow from member-owned and managed organizations such as SACCOs and informal sources such as VSLAs (aka Village Banks). Majority (52%) of the small holder farmers interviewed access credit from VSLA, and SACCOs (33%).Though they tend to charge very high interest rates (more than 10% per month), even beyond that charged by formal financial institutions, they are preferred by most farmers. This is largely because they provide short-term, quickly disbursed, and emergency loans which are not the case with most formal financial institutions. Small holder farmers are comfortable with such high interest rates owing to the fact that at the end of the year, the village bank will balance the books of account and the returns will be shared amongst themselves. Unfortunately, unlike the banks, member-owned financial institutions lack a strong support system to nurture, regulate and supervise the sector.

The Uganda Cooperative Alliance (UCA) Ltd., the Uganda Co-operative Savings and Credit Union (UCSCU) Ltd., and AMFIU (Association of Microfinance Institutions of Uganda) which are supposed to provide support to these institutions, are too weak and lack the mandate and resources to perform their mandates.

Most farmers reported that though agricultural loans are good, since it helps them to boost productivity. Most of them (47 percent) interviewed reported to have borrowed to pay for farm labour. This was followed by buying seeds (15 percent), buying agro-chemicals and fertilizers (6 percent). However, the short repayment period prohibits them from borrowing. In addition, they lack proper access to information. They are not given enough information on management of the money they borrow. Some misuse the borrowed funds which make them fail to pay back. Furthermore, unpredictable weather patterns; pests and diseases and lack of market discourage them from acquiring agriculture loans. They fear that in case of failure to get money from their produce they would fail to pay back the loan. Some farmers who have borrowed have had bad experiences especially if one fails to pay back therefore borrowing money for agricultural financing is considered risky.

Financing agricultural should not only be limited to credit, however, there are other government programmes such as the National Agricultural Advisory Services (NAADS), Community Driven Development (CDD), and Northern Uganda Social Action Fund (NUSAF) which most small holder farmers said are critical source of support especially in form of inputs. Since most farmers borrow funds to buy agricultural inputs such as hoes, seeds, fertilizers etc, when they access such inputs from these programmes they are able to reduce on their financial burden. The implementation of such programmes should be strengthened.

There is evidence that despite financial sector liberalization in Uganda and initiation of agricultural financing initiatives, access and use of credit by farmers has remained very low. Given the importance of agriculture to Uganda's economy and employment, there is need for government to undertake appropriate policy actions to reverse the current trend. These policy actions would include:

i. Tremendously increase focusing to agricultural sector especially in the areas of access to credit, and improving productivity.
ii. Transformation of all the various agricultural financing initiatives into an Agricultural Development Bank that prioritizes agricultural financing.
iii. Developing a long-term strategic plan for developing the rural financial system rather than implement isolated reforms and programs.

iv. Revising the Agricultural Credit Facility to provide financing to small-holder farmers by: Lowering the threshold for small holder farmers to apply for the ACF and putting in place a policy /guidelines governing the ACF.
v. Expanding the warehouse systems and support farmers to use ware house receipts as collateral to access agricultural credit from financial institutions.
vi. Ensuring that SACCOs become more effective and efficient financial institutions through: Strengthening their internal management in a bid to increase confidence of members; and setting-up a deposit protection scheme to provide enough safety net to create trust in the SACCO system.

Bank / MFIs need to:

i. To invest in training / financial literacy programmes for their borrowers especially small holder farmers
ii. Customize farmer friendly loan products: e.g. lease finance by Centenary Bank, value chain finance by aBi-Trust
iii. Embrace the warehouse receipt systems as security / collateral for agricultural credit.
iv. Provide financing based on the whole agricultural calendar and adapted to the farming cycle.

Farmers should:

i. Use interaction with bank as a capacity building exercise, which can enable them to access loans easily.
ii. Articulate their needs: know what they want, for what and under which conditions: The question is not: how much can the bank give them? But rather, how much money is their enterprise or activity worth? And are they capable to make it worth.
iii. Embrace cooperation through the entire agricultural value-chain such as collective production, storage, marketing etc.
iv. Transform their VSLAs into form rural produce organisations

Caritas and UGOPAP Partners should:

a. Mobilize voices towards banks and government to provide accessible and affordable financial services. A first issue on the advocacy agenda could be that the Agricultural Credit Facility of Uganda is rolled out to small holder farmers.
b. Build capacity of emerging groups especially VSLAs and SACCOs and raising their financial and entrepreneurial capacities.
c. Advocate for the government to strengthen the VSLA/village banks and SACCOs.
d. Disseminate information about (new) available financial products to specific target groups you are working with, preferably through the associations.
e. Work with farmers' organisations such as Uganda Farmers Federation to advocate for increased government funding to the agricultural sector.

Section 1: Introduction

1.1 Gist of the Study

This study is motivated by an observation that agriculture is the backbone of Uganda's economy. Uganda's National Development Plan (2010/11 - 2014/15) identifies agriculture as a key sector contributing to exports, employment, and food security. Most households directly or indirectly derive their livelihood from agriculture. Agriculture provides the basis for growth in other sectors such as manufacturing and services. The sector is also the basis for much of the industrial activity in Uganda since most industries are agro-based.

Despite the importance of agriculture in the economy, the sector's performance has not been impressive in recent years. The share of agriculture in total Gross Domestic Product (GDP) has declined over the last decade from 40.9 percent in FY 2001/02 to 23.7 percent in FY 2011/12. Whereas the industrial and services sectors have in some years hit a 10 percent growth rate, the growth in the agriculture sector has consistently remained largely in reserve gear. Real growth rate in agricultural output declined from 7.9 percent in 2000/01 to 3.0 percent in 2011/12.

Agriculture in Uganda is dominated by small holder farmers who occupy the majority of land and produce most of the crop and livestock products. The key long-standing challenge of the small holder farmers is low productivity stemming from the lack of access to markets, credit, and technology, in recent years compounded by the volatile food and energy prices (AfDB, 2010[1]).

Small holder farmers can be categorized on the basis of: (i) the agro-ecological zones in which they operate; (ii) the type and composition of their farm portfolio and landholding; or (iii) on the basis of annual revenue they generate from farming activities. In areas with high population densities, small holder farmers usually cultivate less than one hectare of land, which may increase up to 10 ha or more in sparsely populated semi-arid areas, sometimes in combination with livestock of up to 10 animals. Most small holder operations occur in farming systems with the family as the centre of planning, decision-making and implementation, operating within a network of relations at the community level[2]. In this study, we shall focus on small holder farmers who cultivate less than 2 hectares of land and own only a few heads of livestock.

There are many factors limiting growth in agriculture. A study by Benin et al (2007[3]), showed that the shortage of capital and credit is the single biggest constraint to improving farming. Without access to loans, farmers are unable to invest in future production, to expand their farming or to take a risk (Action Aid, 2010[4]). Despite some efforts, government is not investing enough resources in providing credit to farmers, but neither are private banks lending in sufficient quantities. The result is a massive gap in funding for agriculture that is

[1] AfDB (2010). Smallholder Agriculture in East Africa: Trends, Constraints and Opportunities
[2] ibid
[3] Benin S., et al (2007). Assessing the impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods. IFPRI discussion paper 00724.

[4] Action Aid (2010). Invest in Small Holder Farmers: Six Areas for improvement in Agricultural Financing

locking millions of farmers in a poverty trap. According to the most recent Uganda Census of Agriculture, only about 10% of agricultural households had received a credit in the past five years (see *Table 1.1*).

Table 1.1: Accessed to credits by Agricultural Households (percentage)

Region	***Ag HHs***	***Ag HHs that accessed credit over the past five years***	
		Ag HHs	*% within region*
Central	715,486	63,987	8.9
Eastern	1,069,885	99,802	9.3
Northern	755,701	46,505	6.2
Western	1,033,992	148,523	14.4
Uganda	**3,575,064**	**358,817**	**10.0**

Source: UBOS (2010), Agricultural Census 2008/09

Agricultural Finance in Uganda is a policy "orphan". There is absence of a designated institutional home fully mandated to handle agricultural finance policy. It falls somewhere in an awkward gap between various ministries responsible for Finance, Agriculture, and Trade and Commerce. However, in none of these Ministries is it a major focus. This fact, together with the shared responsibility, means that Agricultural Finance all too easily falls off the desks of key policy makers (BoU and PMA, 2011[5]).

With these observations, Caritas Uganda under the Uganda Governance and Poverty Alleviation Programme (UGOPAP) undertook this study to provide reliable information on agriculture financing focusing on small holder farmers' access to financial support. The findings will inform the UGOPAP partners' advocacy activities at national and local government levels.

1.2 Objectives of the study

The major objective of this study was to provide reliable information on agriculture financing focusing on small holder farmers' access to financial support either by government or by the private sector.

1.2.1 Specific Objectives

The study specifically examined:

- The financing options available to small holder farmers in the private and public sectors.
- The current policy and legal framework on agricultural financing especially for small holder farmers.
- Knowledge/ attitudes and practices of small holder farmers towards agriculture financing.
- The relationship between agriculture financing and agriculture productivity
- How the available government programmes support small holder farmers.

1.3 Brief Description of Study Districts

Arua district

[5] BoU and PMA (2011). Agricultural Finance Yearbook 2011: Coping with Economic Realities

Arua district is located in North Western Uganda bordered by the District of Maracha in the North West; Yumbe District in the North East; Democratic Republic of Congo in the West; Nebbi District in the South; Zombo District in the Sounth East; and Amuru District in the East. The total land area of Arua District is 4,274.13 Km^2. The district has 21 Sub-counties (including the divisions in the Urban Councils), 119 parishes (LCIIs) and 939 villages (LCIs). The district has one Urban Councils namely, Arua Municipal Council. The district population is estimated to be 776,700 (UBOS, 2012) people. Agriculture is mainly subsistence and takes place on smallholdings of approximately two acres using mainly simple farming tools. Only 0.5% of the population are engaged in commercial agriculture. Family members constitute the single most important source of labour. Key socio-economic indicators are presented in *Annex A.1*.

Gulu district

Gulu district is located in northern Uganda between bordered by Amuru and Nwoya district in the west and southwest respectively , Lira district in the south east ,Lamwo district in the north east, Pader district in the east, and Oyam district in the south. The total land area of Gulu District is 3,449.08 sq km. Gulu district is made of 12 sub counties and 4 Divisions, 69 parishes and 342 villages. The district population is estimated to be 396,500 (UBOS, 2012). Crop production is the major economic activity in Gulu, employing about 95% of the population. Key socio-economic indicators are presented in *Annex A.1*.

Iganga district

Iganga District is located in South-Eastern Region of Uganda and covers an area of 1, 046.7 Km^2. The district was established in 1974. Originally, it was known as South Busoga until 1982 when it was renamed Iganga. The district boarders Bugiri district to the East, Namutumba District to the North-East, Kaliro District to the North, Luuka District to the Northwest, Jinja District to the west and Mayuge district to the south. Iganga District has 2 counties, 16 sub counties and town councils, 82 parishes and 360 villages. The estimated population (2012) is 449,600 people. The major source of livelihood is subsistence agriculture accounting for 75% of the population (2002 census). Key socio-economic indicators are presented in *Annex A.1*.

Luwero district

Luwero district was established in 1974. Luwero district is located in Central Uganda, bordered by Mukono and Wakiso districts in the south, Nakaseke in the west, Nakasongola in the North and in the East is Kayunga district. The total land area of Luwero district is 2,578Km^2. The district has an estimated population (2012) of 440,200 people. The district has 13 sub-counties and Town Council, 90 Parishes and 594 Villages. The major economic activity in the district is subsistence agriculture, mainly crop production. Key socio-economic indicators are presented in *Annex A.1*.

Manafwa district

Manafwa district was established in 2006. Manafwa District is bordered by Bududa District to the north, the Republic of Kenya to the east and south, Tororo District to the southwest and Mbale District to the west. The total land area of Manafwa District is 451Km^2. The district has 10 Sub-counties and 2 Town Councils. The district population is estimated to be 367,500 (UBOS, 2012) people. Agriculture is the backbone of the economy of the district. The fertile volcanic soils and the abundant rainfall, ensure ample yields of both cash and food crops. Some of the crops grown include: Arabica coffee, Cotton, Maize, Beans, Matooke, Bananas, Pineapples, Potatos and Millet. Key socio-economic indicators are presented in *Annex A.1*.

Mpigi district

Mpigi district was established in 1970. Mpigi district is located in central Uganda bordered by Wakiso District to the north and east, Kalangala District to the south, Kalungu District to the southwest, Butambala District to the west and Mityana District to the northwest. The district has 6 Sub-counties and 1 Town Councils. The district population is estimated to be 215,500 (UBOS, 2012) people. The major economic activity in Mpigi district is agriculture. The major crops include: Sweet potatoes, Beans, Cassava, Maize, Bananas, Groundnuts, Coffee, Cotton, Tomatoes, Cabbage, Onions, and Avocado. Key socio-economic indicators are presented in *Annex A.1*.

Rakai district

Rakai district is located in central Uganda bordered by Lyantonde District to the northwest, Lwengo District to the north, Masaka District to the northeast, Kalangala District to the east, the Kagera Region in the Republic of Tanzania to the south, Isingiro District to the southwest and Kiruhura District to the northwest. The district has 19 Sub-counties and 3 Town Councils. The district population is estimated to be 484,400 (UBOS, 2012) people. Subsistence agriculture is the dominant economic activity in the district, employing over 85% of the people. Crops grown include matooke, beans, cassava and potatoes for food while coffee is the main cash crop. Livestock raised includes cattle, goats, pigs and chicken. Key socio-economic indicators are presented in *Annex A.1*.

Soroti district

Soroti district is located in Eastern Uganda. It was established in 1912 as an administrative unit for the whole of Teso region for the colonial government later in 1962, it was reinforced as an administrative district unit. Soroti district Borders Serere district to the South, Ngora district to the East, Katakwi district to the North East, Amuria district to the North, Lake Kyoga and Kaberamaido district in the west. The estimated population (2012) is 322,000 people. Currently the district is administratively made of one county with 7 sub counties and a Municipality made of 3 wards. The district has 37 parishes and 309 villages. The major source of lively hood is subsistence agriculture which accounts for 76%, followed by earned income 16.7%, property income 0.5% and other sources 6.9% (2002 population Housing census). Key socio-economic indicators are presented in *Annex A.1*.

1.4 Structure of the Report

This report is divided into sections. Section one gives the introduction and the objectives of the study. Section two gives the methodology and scope of the study. Section three analyses the agriculture sector funding and performance. Section four discusses the policy and legal framework on agricultural financing in Uganda. Section five analyses the financing options available to small holder farmers in Uganda. Section six analyses the knowledge/attitudes and practices of small holder farmers. Section seven discusses the Government programmes that support small holder farmers. Section eight analyses the relationship between agriculture financing and productivity. Section nine provides policy recommendations and a conclusion.

Section 2: Methodological Approach of the Study

This section describes the procedures and methods that were followed in conducting the study. The methodology combined quantitative and qualitative research methods using focus group discussions, interviews and observations to enhance the overall validity of the quantitative findings. This design was preferred because of the following reasons:

- A quantitative research design was the most appropriate for data collection in this study that focused on quantitative aspects (i.e. numbers and figures).
- However, the qualitative element would provide insights on perceptions, facts, feelings, and experiences of communities and their leaders.
- A combination of the two methods would ensure descriptive, analytical, flexible, naturalistic and interpretative perspectives describing the state of affairs both numerically and verbally was got.

2.1 Methods

The following methods were used in undertaking the study:

2.1.1 Document Review

This involved a comprehensive literature and statistical review to capture information on; trends, percentages, key sources of financing by government and the private sector. The study collected and reviewed relevant primary and secondary data and analytical studies that were collected from various sources. These included: MAAIF: Ministerial Policy Statements, Agriculture Sector Development Strategy and Investment Plan; MFEPD: National Budget Speech, Background to the Budget, Approved Estimates of Revenue and Expenditures, Central Government Releases to Local Governments; NPA: National Development Plan 20/11-213/14; Local Governments: District Development Plans, Annual Budgets and Work plans; Analytical work by donor agencies, CSOs, research and academic institutions. The details of the documents reviewed are provided in the references.

The document review was supplemented by key informant interviews and focus group discussions:

2.1.2 Key Informant Interviews

These interviews were held with key stakeholders both the national and local government levels to solicit for their views on agriculture financing. These included: Central and Local Government officials; donor agencies, NGOs; MFIs, Banks. The interviews were guided by a structured questionnaire. *Annex A.2* shows the list of respondents.

2.1.3 Focus Group Discussions (FGDs)

The Focus Group Discussions (FGDs) were held with selected community representatives such as farmer groups and individual farmers not in groups. One FGD per Sub County was organised with farmers in each of the study districts. On average each FGD was attended by 17 people. The FGDs were conducted in local languages to ensure active participation of all respondents. *Annex A.3* shows the list of people who participated in the FGDs.

2.2 Scope and Coverage

The study involved a sample survey of small holder farmers, government officials, and private sector actors in eight districts indicated in the *Table 2.1* below. The districts were selected by members of the Uganda Farmers Common Voice platform, an advocacy platform for farmers and farmer focused CSOs under Caritas Uganda courtesy of the Uganda Governance and Poverty Alleviation Programme (UGOPAP).

Table 2.1: Geographical Scope

	District	Sub Counties
1.	Manafwa	Khabutola & Sibanga
2.	Iganga	Namungalwe
3.	Soroti	Gweri & Asuret
4.	Mpigi	Kituntu & Mpigi Town Council*
5.	Rakai	Kakuuto & Kasasa
6.	Luweero	Luwero & Katikamu
7.	Gulu	Lalogi & Patiko
8.	Arua	Logiri & Adumi

* replaced Kalamba sub county, which is now in Butambala district

2.3 Survey Organization

The study process was overseen by Caritas Uganda together with the UGOPAP platform steering committee. They reviewed and approved the methodology, survey instruments and monitored the progress of the study.

2.3.1 Design of Survey Instruments

Three survey instruments – a structured questionnaire, key informant interviews and focus group discussions guide were used to collect the relevant data both at national and local government levels. These tools were designed by the research team in collaboration with the research team at Caritas Uganda. The draft tools were pre-tested before the actual full-scale data collection exercise, after which the chronology and appropriateness of the questions on the first version of the tool were revised in order to collect the right data from the respondents. All qualitative data to answer the study objectives were collected through key informant interviews and Focus Group Discussions (FGDs).

2.3.2 Sample Design for the Study

The study collected data from a sample of the selected districts and sub-counties. The design was chosen due to time and budget constraints which limits covering the entire population of the UGOPAP implementing areas.

The study conducted interviews of 697 respondents at national and local government levels as shown in *Table 2.2* below. The sampling units were individuals/ group members, and leaders of the farmers associations / local governments/ agencies. Due to the absence of a complete listing of sampling units, the respondents were purposely selected by the researcher with the help of the UGOPAP implementing partners in each of the district. The selection of the respondents especially for FGDs balanced locations far from the sub-county headquarters with those nearby.

Table 2.2: Distribution of the Sample by district

	District	Households*	FGDs (# of p'ple)	Gov't Officials	NGOs*	Private Sector	Total
1.	Arua	72	43	10	2	4	129
2.	Gulu	39	39	10	7	6	94
3.	Iganga	42	28	7		6	83
4.	Luwero	24	27	8	5	5	64
5.	Manafwa	33	35	5		1	74
6.	Mpigi	19	31	8		5	62
7.	Rakai	40	17	4		5	66
8.	Soroti	29	39	4		7	79
9.	National	-	-		9	12	21
	Total	**298**	**259**	**56**	**33**	**51**	**697**

* mainly members of the Farmers Forum/ Groups

2.4 Data Collection

Data was collected during the month of May, 2013. A research team composed of five people gathered data from the field through interviews and FGDs. A desk review was done before the commencement of the field research. National level interviews were conducted after the local government field research. This helped to get strategic responses to the key issues that might have risen from the local government field research.

2.5 Data Analysis

The study involved a critical review of information gathered to identify answers to the study objectives. Content analysis involved the development of relevant themes that tally with the specific objectives. Relevant information was then extracted and analysed. There was use of trends analysis and capturing of people's voices.

Quantitative data analysis was carried out using STATA and excel. A data entry screen was developed and customised using CSPro. Descriptive statistics, frequencies, percentages, cross-tabulation are used in the report. In the report, quantitative data is mainly presented in tabular, graphical and text formats. The qualitative data was analysed using a theme selection procedure. Qualitative data is presented as text analyses and explanations of the responses. Data from document reviews is likewise presented as referenced texts. Instances where tables and graphs from any of the document reviews are presented in the report, the source is duly acknowledged.

2.6 Challenges faced while undertaking the study

During the course of the study, the following challenges were encountered:

a. Lack of openness from most banks, in fear of exposing their critical information to their competitors. Some banks actually refused to reveal any information on the interest rates they charge on their loans
b. Lengthy bureaucratic process to obtain interviews with bank / MFI officials. Some district / field based private sector (banks / MFIs) required clearance from their headquarters. This derailed the speed of the research.
c. Lack of concrete information on agricultural financing by some financial institution credit officers. These ended up giving information on general loans products.
d. Unavailability of most senior local government officials such as CAO, District Production Managers etc, at the time of field interviews, derailed the speed of the research

e. Limited knowledge by most local government officials on current agricultural financing; these ended-up giving general information on government programmes.
f. Fatigue from most respondents. Most local leaders and farmers said that they had participated in so many of these studies but had not seen any changes; thus refused to cooperate.
g. Difficulty in obtaining copies of official policy documents (such as development plans, budgets etc) at Local Government levels. Some LG officials are hesitant to share such documents.

Section 3: Agriculture Budget Allocations and Performance

3.1 Policy and Institutional Framework

Two key policy documents guide agriculture sector interventions in Uganda. These include: the National Agricultural Policy (NAP) which is still under development and the MAAIF Development Strategy and Investment Plan (DSIP) 2010/11 – 2014/15. The overall policy objective of the NAP is to promote food and nutrition security and household incomes through coordinated interventions that focus on enhancing productivity and value addition, providing employment opportunities, and promoting domestic and international trade.

The Development Strategy and Investment Plan (DSIP) was approved in 2010 to define the agriculture sector development agenda for the next 5 (five) Financial Years (FY) 2010/11 to 2014/15. The DSIP also defines the institutional framework and the various roles and responsibilities for identified implementing institutions. It's supposed to define the agriculture sector development agenda for the next five years. However, its implementation has been hampered by inadequate funding. For instance, in FY 2012/13 the sector received Shs 379.04 billion compared to Shs 559.6 billion projected in the DSIP, thus leading to a funding gap of Shs 180.6 billion (MAAIF, 2012[6]).

The actual implementation of a large proportion of DSIP activities takes place at district level and fall under the responsibility of local governments. However, the link between MAAIF HQ and local governments is very weak, exacerbated by the inadequate staffing. The current MAAIF HQ establishment has a total of 411 positions out of which only 279 (67 percent) are filled. Even where the positions are filled, the established posts are not sufficient to meet the minimum numbers necessary to cultivate the links (MAAIF, 2012[7]).

A review of the MAAIF Policy Statements shows a divergence between the strategic objectives and actual funding for the activities to achieve the objectives. Though the objectives are well elaborated, however, the actual budget allocations can't facilitate the sector to achieve the stated objectives. For instance, the target of Government is to transform the majority of subsistence farmers and graduate them towards commercial agricultural production, so as to raise family gross income to at least Shs. 20,000,000/= per year. This is not consistent with the current level of funding of agricultural activities at local government levels. For instance, Shs 150 billion allocated for LGs in FY 2012/13; meaning that government will spend a mere Shs 38,000 on each agricultural household.[8]

3.2 National Budget Sectoral Allocations

Government direct spending on agriculture is under the Agriculture, Animal Industry and Fisheries. The sector has seven votes, these include: Ministry of Agriculture Animal Industry and Fisheries (MAAIF), Diary Development Authority (DDA), National Agricultural Research Organisation (NARO), NAADS Secretariat, Uganda Cotton Development Organisation (UCDO), Uganda Coffee Development Authority (UCDA) and Local Governments (LGs). The agriculture sector agencies operate at both national and sub-national levels and are responsible for the execution of approved plans and resources in their budgets.

[6] MAAIF (2012). Ministerial Policy Statement for Agriculture, Animal Industry and Fisheries Sector, FY 2012/13.
[7] http://www.agriculture.go.ug/
[8] The Uganda Census of Agriculture (UCA) 2008/09 estimates the number of Agricultural Households as 3.95 million (UBOS 2010).

In absolute terms, government spending on agriculture (national budget allocation to agriculture) has been increasing from UShs 173.5 billion in 2008/09 to UShs 378.9 billion in 20012/13 (*Tables 3.1a &b*). This means the agricultural sector budget has more than doubled over the last five years. However, this is less than the growth in the total national budget; which increased more than three-folds during the same period.

Table 3.1a: Trends in national budget allocation to the agriculture sector in relation to other sectors: 2008/09-2013/14 (excl. Arrears and Non-VAT Taxes) [Amount Shs billion]

Sector	2008/09 Outturn	2009/10 Outturn	2010/11 Outturn	2011/12 Outturn	2012/13 Appr. Budget	2013/14 Budget
Security	579	560	1,709	984	945	1,046
Works and Transport	614	596	742	829	1,651	1,770
Agriculture	*173*	*231*	*277*	*270*	*379*	*384*
Education	771	902	1,093	1,209	1,592	1,555
Health	381	417	564	579	852	931
Water & Environment	94	117	122	134	354	382
Justice, Law & Order	276	441	689	597	538	552
Accountability	303	336	331	377	580	540
Energy & Mineral Dev't	237	334	365	994	1,482	1,762
Trade Tourism & Industry	24	47	35	47	73	51
Lands, Housing & Urban Dev't	13	20	14	25	26	26
Social Dev't	21	28	24	34	58	26
ICT	6	7	16	13	16	15
Public Admin, PSM & Legislature	708	1,082	1,363	1,250	1,519	1,714
Interest Payments	358		424	520	839	909
TOTAL	**4,558**	**5,118**	**7,768**	**7,860**	**10,903**	**11,663**

Source: MFPED, Approved Estimates of Revenue and Expenditure and Annual Budget Performance Report (various years)

Table 3.1b: Trends in national budget allocation to the agriculture sector in relation to other sectors: 2008/09-2013/14 (excl. Arrears and Non-VAT Taxes [Percentage]

Sector	2008/09 Outturn	2009/10 Outturn	2010/11 Outturn	2011/12 Outturn	2012/13 Appr. Budget	2013/14 Budget
Security	12.7	10.9	22.0	12.5	8.7	9.0
Works and Transport	13.5	11.6	9.6	10.5	15.1	15.2
Agriculture	*3.8*	*4.5*	*3.6*	*3.4*	*3.5*	*3.3*
Education	16.9	17.6	14.1	15.4	14.6	13.3
Health	8.4	8.1	7.3	7.4	7.8	8.0
Water & Environment	2.1	2.3	1.6	1.7	3.2	3.3
Justice, Law & Order	6.1	8.6	8.9	7.6	4.9	4.7
Accountability	6.6	6.6	4.3	4.8	5.3	4.6
Energy & Mineral Dev't	5.2	6.5	4.7	12.6	13.6	15.1
Trade Tourism & Industry	0.5	0.9	0.5	0.6	0.7	0.4
Lands, Housing & Urban Dev't	0.3	0.4	0.2	0.3	0.2	0.2
Social Dev't	0.5	0.5	0.3	0.4	0.5	0.2
ICT	0.1	0.1	0.2	0.2	0.1	0.1
Public Admin, PSM & Legislature	15.5	21.1	17.5	15.9	13.9	14.7
Interest Payments	7.9	0.0	5.5	6.6	7.7	7.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Author's computations based MFPED, Approved Estimates of Revenue and Expenditure and Annual Budget Performance Report (various years)

Examining the composition of total government expenditures shows that the agricultural sector is among the lowest ranked sectors in the national budget. For instance, in the 2013/14 national budget, General Public Administration[9] and Security were allocated UShs 1,713.8 billion; and UShs 1,045.9 billion respectively compared to only UShs 384.2 billion that was allocated to the agricultural sector.

The agricultural sector has not received more than 5 percent of the Government of Uganda (GoU)-financed budget in any year since 2008/09. However, the Budget Speech[10] states that the total direct and indirect allocation to the agriculture sector is projected at Shs 585.3billion in FY 2012/13 which is 5 percent of the total national budget. This is way below the Maputo / Comprehensive Africa Agriculture Development Programme (CAADP)[11] declaration (target) of at least 10 percent of the national budget. Looking into the future, the share of agriculture sector budget in the national budget is projected to stagnate at around 3.5 percent, despite high increase in population growth. This level of spending on the agricultural sector is grossly insufficient for sustaining any major or substantial investments that can create the necessary institutional and physical infrastructure[12] required to transform Uganda's economy.

The counter argument presented by government for under funding of the agriculture sector through MAAIF and its agencies, is that agricultural development is multi-sectoral and is usually compensated by investments in agriculture-related sub-sectors like energy, rural water and roads and project funding outside the agriculture sector budget (PMA Secretariat, 2008). However, the multi-sectoral approach is not helping the agriculture sector, partly because of many competing priorities within other sectors; there is a tendency by these sectors to emphasize their own priorities, to the detriment of the agricultural related priorities.

3.2.1 Intra-Sectoral Budget Allocations

The sub-section analyses how the agriculture sector budget is allocated among the key agencies within the sector and how the various votes (sub-sectors) allocate and utilise the allocated funds. Figure 3.1, shows the agriculture sector budget is allocated among the seven votes. The biggest share of the sector budget is allocated to Local Government (LGs), followed by MAAIF, NARO and NAADS secretariat. The budget allocation for UCDO, UCDA and DDA is very minimal. Although the share of MAAIF budget has been declining from 39 percent of total sector spending in 2009/10 to 22 percent in 2012/13, it's still too high given the headquarter mandate. In addition, the budget allocations at MAAIF-headquarters are inefficient.[13] This is mainly because most the resources are spent on activities which are administrative in nature, than improving agricultural productivity.

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[9] Public administration, Public Sector Management and Legislature

[10] Budget Speech FY 2012-13, by Hon. Maria Kiwanuka, delivered at the meeting of the second session of the 9th Parliament of Uganda on 14th, June 2012.

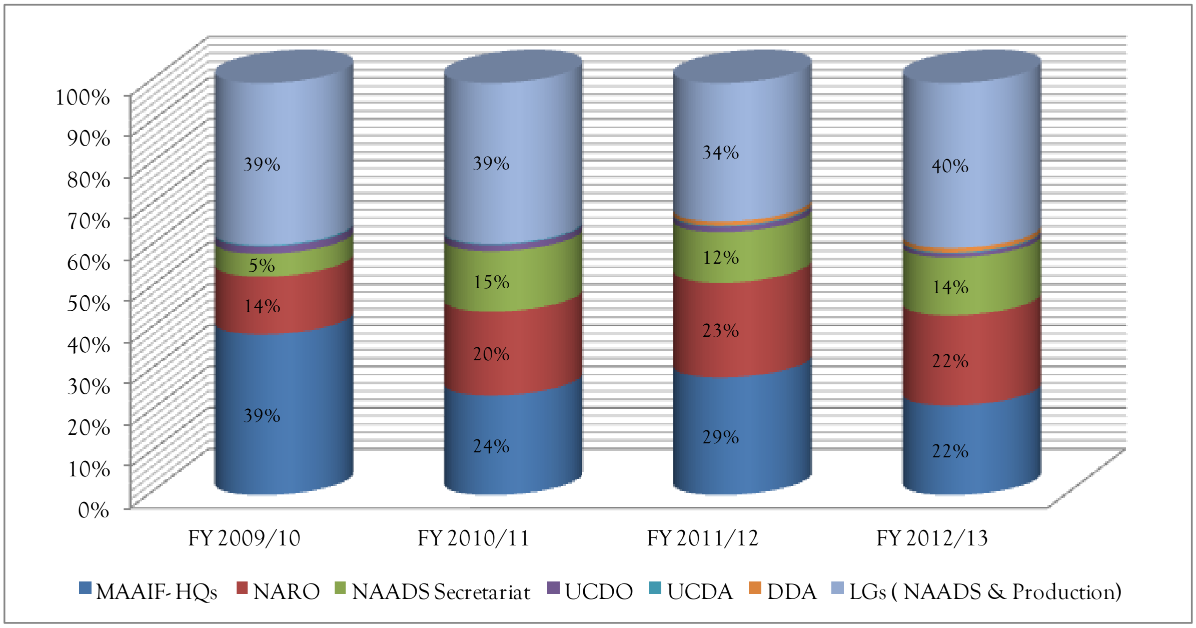
[11] CAADP was endorsed and adopted by the African Heads of State and Government at the Summit of the African Union in July 2003 in Maputo, Mozambique, as a framework for the restoration of agriculture growth, food security and rural development in Africa.

[12] ACODE and UNFFE (2009). Farmers' Petition to the President and Members of Parliament of the Republic of Uganda. INFOSHEET No. 7, 2009.

[13] Public expenditure is efficient when, given the amount spent, it produces the largest possible benefit for the country's population.

Though staff related costs are generally low, other expenditures on various ministers[14], vehicles, maintenance of vehicles, fuel and lubricants, workshops and seminars and consultancy services.

Figure 3.1: Trends in intra-sectoral allocations in the agriculture FY 2009/10 – 2012/13



Source: Author's computations based on the MFPED, Approved Estimates of Revenue and Expenditure (various years)

Recurrent verses Development budget

On average the development budget accounts for around 82 percent of total agriculture sector budget (see *Table 3.2*). Within development spending, donors[15] have traditionally provided the majority of funding. The entire development budget is allocated to four sub-sectors: LGs, MAAIF-headquarters, NARO and NAADS Secretariat; on average 43 percent, 27 percent, 18 percent and 12 percent respectively. There is no development budget allocation for UCDA and DDA (see T*able 3.3*). However, it should be noted that the sector "development expenditure" is not synonymous with "capital expenditure" as is usually assumed (Lukwago.D, 2010).

The development expenditure is heavily oriented towards non-wage recurrent expenditures rather than to capital expenditures. For instance, the share of capital outlays for MAAIF headquarters in the 2012/13 budget is only 18.2 percent (see F*igure 3.2*); however, the share of its development budget allocation is 73 percent. Thus, the capital investment is far less than that of the development budget, which means that not all development budget allocation

[14]These include: 1 cabinet minister and 3 state ministers.

[15] The main donors who support the agriculture sector include: International Fund for Agricultural Development (IFAD), the European Commission (EC), Danida, the African Development Bank (ADB), the United States Agency for International Development (USAID), German Technical Cooperation (GTZ), the Food and Agriculture Organization (FAO) and the International Development Association (IDA)

is capital investment. The low allocation of the sector budget towards capital investments is a key challenge to the development of agriculture in Uganda.

Table 3.2: Agriculture sector Recurrent and Development Spending

Type of Expenditure	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
Recurrent				
Wages	2.52	3.88	30.28	27.92
Non-wages	34.93	67.68	47.09	50.80
Sub-Total	**37.45**	**71.56**	**77.37**	**78.72**
Percentage	*12.1*	*19.6*	*18.7*	*20.8*
Development				
GoU	168.20	217.79	213.78	225.12
Donor	105.09	76.18	123.17	73.96
Sub-Total	**273.29**	**293.97**	**336.95**	**299.08**
Percentage	*87.9*	*80.4*	*81.3*	*79.2*
TOTAL	**310.74**	**365.53**	**414.32**	**377.79**

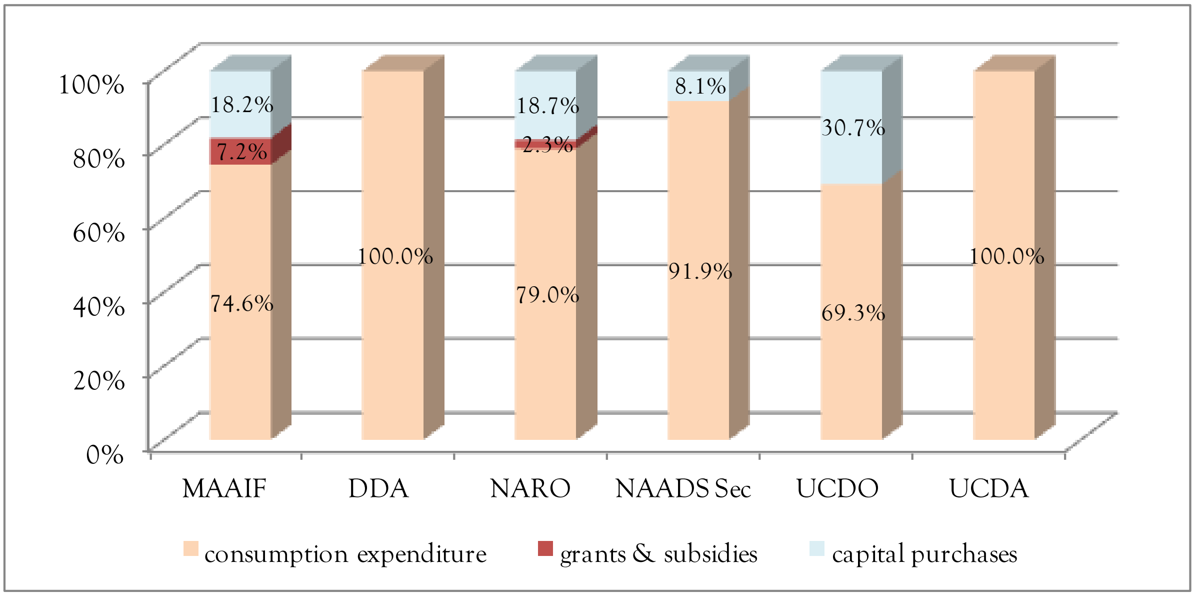
Source: Author's computations based on the MFPED, Estimates of Revenue and Expenditure (various years).

Table 3.3: Share of development spending in sub-sector budget

Sub-Sector	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
MAAIF	39.4%	22.3%	25.0%	20.2%
NARO	13.8%	16.7%	22.2%	19.6%
DDA	0.0%	0.0%	0.0%	0.0%
NAADS Secretariat	3.9%	16.0%	13.9%	15.6%
UCDO	0.0%	0.0%	0.0%	0.7%
UCDA	0.0%	0.0%	0.0%	0.0%
LGs	42.9%	45.1%	39.0%	43.9%
Total	**100%**	**100%**	**100%**	**100%**

Source: Author's computations based on the MFPED, Estimates of Revenue and Expenditure (various years).

Figure 3.2: Composition of Expenditure by agency FY 2012/13



Source: Author's computations based on the MAAIF, Policy Statement FY 2012/13.

5.2.3 Budget Performance

Table 3.4 shows budget releases and spending of the agriculture sector agencies. It's clear that not all the budgeted funds are released and not all releases fund are actually spent. Data shows that the sector gets about 95 percent of the budgeted funds, but spends about 90 percent of the released of the released funds. There are operational inefficiencies within the sector, which limits the ability of the sector to meet its objectives, and also to justify the need for additional resources.

Table 3.4: Agriculture Sector Budget Performance

Votes	2009/10			2010/11			2011/12		
	Budget	**Release**	**Spent**	**Budget**	**Release**	**Spent**	**Budget**	**Release**	**Spent**
MAAIF- HQs	36.32	32.43	32.40	89.11	43.36	43.37	47.54	43.20	43.30
NARO	23.47	43.43	43.41	76.42	67.19	52.29	34.85	29.60	29.60
NAADS Secretariat	18.50	28.49	26.78	54.78	53.07	52.96	52.96	46.11	45.96
UCDO	5.70	5.70	5.70	7.94	5.70	5.70	5.70	5.67	1.90
UCDA	0.88	0.78	0.78	7.72	5.88	7.92	1.15	1.04	1.06
DDA	0.00	0.00	0.00	0.00	0.00	0.00	2.13	3.55	3.55
LGs (NAADS & Production)	122.28	122.27	122.27	142.61	137.52	N/A	144.10	143.10	144.30
Total	**207.14**	**233.10**	**231.35**	**378.57**	**312.72**	**162.24**	**288.43**	**272.27**	**269.67**

N.B Some years don't include donor funds

Source: MFPED Budget Performance Reports (various years)

Recent Public Expenditure Reviews (PER) in the sector have indicated great inefficiencies in resource utilization in this sector. As a result, there are substantial resources that have been and continue to be invested in agriculture sector without any tangible impact on the farmers. There are value for money concerns as regards to procurement of goods and services in the sector especially at the MAAIF headquarters. There is evidence that goods procured locally cost less and are less prone to wastage and leakage than goods procured centrally. For instance, the unit cost of items procured centrally is quite high e.g. the cost of procuring a Boer goat is Shs 892,000 compared to Shs 250,000-300,000 at the district level. A local goat was centrally procured at Shs 70,000 as compared to Shs 50,000 at the local government level (EPRC, 2009[16]).

[16] EPRC (2009). Agricultural sector Public Expenditure Review, Phase Three: Efficiency and Effectiveness of Agricultural Expenditures.

Section 4: Agricultural Financing in Uganda

4.1 Policy and Institutional Framework

Uganda's policy framework has been to establish a viable and sustainable rural financial system, and institutional arrangements that are integrated within the formal financial sector and that are market based. These economic reforms have provided fertile ground for private sector responses to economic opportunities in agricultural production and other associated downstream value-added activities (Bank of Uganda, SIDA, kfw and GTZ, 2004[17]). Consequently, a number of formal, semi-formal and informal private institutions have cropped-up.

In 1997, the government of Uganda developed the Poverty Eradication Action Plan (PEAP) framework for eradicating poverty. Within this framework, measures were put in place to facilitate the private sector fulfil its role of promoting economic growth, under the Medium Term Competitive Strategy for the Private Sector (MTCS) and Plan for Modernisation of Agriculture (PMA). Both the MTCS and PMA frameworks identify the need to increase financial services to the poor. To this end, the micro finance industry has developed very fast to bridge the gap left by formal financial institutions, especially in the rural areas (Nannyonjo and Nsubuga, 2004[18]).

The National Development Plan (NDP) and the MAAIF Development and Investment Strategy (DSIP) emphasize increased access to agricultural financing as a fundamental input to the sector transformation. However, this will not be achieved unless the institutional and policy factors are streamlined along the credit market chain to solve the demand factors at household level. The institutional problem could be demonstrated from the level of credit allocation through the formal commercial banks to agriculture production which has remained in proportion of less than 10 percent of total credit allocation in the last 10 years (Munyambonera et al, 2012[19]).

The policy inconsistency argument is demonstrated from an unimpressive performance of a number of Agricultural financing initiatives such as the Poverty Alleviation Project (PAP), Entandikwa Credit Scheme (ECS)[20], Rural Farmers Scheme, Cooperative Credit Scheme, the Youth Entrepreneurs Scheme, Agriculture Credit Facility (ACF), the Medium Term Competitive Strategy and Rural Financial Services programme among others, have been implemented by Government since the 1990s (Munyambonera et al, 2012). The implementation of many these programmes lacked the effective methodologies and the adequate management and coordination capacity necessary for their success.

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[17] Bank of Uganda, SIDA, kfw and GTZ (2004). Agricultural Finance in Uganda: The way Forward

[18] Nannyonjo and Nsubuga (2004). Recognising the Role of Micro Finance Institutions in Uganda. Bank of Uganda Working Paper

[19] Munyambonera. E, Nampewo. D, Adong. A and Mayanja.M (2012); Access and Use of Credit in Uganda: Unlocking the Dilemma of Financing Small Holder Farmers. EPRC Policy Brief No. 25, November 2012

[20] This scheme was introduced in 1995 and sought to target that section of the population that could not obtain credit through traditional commercial lending. The scheme failed because of massive rent seeking behaviour as local elites received the lion's share of funds disbursed.

Table 4.1 summarizes the performance of some key agricultural financing initiatives looking at, objectives and policy failures. One major drawback to these initiatives was lack of institutional framework for coordination, and implementation.

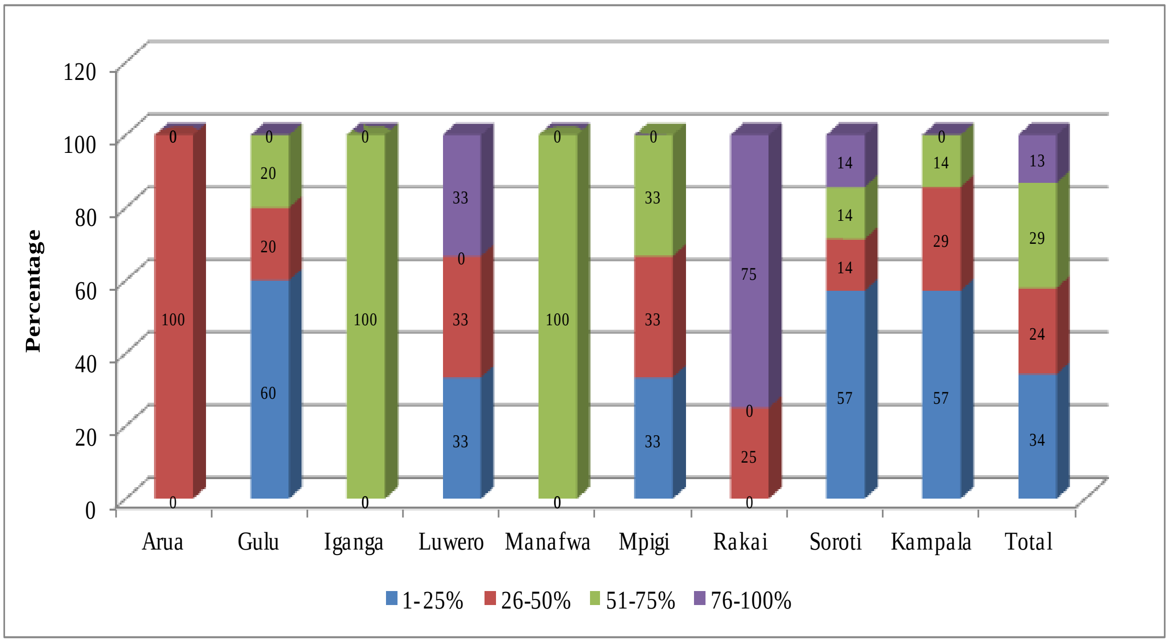
Table 4.1: Key Agricultural Financing Initiates and Policy Failures

Initiative	Objective	Policy Failures
Endandikwa-1996	Increase access to rural credit by farmers	Weak institutional framework For implementation
The medium term competitive and Investment strategy (CICS)	▪ To support the private sector to become a powerful engine of growth and a central pillar for increasing incomes and consequently poverty reduction on sustainable basis; through strengthening the financial sector and improving access	▪ Inadequate financing ▪ Narrow outreach ▪ Weak institutional framework for coordination and implementation
Rural financial services programme of 2005-2008	▪ Increase financial services outreach	▪ Weak regulatory framework for MFIs and SACCOS
Prosperity for all (PSA)-2008	▪ Empowering the household to earn annual income of 20 million through increased access to financial services and remunerative markets.	▪ Limited access ▪ Government failure to allocate resources in time ▪ Political interference
The National Agricultural Advisory Services (NAADS)-2001	▪ To increase farmers' productivity and household incomes through enhanced provision of extension services and support to the provision of financial services	▪ Weak institutional framework for coordination, financing and implementation ▪ Inadequate financing to cover a good number of farmers
The Microfinance Support Centre (MSCL)-2005	▪ Improved access of credit for farming by farmers at a lower interest rate of 9 percent as well commercial credit at 13 percent per annum	▪ Loans not equitably distributed in all zones ▪ The MFIs and SACCOs shifted from the initial objective of low credit provision to purely trade credit at rates competing with commercial banks and some times higher ▪ Lack of effective regulation, monitoring and supervision
Agricultural Credit Facility (ACF)-2009	▪ Improving access to finance for agricultural equipment for value addition and processing for commercial farmers at an interest rate of 10 percent.	▪ It's a biased credit facility to agro processing and value addition for medium and large scale farmers ▪ It does not cover production inputs such as fertilisers, fungicides and pesticides which are important for small holder productivity gains ▪ The facility is blamed for being credit market distorting

Source: Munyambonera et al (2012); EPRC Policy Brief No. 25

Currently, agricultural financing is provided by the private sectors which include formal financial institutions, NGO-MFIs, member-owned organizations, and informal sources. However, the private financial institutions lending in sufficient quantities on friendly terms and conditions. As shown in figure 4.1, most of the financial institutions interviewed (especially in Gulu, Soroti and Kampala) allocate a small portion of loans to agricultural credit. The result is a massive gap in funding for agriculture that is locking millions of farmers in a poverty trap. Without access to credit, farmers are unable to invest in future production, to expand their farming or to take a risk.

Figure 4.1 Percentage of financial institution's loan facility for agriculture

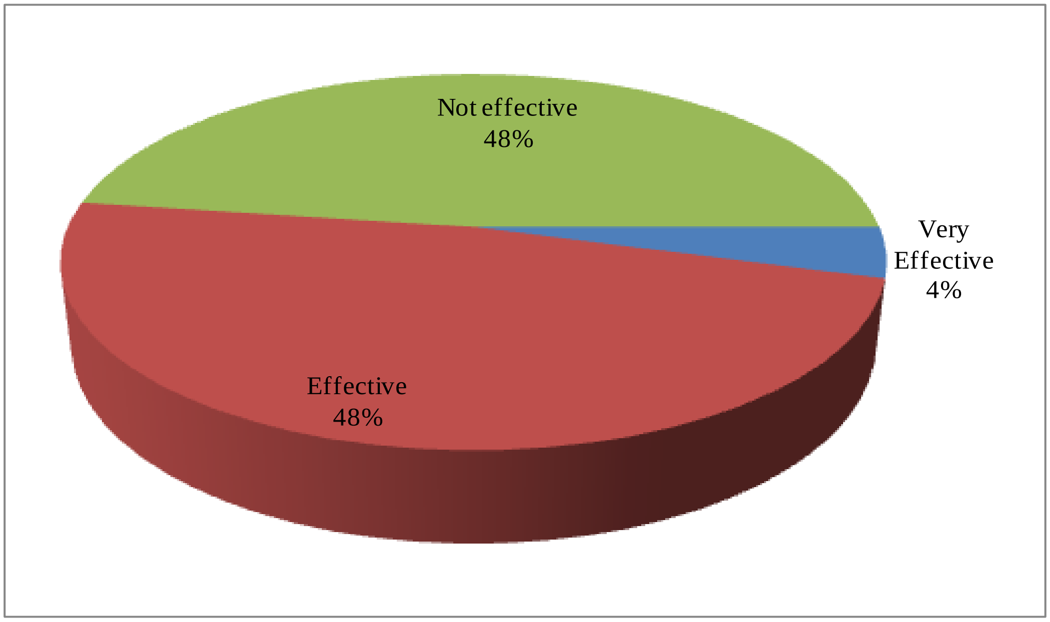


Source: Survey data

In 2004, Government established the Rural Financial Services Programme (RFSP), with a strong focus on capacity building of existing financial institutions at different tiers to increase their outreach to rural areas and their sustainability as part of the financial system. In 2007, the programme was revamped and re-oriented towards the new rural financial strategy that emanated from the "prosperity for all" programme, hence promoting efficiency and profitability of SACCOs. The GoU has also increased funding to rural areas through the Microfinance Support Centre (MSC), which provides wholesale lending to SACCOs, who then retail the funds to their members. In addition, government created a new Department of Microfinance (DMF) in the MoFPED to manage the government's Rural Financial Services Strategy. It also established UCSCU to become the primary apex organization for all SACCOs, and to provide advocacy, training, and education for its members—in particular for the establishment and strengthening of SACCOs under RFSP. Although in relative terms there was an improvement in microfinance allocation to agriculture from less than 10 percent in 2005 top to 75 percent in 2010, of total microfinance through the MSC, this amount is far less than the actual credit demand for small holder farming and related activities along the value chains (Munyambonera et al, 2012).

The government officials interviewed noted that government is doing something to improve farmers' access to credit through interventions like Agricultural Credit Facility (ACF), and support to SACCOs through the MFSC. However, almost half of the respondents think these programmes are not effective (see figure 4.2). This is mainly due to the fact that the modalities of accessing such funding are complex for most small holder farmers. Besides, the funding is not sufficient to cover the demand for micro-credit.

Figure 4.2: LG Officials' views on the effectiveness of interventions on access to credit



Source: Survey data

Section 5: Financing Options Available to Farmers

5.1 Agricultural Credit Facility (ACF)

The ACF was set up by the Government of Uganda (GoU) in partnership with Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions all referred to as Participating Financial Institutions (PFIs) to facilitate the provision of medium and long term loans to projects engaged in agriculture and agro-processing on more favorable terms than are usually available from the PFIs (Bank of Uganda, 2009[21]).

The Scheme became operational in the year 2009 and has been implemented by 27 PFIs[22] in phases. Phase I was from October 2009 to June 2010; Phase II from July 2010 to June 2011 and Phase III from July 2011 to date (*Table 5.1*). Government's contribution to the ACF is interest free to the participating financial institutions.

Table 5.1: ACF modalities

<table>
<tr><th>Phase</th><th>Total ACF funds</th><th>Government Contribution</th><th>Interest Rate</th><th>Loan Amount</th><th>Other terms</th></tr>
<tr><td>ACF I</td><td>Ushs 60 billion</td><td>- 50(Shs 30billion)
- 50of the credit risk</td><td>up to a maximum of 10per annum</td><td rowspan="3">- Maximum loan amount to a single borrower is not more than Shs 2.1billion.
- However, this amount can be increased up to Shs 5billion on a case by case basis</td><td rowspan="3">- minimum of 6 months
- maximum maturity of 8 years
- Grace period of up to a maximum of 3 years
- Facility fees charged by PFIs to the borrower should not exceed 0.5of the total loan amount</td></tr>
<tr><td>ACF II</td><td>Ushs 180 billion</td><td>- 33%(Shs 60 billion)
- 33(Shs 60 billion</td><td>up to a maximum of 12per annum</td></tr>
<tr><td>ACF III</td><td>Ushs 60 billion</td><td>- 50%(Shs 30 billion)
- 50of the credit risk</td><td>up to a maximum of 10per annum</td></tr>
</table>

Source: BoU and PMA (2011)

The scheme is administered by the Bank of Uganda (BoU). The scheme operates on a refinance basis in that the PFIs disburse the whole loan amount to the sub-borrower and applies to BoU for the 50 percent GoU contribution. The main objective of the ACF is to commercialize Agriculture through provision of medium and long term financing for projects engaged in Agriculture, Agro processing, modernization and mechanization.

[21] Bank of Uganda (2009). Agricultural Credit Facility: Brief to Clients

[22] ABC Capital Bank, Barclays Bank, Bank Of Africa, Bank Of Baroda, Cairo Bank, Crane Bank, Centenary Bank, Citi Bank, Diamond Trust Bank, Dfcu Bank, Ecobank, Equity, Fina Bank, Finca, Global Trust Bank, Housing Finance Bank, Kenya Commercial Bank, Mercantile Bank, Orient Bank, Post Bank, Pride Microfinance, Stanbic Bank, Standard Chartered Bank, Tropical Bank, UDBL, United Bank for Africa, and Uganda Finance Trust.

Box 5.1: Purpose of ACF

The ACF enables loans to be extended to farmers and agro-processors on more favourable terms (e.g. lower interest rates) that are available through normal market channels, because the Government subsidises the scheme through the provision of interest free loans to the participating financial institutions and through its bearing of some of the credit risk (BoU and PMA, 2011)

According to the Brief to Clients issued the Bank of Uganda, eligible projects that can benefit from ACF, include acquisition of agricultural machinery, post harvest handling equipment, storage facilities, agro processing and any other related agricultural and agro-processing machinery and equipment. Agricultural inputs required for primary production are only considered provided this component does not exceed 20 percent of the total project cost for each eligible borrower. The later condition eliminates most of the small holder farmers, since they are largely involved in primary agricultural production and start-up capital is their biggest bottleneck.

The primary security for the credit facilities are machinery and equipment financed, where applicable, and other marketable securities provided by the borrower if required. PFIs may seek additional security based on their evaluation of the risk profile of the project being financed. The PFIs shall ensure that the loan is adequately secured as per their credit policy to protect the interests of the PFI, BoU and Government. In addition, the borrower has to contribute a minimum of 10 percent of the cost of the sub-project/assets to be acquired.

Box 5.2: Procedure of accessing the ACF Loan Facility

- ⇨ The client forwards his/her loan application to any PFI of his/her choice.
- ⇨ The PFI advise him/her on the terms under the ACF.
- ⇨ A detailed bankable project Proposal may be required by the PFI (depending on the loan amount applied for).
- ⇨ The security/collateral are negotiated with the client's PFI/bank and not with BOU
- ⇨ If the Loan application meets the requirements of the ACF, then the PFI forwards the application to BOU on behalf of the sub-borrower.
- ⇨ On approval, the PFI disburses the funds to the client and apply to BoU for a refund.

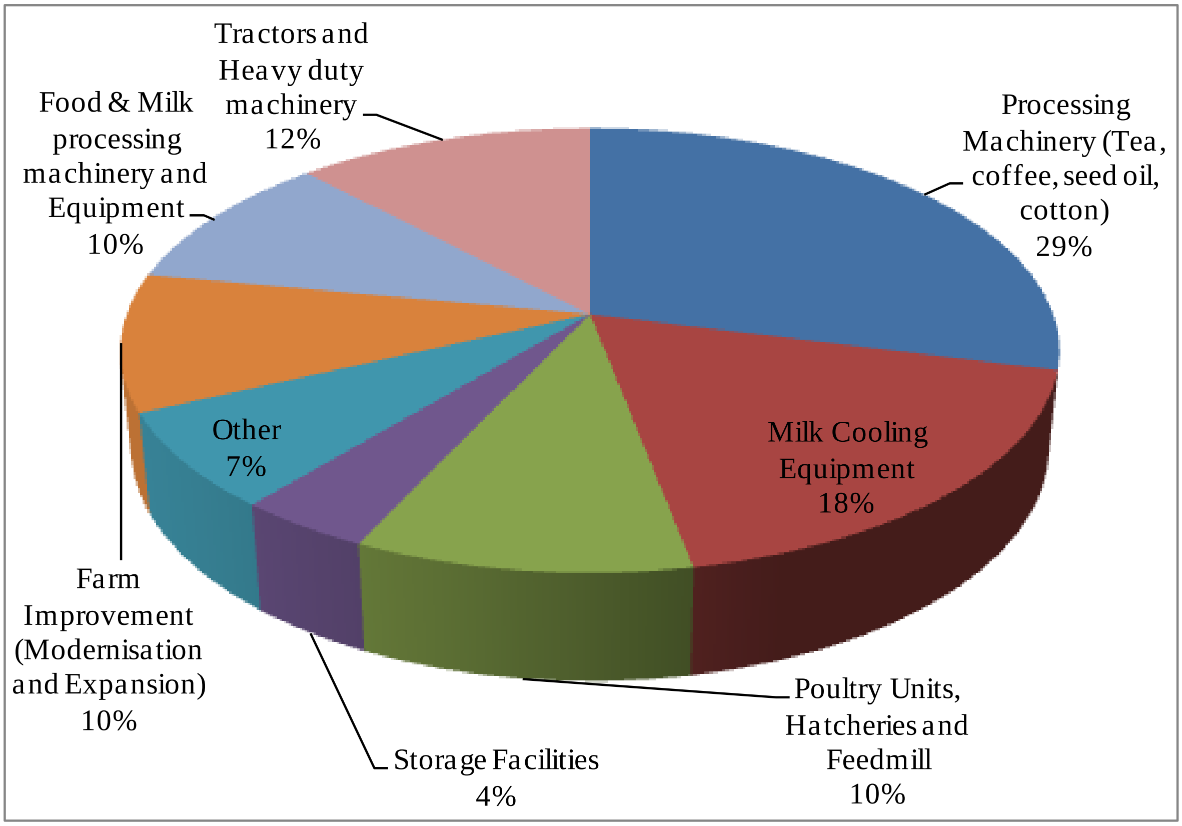
Source: Bank of Uganda: ACF-Brief to Clients

Majority of the loans have mainly been extended to larger commercial farmers and agro-processors, many of which are well established companies that already have access to bank finance but not small holder farmers. By 2012, 18 large scale borrowers obtained loans worth Shs 55.10 billion, which is 62 percent of the entire amount of credit disbursed under the ACF (BoU and PMA, 2011). The modalities of accessing loans under the ACF are not suitable for small holder farmers. For example, the participating financial institutions require borrowers to provide collateral security for the credit facilities in form of machinery and equipment financed and other marketable securities, but many small scale borrowers cannot meet such conditions.

… almost 70% of the credit disbursed under the ACF to date has gone to large borrowers with loans of Shs 2 billion or above (BoU and PMA, 201).

Agricultural lending by commercial banks and other institutions increased by 60 percent during 2011/12. However, it was mainly aimed at post-harvest activity and purchase of equipment boosted by utilisation of the Agricultural Credit [F*igure 5.1*]. These investments are largely made by large scale farmers and agricultural processors and exporters, but not small holder farmers.

Figure 5.1: Investments funded under the ACF



Source: Agricultural Finance Yearbook, 2011

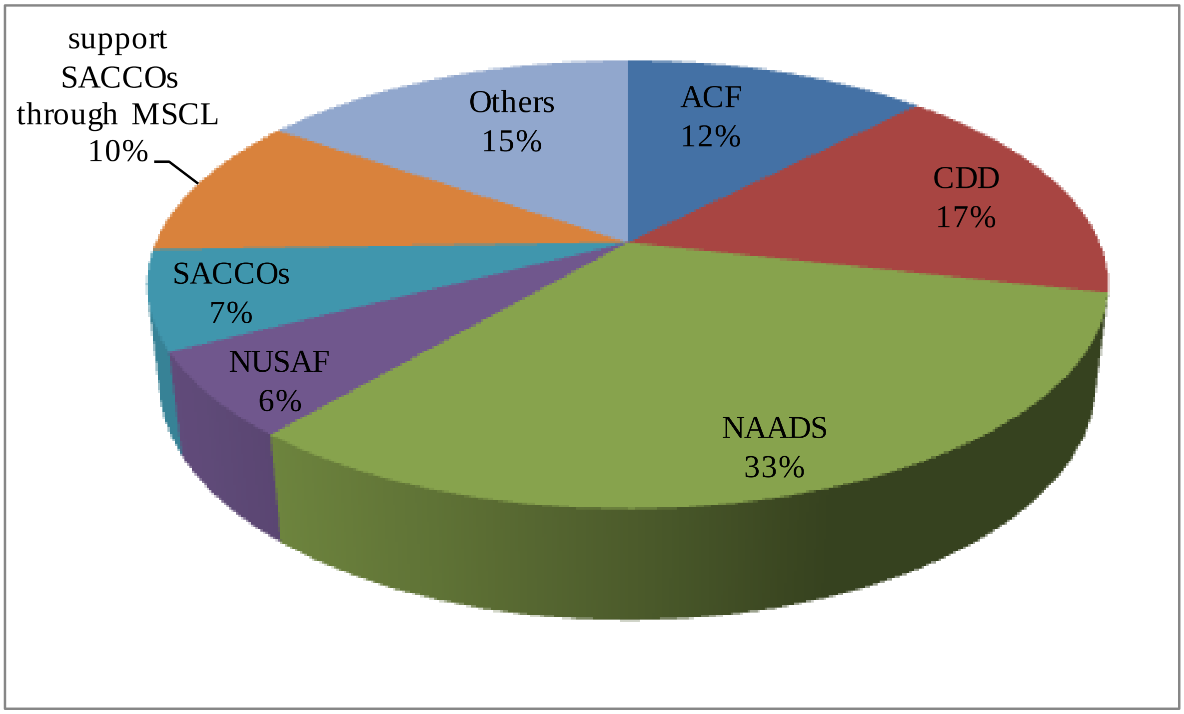
One major challenge with the ACF is that the participating financial institutions are less willing to co-finance the ACF. Most of them have easier and higher yielding portfolios where to invest their funds than this ACF, whose interest rate is between 10 -12 per cent. Consequently, the uptake of the ACF remains fairly low due to time required by banks to develop tailor-made product offerings and borrowers seeking to understand the credit available and how it works (PWC, 2012[23]).

Another challenge is that the ACF has not been well advertised; many people are not aware of its availability. The survey found that a small percentage (12%) of local government knew about the ACF (see figure 5.2). However, most of were not aware of the ACF modalities; they only know that it can be accessed through commercial banks such as Centenary Bank. However, only 4 percent of the small holder farmers interviewed had accessed agriculture

[23] PWC (2012). Uganda’s FY 2012/13 Post Budget Analysis

finance form commercial banks. It should be noted that not all the agricultural financing provided by commercial banks is under ACF. Majority of the LG officials referred to other programmes NAADS, CDD, CAIIP, and NUSAF, that they claimed to be supporting small holder farmers. However, these programmes don’t explicitly provide finance to smallholders farmers.

Figure 5.2: Programmes reported by LG officials that support farmers to access agricultural credit



Source: Survey data

5.2 Commercial Banks

The formal financial system is largely bank-centred and supplies mainly short-term working capital loans going to the non-agricultural sectors with less credit going to agriculture despite its dominant role in the economy. The commercial banks limit their exposure to agriculture and rural areas by making loans to the larger processing and export firms, some input supply companies and a few large farmers (Bank of Uganda, SIDA, kfw and GTZ, 2004). As shown in *Table 5.2*, most of the loan products of most Financial Institutions (FIs) cannot be accessed by the small holder farmers who make the majority of small holder farmers comprise 96 percent of all farmers in Uganda. This is hindering commercialisation of agriculture in Uganda.

Table 5.2: Quick Analysis of Agricultural Loan products of selected FIs in Uganda

	Financial Institution/s	**Interest (p.a)**	**Comment**
1.	Post Bank	10-11%	Depends on the amount of money borrowed
2.	Stanbic Bank	12%	Require documents like business plan, bank statement for one year, credit reference, bills of quantities for construction if applicable, pro-forma invoices for the machinery to be acquired if applicable, cash flow statements for one to two years depending on the loan term, audited books of accounts for past two years, valuation report of property pledged as security like building and customer`s formal loan application stating the amount of funds required and break down of each activity.
3.	Centenary bank	EID -18% ACF -29%	EID - funds borrowed should be more than 200m ACF- Turnover not more than 1 billion, total fixed assets not more than 750million and loan amount must not be more than 500million
4.	Uganda Finance Trust	25-30%	Depends on bank product i.e. Agro-Production is 30%, Agro-marketing is 25
5.	UGAFODE	3per month	Provides loans to small holder farmers; however it depends on the amount Of money requested to borrow.

Source: Interviews

Providing credit to small holder farmers involve large transaction costs and high risks for financial institutions, which means that most small holder are excluded from formal credit market. Formal financial markets are subject to failures when serving small holder farmers. This study found that commercial banks were not largely considered for agricultural financing by small holder farmers. Only 4 percent of the farmers interviewed had borrowed money from a commercial bank in the last one year. This is partly due to the fact that majority of farmers don't have regular income and don't even have bank accounts with the commercial banks.

> *If you borrow, you work for the banks because if you calculate the interest, all what you produce goes to service the loans-* Male FGD Participant, Adumi S/C Arua

In addition, most commercial banks are located in urban or pre-urban (town centres) which cannot be accessed by those farmers in remote areas. Furthermore, due to low literacy levels, most farmers fear to apply for loans, because of the paper work involved in accessing a loan. Some complain of high interest rates in commercial banks, but according to this study, farmers actually pay higher interest rates when they borrow from others sources. What is prohibiting farmers from borrowing from commercial banks is not due to high interest rates, but rather other factors such as lengthy procedures and those mentioned above and misconceptions about borrowing such as banks grabbing people's property.

***Box 5.3:* Reasons why farmers don't' borrow from commercial banks**

- Lengthy procedures
- Tough conditions on collateral
- High interest rates
- No clear information about their services
- Fear of loss of collateral (assets) if fail to pay back
- Not easy to access
- People don't have regular income to open bank accounts
- Banks are for the educated

In Soroti District the small holder farmers confessed they don't go to the banks because they fear the photographs taken of their properties. The fear to lose such hard earned properties scares off the small holder farmers from accessing loans from commercial banks. From the stand point of farmers, commercial banks don't understand the plight of small holder farmers.

> *The way loan officers grab your property if you default next time you can't borrow from such a bank* – Woman FGD participant,

5.3 Micro Finance Institutions (MFIs)

There a number of MFIs that provide agricultural credit. The emergence of MFIs has been a more positive development in access to formal financial services by small firms and households, which comprise most of the economy. Even here, however, agriculture and the rural economy have been largely unaffected up to now because most MFIs have focused their operations in urban and peri-urban areas, their loan asset portfolios being heavily concentrated in short-term working capital loans for trading and commercial enterprises with frequent loan instalments that are best suited to such enterprises (Bank of Uganda, SIDA, KfW and GTZ, 2004[24]).

MFIs mostly make short-term loans often with group guarantees and frequent payment schedules. This type of financing is better suited to trading enterprises with high turnover and not to farming enterprises with more irregular and seasonal cash flows. Some MFIs in rural areas have experienced rapid growth and high loan recovery rates, demonstrating a demand for services in these areas (World Bank, 2011[25]).

The strong focus on MFIs has obscured the much larger challenge of developing a financial service market appropriate for agriculture. There has been too much emphasis on the potential of MFIs to serve this agricultural market. However, agriculture is treated like any other business. In most cases, they fail to address the significant needs of small holder farmers.

5.4 Member-Owned and Managed Organizations

There are Self-help groups and Savings and Credit Cooperatives (SACCOs) that are completely self-organized and autonomous that intermediate funds among their members. The number of cooperatives and other member-owned organizations supplying financial

[24] ibid
[25] World Bank (2011). Uganda: Agriculture for Inclusive Growth in Uganda

services is even larger than the number of MFIs. It is a heterogeneous group that includes credit unions, community based village banks, Financial Service Associations (FSAs) and Savings and Loan Associations (SLAs). Some are savings-first self help oriented organizations, but many groups or SACCOs are reportedly being created in rural areas because of the expectation they will receive external assistance (Bank of Uganda, SIDA, kfw and GTZ, 2004).

SACCOs have no legal or regulatory framework as financial intermediaries. With the evolution of microfinance as a profitable business sector, most of the SACCOs now are concentrating on mobilizing savings and advancing loans to their members on a commercial basis. SACCOs are failing to have large outreach and affordable financial products due to weak governance and poor management. This has made the Cooperative Statute (1991) inadequate for regulating and supervising SACCOs (World Bank, 2011).

A key characteristic of SACCOs and other member owned financial organizations is that theoretically they are member controlled and this fact introduces some governance issues that are not shared or if at all shared to a less extent, by banks or NGOs. Partly due to shortcomings in governance, most are assumed to be weak and poorly managed. Even among the stronger SACCOs, serious problems are encountered. This situation is unfortunate because many of these organizations are located outside of Kampala, some in remote locations, and are the only type of financial institution that can serve sparsely populated areas where it is uneconomic for banks and the future MDIs to locate branches (Bank of Uganda, SIDA, kfw and GTZ, 2004).

Unlike the banks, member-owned financial institutions lack a strong support system to nurture, regulate and supervise the sector. The Uganda Cooperative Alliance (UCA) Ltd., the Uganda Co-operative Savings and Credit Union (UCSCU) Ltd., and AMFIU (Association of Microfinance Institutions of Uganda) all provide support to the sector, although AMFIU has only a few SACCO members. However, all three are too weak and lack the mandate and resources to be significant sources of strength, let alone be the agents of transformation necessary to achieve the goal of effectively providing financial services to small holder farmers and the rural poor (Bank of Uganda, SIDA, kfw and GTZ, 2004).

5.5 Non Government Organisation (NGOs)

There also a number of NGOs that provide agricultural finances to small holder farmers. Out of the 54 that were surveyed, 53 percent (34) said they had funded / supported or implemented any programme in the last five years that support farmers' access to financial services. Most of the NGOs interviewed have designed special loan programmes which suit the abilities of the small holder farmers. In Iganga BRAC has a loan scheme where farmers can access finances.

Most NGOs facilitate small holder farmers to form Village Savings & Lending Association (VSLA). Through these VSLA, they assist them with micro-credit or link them to MFIs and Banks. In addition, NGOs provide more support in terms of capacity building in financial literacy; sensitize farmers on available credit facilities and

> *"CIDI supports our village bank in terms of training and capacity building of members on how to save and use the savings. It also boosts our fund...I can't sell my crops while still in the garden because of school fees, I rather wait for the harvest that's why I go the village bank and borrow for school fees"*-Woman FGD participant, Soroti.

how to access them. In Manafwa district the people mentioned that EADEN has helped in making them aware of how to have money near them through supporting the village banks, the same was expressed by the farmers in Soroti. In Rakai VSLAs were spearheaded by UWESO, MADDO, Kasaali coffee farmers association (KACFA).The small holder farmers interviewed noted that among the many financing options, they mostly go to their VSLA or NGO village banks.

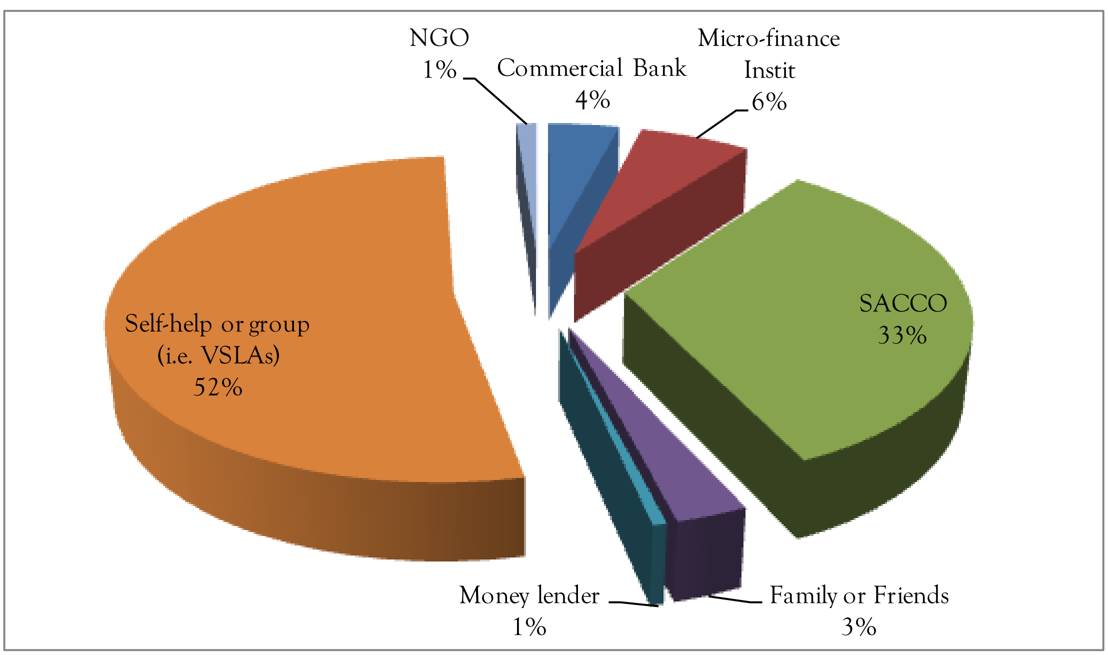
5.6 Informal sources

There are many other unregulated informal financial institutions and arrangements that apparently provide a huge volume of financial services to farmers. VSLAs (aka Village Banks) were commonly mentioned as the prime source of agriculture financing in all the communities visited. Village Banks are local saving associations where farmers meet once a week to save money as a group. In the districts of Arua and Gulu these village banks are referred to as self help groups because of the kind of assistance offered to the members. The village banks also provide some financing to their neighbours in times of calamity or emergency.

As shown in *Figure 5.3*, majority of the farmers interviewed get their agricultural loans from self-help groups and SACCOs. Most of these provide short-term, quickly disbursed, usually high interest, emergency loans. The loans from these village banks accrue high interest rates that range from 8 to 10 percent per month. Small holder farmers are comfortable with such high interest rates owing to the fact that at the end of the year, the village bank will balance the books of account and the returns will be shared amongst themselves.

> *I can pay any interest rate on my village bank because by the end of the year I know I have some money in my village bank that will take care of the family in the festive – season* –FGD participant (Youth) , Igangadistrict

Figure 5.3: Source of agricultural loans by farmers



Source: Survey data

Before joining any VSLA new members have to be scrutinized and tested to be of good character. This helps to increase trust and honesty among members of the association. The level of trust among the farmer group members that constitute the membership of the village banks has promoted financial access in such a way that a person with no collateral can access credit for agriculture. For many farmers that are not members of these village banks, they have failed to access financing.

I can now get a loan without being asked for collateral and have my children go to school while I do agriculture –Woman

Though VSLAs and SACCO are common in most villages, there is fear due to lack of regulation that some farmers might lose their money due to unscrupulous people. This is common fear among farmers in most of the districts covered under this study.

"*We are not sure whether our money is safe when we save it with the village banks or SACCOs; it can easily be stolen*" – Female FGD Participant Paicho S/C, Gulu

FGD Participants in Paicho S/C, Gulu district

However, the sustainability of these VSLAs is a big issue. This is due to the fact that members share all the accumulated funds at the end of the year and start afresh the following year. This affects their long term sustainability.

Nevertheless, given so many obstacles for small scale farmers to access loans in formal financial institutions especially commercial banks; VSLA/village banks and SACCOs are better long term solutions for the small holder farmers. However, there capacity is weak, and this calls for their strengthening.

5.7 Key Constraints to small holder access to credit

Supplying financial services to small holder farmers is more challenging due to higher costs and risks involved. Most of the savings and loan transactions are fairly small with the result that financial institutions face high operating costs. Most formal financial institutions do design loan products and lending methodology for small scale borrowers.

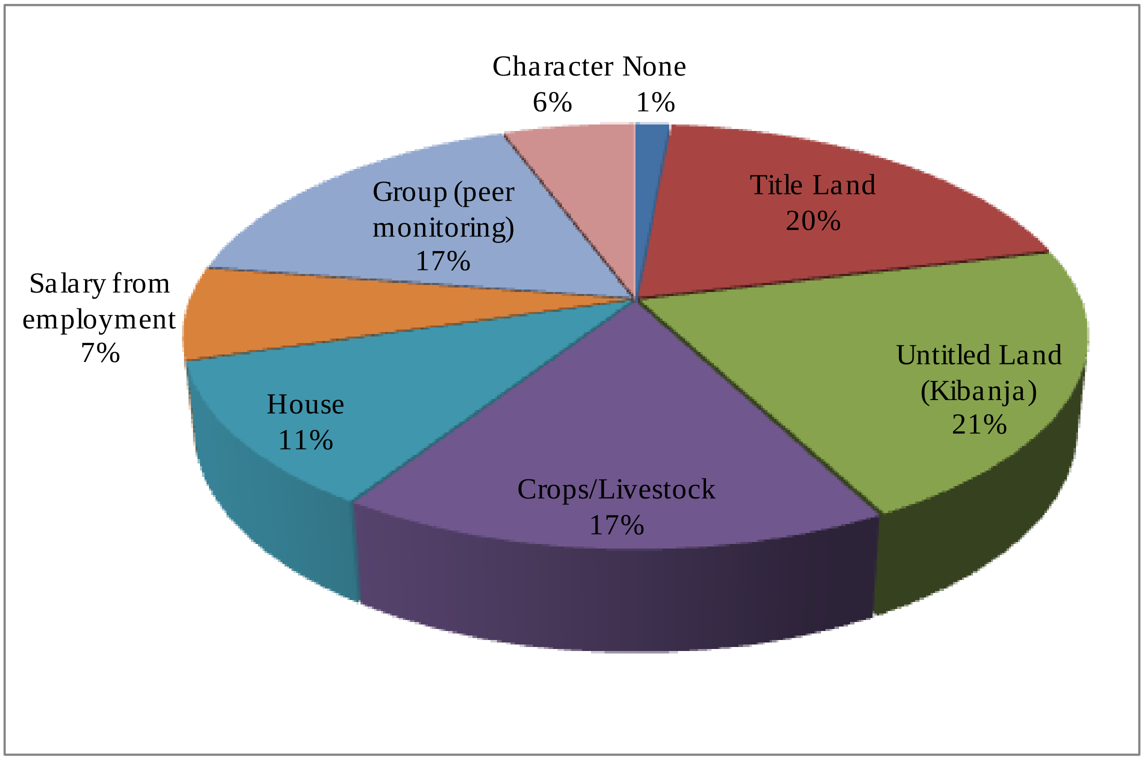
Some of the challenges formal financial institutions face in trying to supply financial services to small holder farmers include:

- *Poverty:* Farmers tend to be poorer and have fewer assets to offer as loan collateral and to liquidate in the event of failure to pay back the loan.
- *Seasonality and Loan Demand*: Farmers tend to have similar seasonal patterns of cash deficits and surpluses. Such a pattern of cash flow is however not suited to agricultural loans, which generally are larger, stay outstanding for longer periods, and need to be repaid in one or only a few instalments.
- *Heterogeneity of Farm-Level Activities*: Farm households have diverse farming and non-farming activities and produce a variety of products. This reduces their production and marketing risks, but complicates the task of loan officers who need to understand their cash flows and predict their loan repayment capacity.
- *Risk of Lending*: Farmers face many production, yield, marketing and price risks that can cause actual cash flows to deviate substantially from those projected at the time the loans are issued. Banks then have very little incentive to issue loans and advances to sectors such as agriculture where returns are low and investments risky.
- *A Poor Debt Repayment Culture*: Past efforts to provide loans to farmers were in a sense grants in disguise. These schemes and grants have left a poor debt repayment culture among farmers who had access to cheap agricultural finance in the past.
- *Price Instability*: Instability in the price regimes of agricultural products in both domestic and international markets can cause actual income to differ greatly from that which was originally projected.
- *Lack of Collateral:* It is very hard for most smallholders farmers to access credit from formal financial institutions because they lack the required collateral security such as land titles for the loans (see *figure 5.4*).

  The present status of land titling, registration and security of land tenure prevent the use of land as collateral for loans. Yet majority of the financial institutions interviewed indicated land (titled or untitled) as major collateral they use when lending to small holder farmers

> *How can Centenary or Crane bank extend loans to a farmer whose overall production is half an acre, and this alone cannot serve as sufficient collateral for the loan hence these banks shy away from advancing the loans* –Male FGD Participant in Arua

Figure 5.4: FIs Main collateral security for small scale borrowers

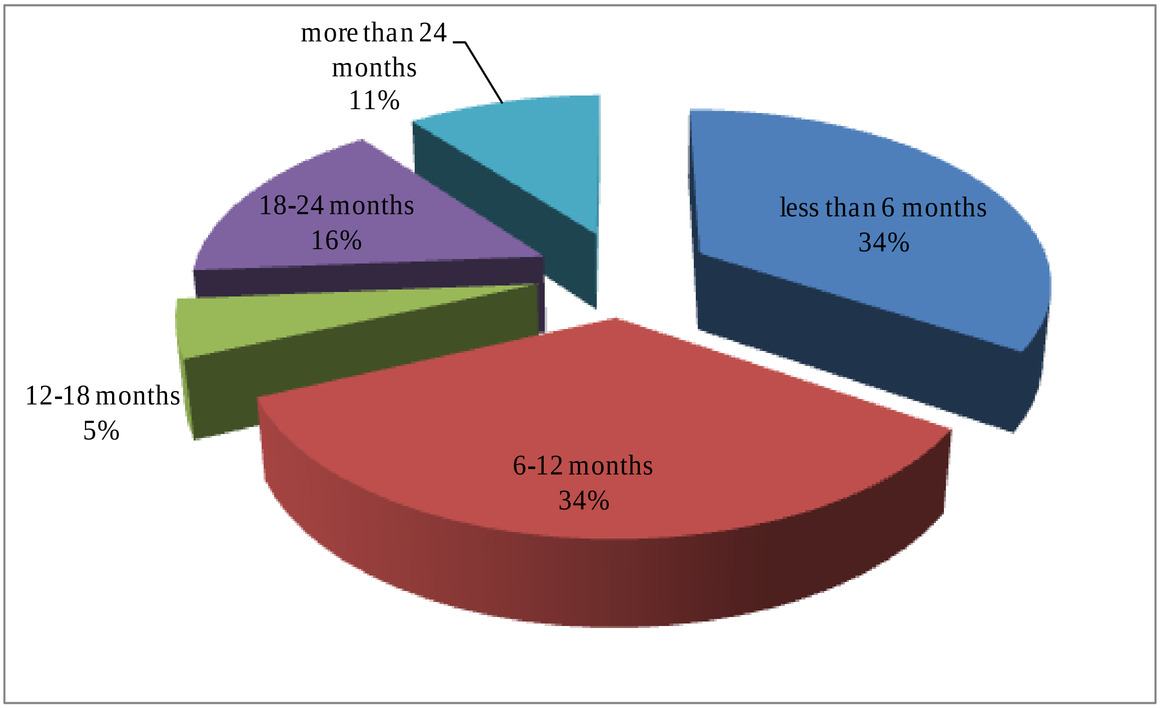


Source: Survey data

- *Lack of long-term funds.* There is limited availability of long-term funds for agriculture. Repayment periods given by financial institutions are short-less than 12 months. As shown in figure 5.5, majority (68 percent) of the financial institutions interviewed provide loans whose repayment period is less than 12 months. This re-payment period is too short for most profitable agricultural enterprises.

For these reasons, formal financial institutions tend to shy away from lending to small holder farmers. When they lend to small holder farmers, financial institutions tend to make short-term seasonal loans that are secured by stringent collateral requirements, with the client shouldering the bulk of the interest rate. High interest rates make it more difficult for small holder farmers to invest in more productive ventures, such as improved crop varieties necessary to improve agricultural productivity and raise incomes above subsistence farming.

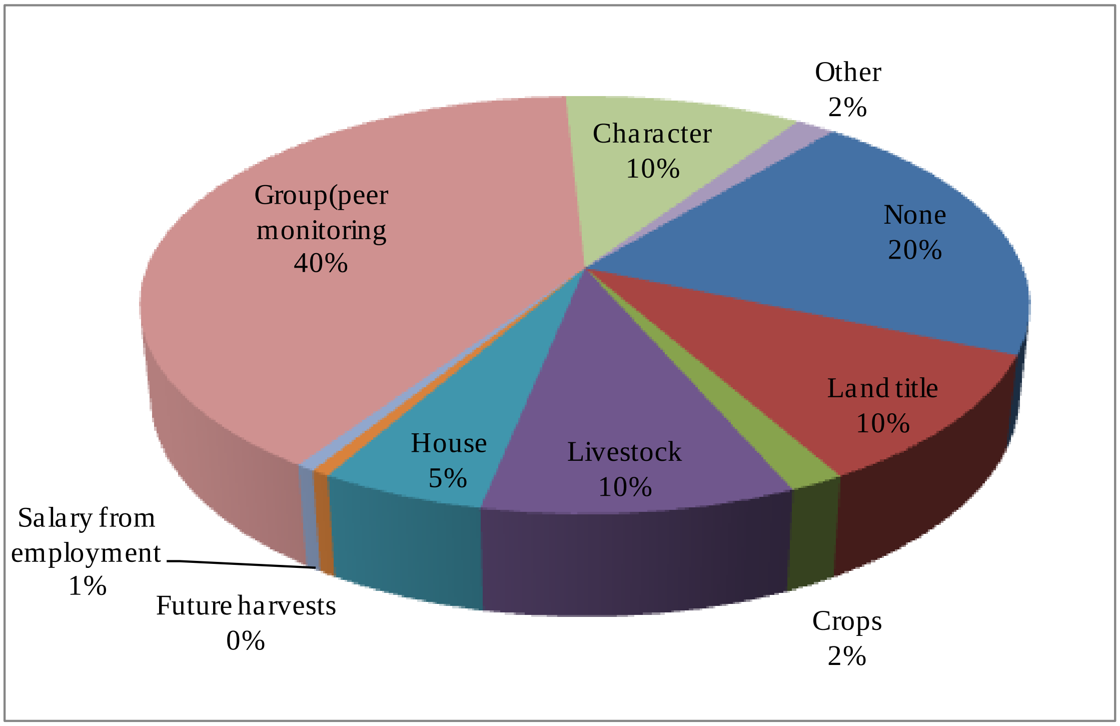
Figure 5.5: Loan Repayment period by formal financial institutions



Source: Survey data

During FGDs in Gulu, farmers noted that people fail to pay back the commercial banks due to high interest rates. Surprisingly the same farmers pay higher interest rates (as high as 10 - 15 percent per month) when they borrow from their own members associations and SACCOs. This partly is attributed to the low requirements required by their associations and SACCOs compared to those of formal financial institutions. In addition, most small scale borrowers don't need to have collateral to borrow from their organisations or SACCOs; majority depend on group / peer monitoring and character (see *figure 56*).

Figure 5.6: Farmers' main collateral security for borrowing



Source: Survey data

Section 6: Knowledge/Attitudes and Practices of Small holder Farmers

6.1 Awareness of Agricultural credit

Majority of the small holder farmers interviewed were aware of agricultural credit, its importance and how to access it. They access finances from the VSLAs (aka village banks), SACCOs, MFIs and commercial banks. Agricultural financing helps them to boost productivity since someone is able to use credit accessed to increase cultivatable acreage.

"*I had only one acre of land; I borrowed from commercial bank and I am able to cultivate now three acres. I don't need to move elsewhere for transfers since I now have enough food for me and my family"* - Female FGD participant Logiri S/C Arua district.

"Without money, no one can claim to be increasing production, loans can solve that. If the whole of Uganda is relying on loans to finance her activities, who are you claiming you can do without loans" Male FGD Participant- Paicho Gulu.

Box 6.1: Importance of Agricultural loans

- It boost farmers capacity in farming
- Enable farmers to acquire needed tools timely
- increase one's capacity to produce on large scale; increase farming acreage
- Access to better farm technology through improved loans
- Investment and diversification is made easier
- Facilitate meeting of other basic needs

Source: FGDs

FGD Participants in Logiri S/C, Arua district

Most farmers noted that borrowing for agriculture is not a waste of time but an important opportunity to facilitate better livelihoods. Most farmers would rather invest in agriculture than other ventures.

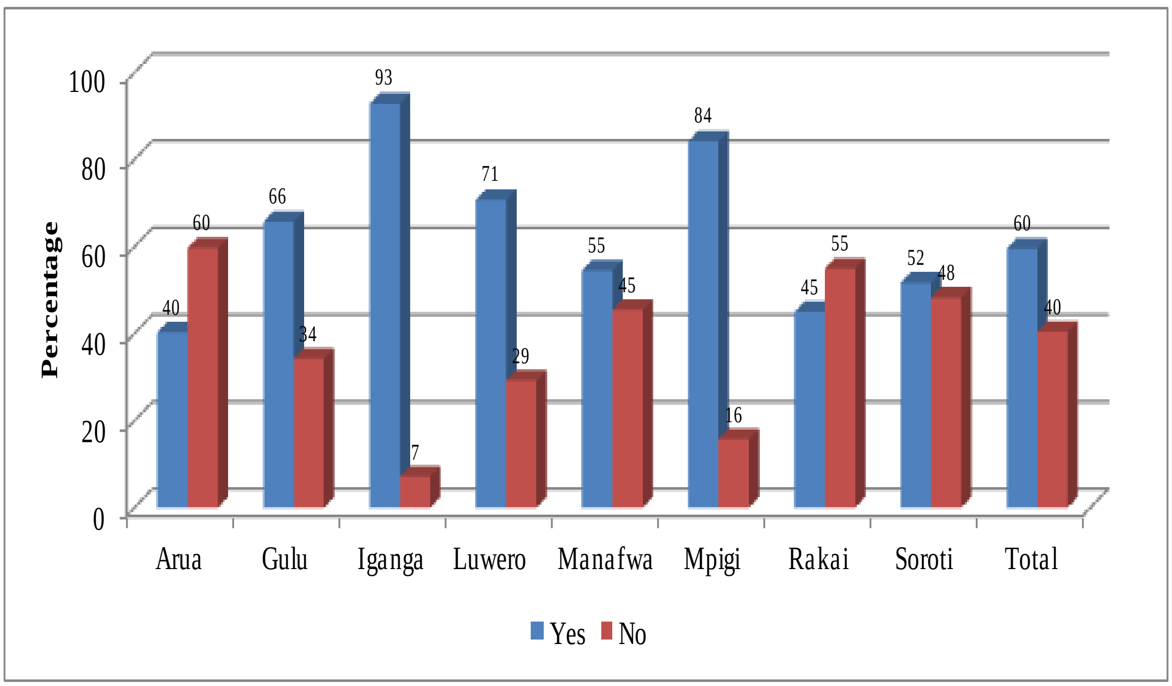
> *"We put money in many things like clothing business but when we grow crops we earn big. I rather borrow for agriculture than these other business. I will never borrow for other businesses like retail shop because by the time you count the shop's stock you are further in debt since people take things on credit"* – Woman FGD participant- Iganga District

Most farmers considered agriculture as the only business they knew; this gave them confidence to borrow since they could manage some of the risks associated with farming using borrowed funds.

> *"Even the petty businesses they are all prone to losses. Many people here know that crops bring more profit and we know how to grow them that's why we can borrow for agriculture practices"* – Woman FGD participant, Manafwa district.

As shown in figure 6.1, over 60 percent of the small holder farmers interviewed reported having borrowed money for agricultural related activities; the highest percentage was in Iganga (92 percent) and lowest in Arua (40 percent). The average amount of credit reported as borrowed in cash was Ushs 340,000/=, the lowest was Ushs 10,000/= and highest Ushs 5,000,000/=.

Figure 6.1: Farmers who had borrowed funds for agriculture in the last 12 months



Source: Survey data

Most farmers reported that though agricultural loans are good, but the short repayment period prohibits them from borrowing.

Agricultural financing important though the beneficiaries should be given longer grace period in case of borrowing because repayment usually depends on harvests this may not have taken place at the time of servicing the loan- FGD Participant in Rakai

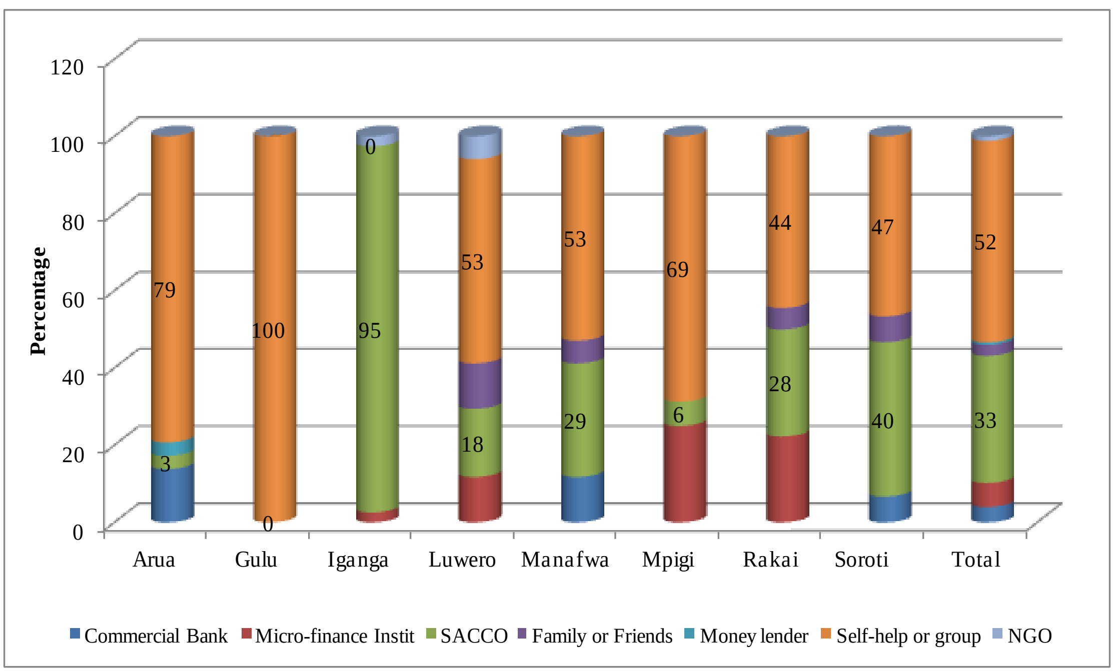
Farmers are willing to borrow loans but lack proper access to information. Farmers reported that they are not given enough information on management of the money they borrow. Some misuse the borrowed funds which make them fail to pay back.

When one is provided with the right knowledge for managing the loan, he is able to plan and use it well –FGD Adumi Arua

6.2 Source of Credit

As shown in Figure 6.2, majority of the farmers (52 percent) borrowed from self-help groups (i.e. VSLA), followed by SACCOs (33 percent). This was very common in Gulu, Arua and Mpigi. The very high percentage of those borrowing from SACCOs in Iganga is partly attributed to the fact that some farmers confused VSLA to mean SACCOs. However, very few reported to have borrowed from MFIs (6 percent), commercial banks (4 percent) and NGOs (1 percent). The low percentage reported for NGOs is attributed to the fact that most NGOs don't provide direct credits, but rather facilitate farmers to form VSLA and link them to MFIs.

Figure 6.2: Source of Loans by Farmers

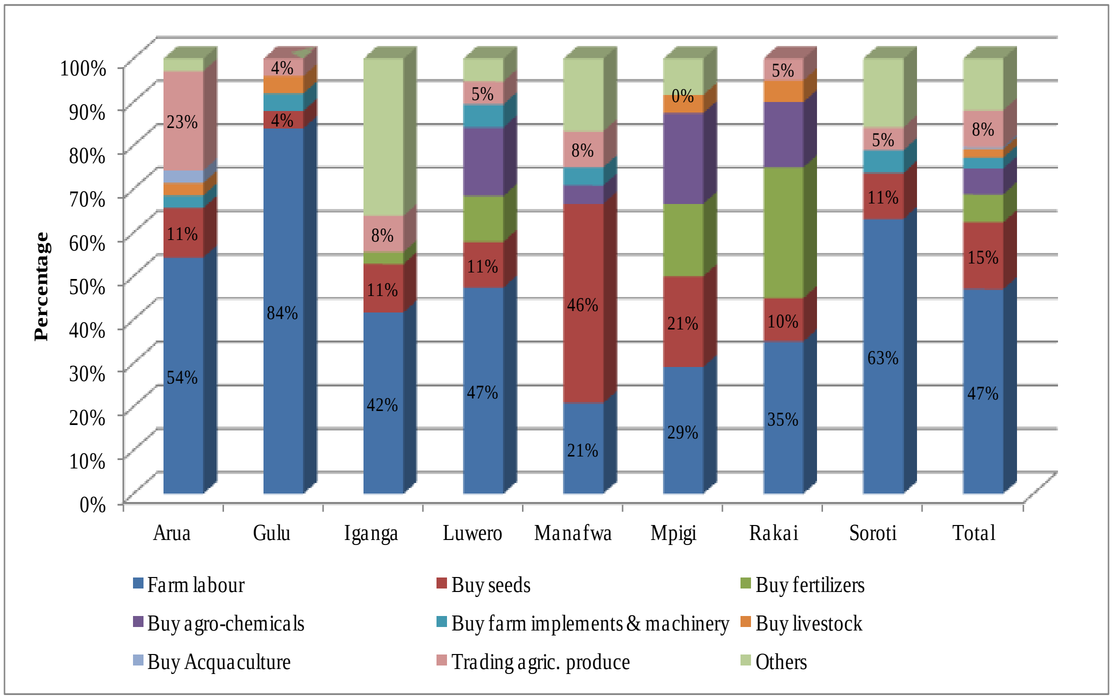


Source: Survey data

6.3 Reasons for borrowing

Most of the farmers (47 percent) interviewed reported to have borrowed to pay for farm labour. This was followed by buying seeds (15 percent), buying agro-chemicals and fertilizers (6 percent) [see *figure 6.3*].

Figure 6.3: Source of Loans by Farmers



Source: Survey data

Due to the fact that family labour is usually not enough in some areas with vast acreage, farmers have to hire labour. During FGD in Soroti the farmers noted that the vast areas of land are ploughed mostly using an ox plough that not every community member has one. While in Manafwa district farmers hire labour to clear, plant, weed and harvest produce.

"Now that the children will be going back school, we shall loose the labour force, and this is where the loan is very necessary"- Male FGD participant, Arua.

Box 6.2: Use of borrowed funds- A case of Iganga

Bulumwaki I village, Bulumwaki Parish Namungwale Sub County:

i. **Rent of Land**; most people in the community don't own vast acreage of land, thus borrow money to rent land for agriculture production.
ii. **Labour**; the vast acres rented are hard to work on individually and the types of crops like maize and rice are labour intensive thus the need of labour.
iii. **School Fees**; the majority of the community members affirmed that they borrow the money with the intent to invest in agriculture but because of the school fees burden, some of the money is diverted to school fees to avoid selling their crops in gardens.
iv. **Seeds**: many community members mentioned that they plant improved maize seeds which they have to buy expensively

It should be noted that not all agriculture finance is used only for agricultural purposes but rather used to settle house hold needs. During FGDs participants noted that they accessed finance for agriculture but used the money to pay school dues for the children, pay hospital bills, and other pressing needs. In Soroti for example farmers noted that ground nuts are harvested when the children have already gone to school; so they don't need to sale the crop at an early stage but would rather wait for the crop to mature. In so doing, while applying for a loan, a portion of school fees is factored in.

> *"I can't sell my crops while still in the garden because of school fees I rather wait for the harvest that's why I go the village bank and also borrow for school fees*- Elderly woman FGD participant -Soroti District

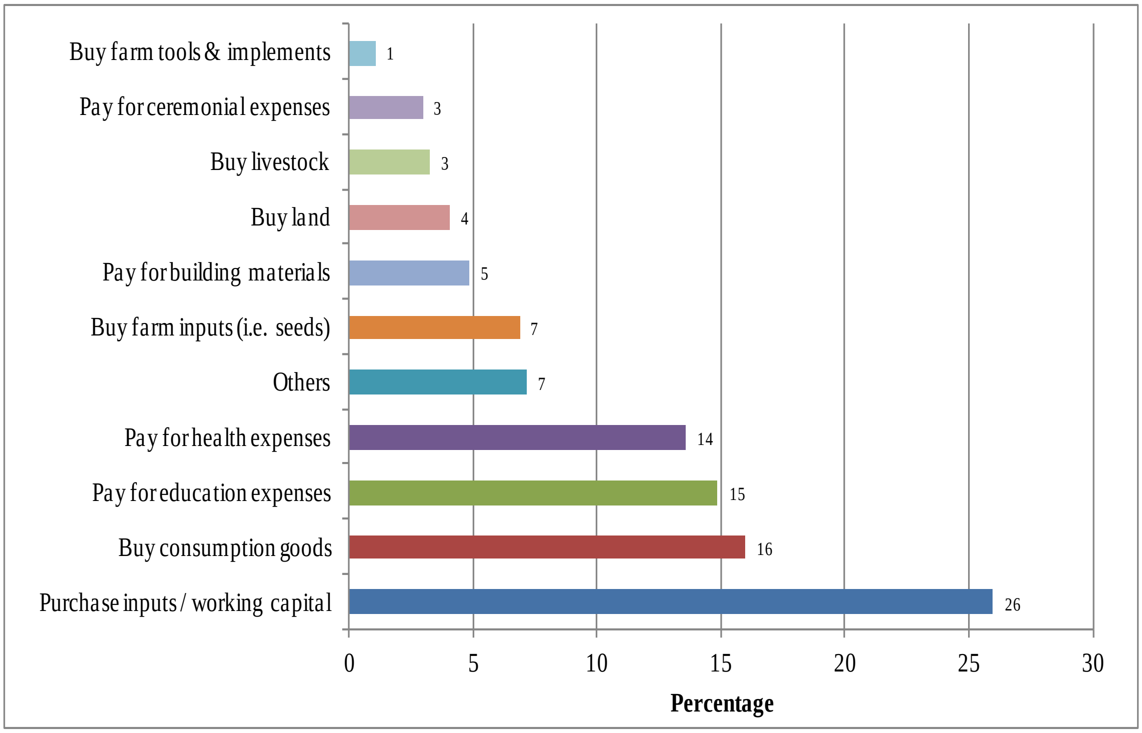
Box 6.3: Use of borrowed funds- A case of Manafwa

Bunabiro village, Bugobero Parish, Khabutola Sub County Community:

i. **School Fees:** Most of the community members admitted that they borrow money for school fees because the school fees burden comes at a time when the crops are not yet harvested. Thus the need for borrowing so that they don't sell their crops at an early stage.
ii. **Rent of Land**: according to a young man, the land is scarce in the community so people go miles down the hills to rent land for crop production.
iii. **Buy Agriculture Inputs**; the community members practice the use of new maize seed per season. Most of the members said they buy the seed and only use it once so that they can earn a better yield.

The effectiveness of agricultural credit is ambiguous, however, as demonstrated by results from the 2009/10 UBOS national household survey. The survey found that only 10 percent of the loans received by farmers were used for agricultural purposes, such as buying farm tools or land; however, the largest share was used to establish non-agricultural enterprises, and for health and education expenditures (see *Figure 6.4).* These results suggest that the issue of profitability of investments must be evaluated relative to a farm-household's total financial demands.

Figure 6.4: Loan Applicants by purpose of Loan



Source: Author's Calculations based on the UBOS (2010), Uganda National Household Survey 20009/10 data.

6.3 Reasons for not borrowing

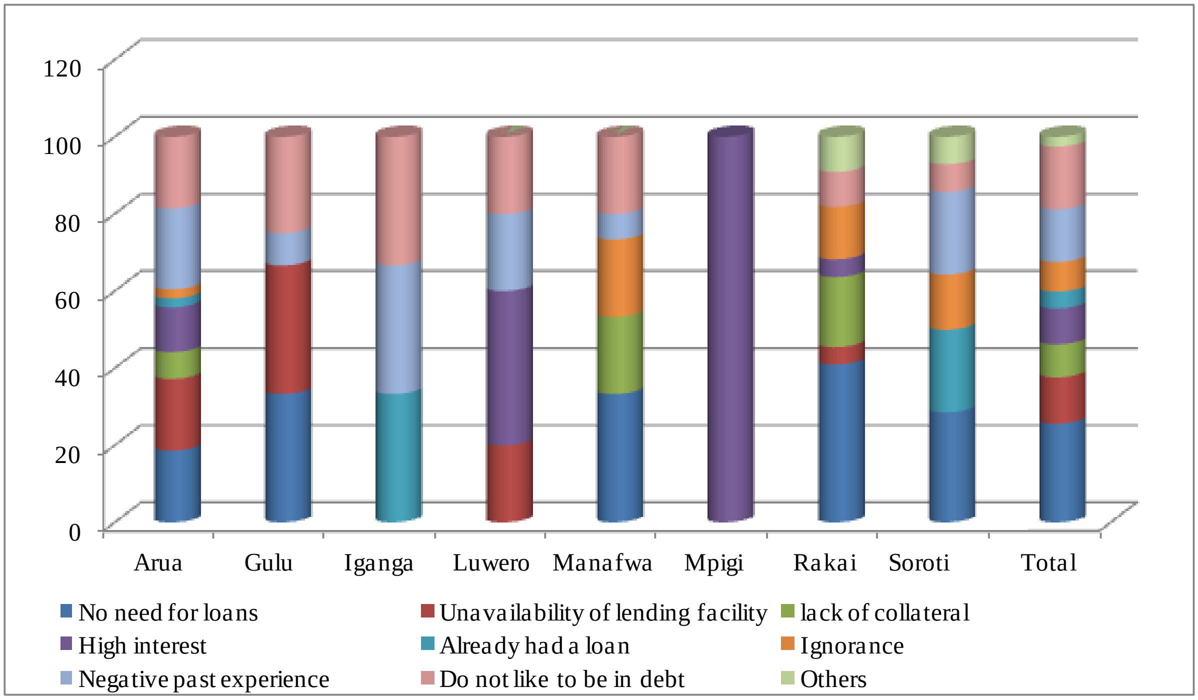
Over one quarter (26 percent) of the farmers interviewed reported no need of a loan for not borrowing, this was followed by don't need to be in debt (16 percent), negative past experience (14 percent), and unavailability of lending facility (12 percent). However, unlike as reported during FGDs, lack of collateral and high interest rates, were not ranked highest among the reasons for not borrowing at individual level (see *figure 6.5*).

Unpredictable weather patterns; pests and diseases and lack of market discourage most small holder farmers from acquiring agriculture loans. They fear that in case of failure to get money from their produce they would fail to pay back the loan.

> "*Last year I produced and secured 20 sacks of beans; I failed to get the market even when I wanted to dispose it off at a giveaway price; I latter gave it out to my village mate in basins in return with beans the next season, they have failed to return and I consider myself to have lost. Assuming I had borrowed loans, how would I be in this case, how can one encourage me go borrow loans since there is no market for what we produce"* - Male FGD Participants, Lalogi S/C Gulu.

"I can't borrow for agriculture because in case the rain doesn't come then I don't know where to get the money from"- Male FGD Participant, Manafwa District.

Figure 6.5: Respondents reasons for not borrowing



Source: Survey data

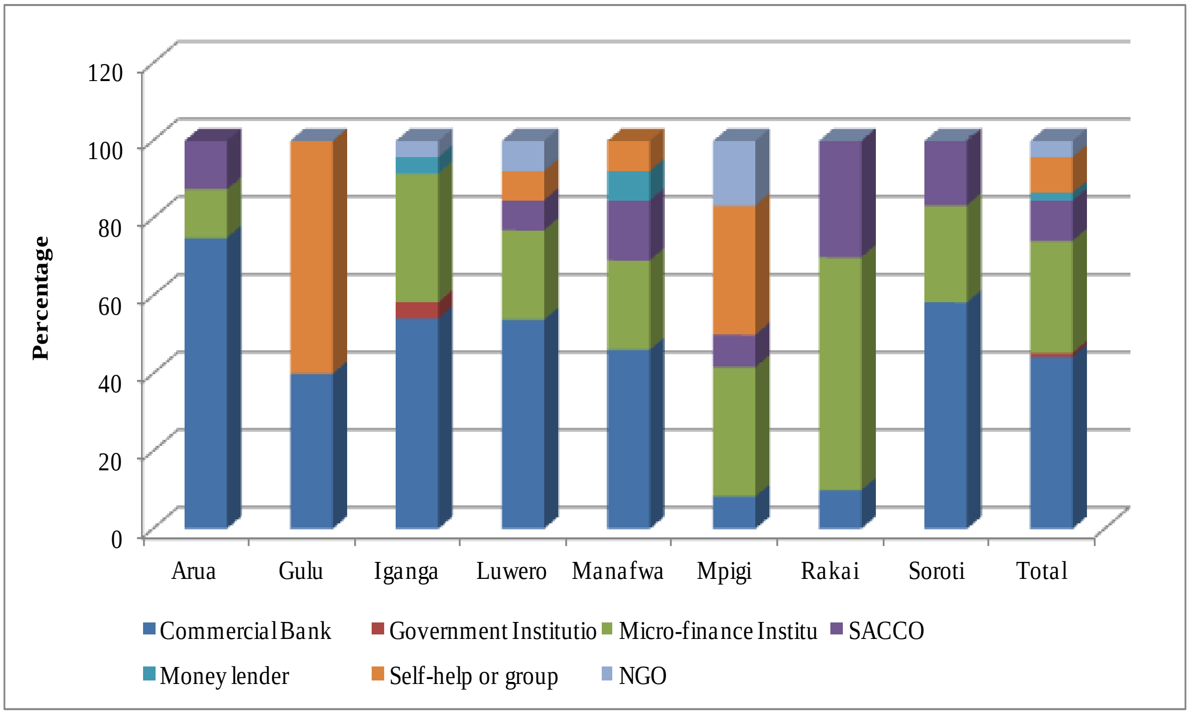
Farmers who have borrowed have had bad experiences especially if one fails to pay back therefore borrowing money for agricultural financing is considered risky. Some farmers don't use money for what it was meant for; there are people that borrow in the disguise of farming and end up utilizing the money for leisure purposes.

"*I have a friend who picked money for agriculture and later turned it to pay bride price. Now he has failed to pay and he is nowhere to be seen"*
Male FGD Participant Paicho Gulu**.**

"*Many people have run to Sudan and are having their future ruined following threats posed by banking institutions and have got their assets confiscated; I fear being indebted because I have seen with my own eyes the results"*
Female FGD participant in Logiri S/C, Gulu

Majority (55 percent) of the respondents interviewed believe that they are being exploited by finance providers. Most respondents believe banks (44 percent) exploit most, followed by MFIs (29 percent) and SACCOs (10 percent).

Figure 6.6: Respondents perception on finance providers who exploits borrowers most



Source: Survey Data

Section 7: Government Programmes that Support Small holder Farmers

7.1 Introduction

Since 2000, several programmes, initiatives and projects aimed at improving the livelihoods of agriculture-dependent households have come out of different centres of government.[26] Among them was the Plan for Modernisation of Agriculture (PMA), which was widely praised for both its conceptual rigour and its national ownership. The PMA applied a multi-dimensional approach to reduction of rural poverty and has prioritised seven complementary pillars:

i. Agricultural research and technology development
ii. Agricultural advisory services
iii. Rural financial services
iv. Agricultural marketing and processing
v. Agricultural education
vi. Natural resource management and use, and
vii. Physical infrastructure, - roads, and water and energy for production

However, the implementation of the PMA was hampered by the fact that the plan did not clearly delineate who would be responsible and accountable for its success. The only pillar of the PMA which has somehow been successfully implemented is the agriculture extension under the National Agricultural Advisory Services (NAADS) [Lukwago, 2010[27]].

Recognizing that the PMA was not delivering the expected results, in 2001 an attempt was made by government to establish the Rural Development Strategy (RDS) with the overall objective of raising household incomes. Like the PMA, the RDS proposed a more focused approach to supporting farmers through input provision and formation of co-operative societies. The focus of RDS was the sub-county, and this led to the development of the Sub-County Development Model. Except for the sub-county development model, the RDS did not have something substantially different from the PMA expect strong support and buy-in from the political class. However, the RDS did not go beyond the launch (Lukwago, 2010).

Again another programme named "*Bona Bagagawale"* (Prosperity for All, in short PFA) was introduced in 2006[28]. The goal of PFA was to improve lives of all Ugandans in all aspects; higher incomes, improved access to services such as health, education, water, and reliable physical infrastructure. A new structure for the PFA programme was established in 2006 under the President's Office running in parallel with the secretariats of NAADS and PMA under MAAIF.

These multiple programmes have led to uncoordinated multiple interventions that have created unnecessary bureaucracy, struggle for recognition, uncertainty among farmers and

[26]ACODE and UNFFE (2009). Farmers Petition to the President and Members of Parliament of the Republic of Uganda. INFOSHEET No. 7, 2009.

[27] Lukwago D (2010). Increasing Agricultural Sector Financing: Why It Matters For Uganda's Socio-Economic Transformation. ACODE Research Series, No 31, 2010

[28] This was a campaign slogan for President Museveni in 2006, Presidential Campaign

other stakeholders leading to duplication of efforts and wastage of resources (ACODE and UNFFE 2009).

7.2 Farmers' Awareness of Government Programmes

As discussed in the above section, a number of programmes have been initiated and implemented in Uganda to support farmers and to improve livelihoods of people in rural areas. However, the most common government programmes known by most farmer interviewed include:

i. National Agricultural Advisory Services (NAADS)
ii. Community Driven Development (CDD)
iii. Community Agriculture Infrastructure Improvement Programme (CAIIP)
iv. Northern Uganda Social Action Fund (NUSAF)
v. Plan for Modernisation of Agriculture (PMA)
vi. Prosperity for All (PFA)
vii. Peace, Recovery and Development Plan for Northern Uganda (PRDP)
viii. Local Government Management and Service Delivery Programme (LGMSDP)
ix. District Livelihood Support Programme (DLSP)
x. Luwero-Rwenzori Programme

The PFA, LGMSDP, PMA and PRDP are largely frameworks for improving the livelihoods of people on rural areas and northern Uganda, thus they are implemented in a multi-sectoral framework.

The major goal of LGMSDP is to enhance LGs ability to plan and manage financial resources for effective and sustainable delivery of services. It addresses the outstanding challenges that LGs continue to face in implementation of various interventions and programmes.

Peace, Recovery and Development Programme: With support from the international donor community, government launched the PRDP in 2007. The PRDP describes northern Uganda as three sub-regions comprising 32 districts[29]. The PRDP encompasses four core strategic objectives: consolidation of state authority; rebuilding and empowering communities – under which return and resettlement of IDPs is included; revitalization of the northern economy; and peace building and reconciliation[30]. The PRDP serves as a policy framework guiding annual budget processes at central ministry levels for the most disadvantaged PRDP districts reflected in sector programmes and budgets (OPM, 2007). Additional funds would be provided for PRDP districts by changes in prioritization within national level sector allocations.

In the next section is a detailed discussion of the most common known programmes by most farmers interviewed. These are NAADs, CDD and NUSAF. Though government

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[29] Adjumani, Arua, Moyo, Yumbe, Nebbi, Terego/Maracha and Koboko in **WestNile**; Amuro, Gulu, Pader and Kitgum in **Acholi** Sub-region; Lira, Amolatar, Dokolo, Oyam and Apac in **Lango** sub-region; Kaberamaido, Kumi, Bukedea, Katakwi, Amuria, Soroti, Pallisa and Budaka in **Teso** sub-region; Sironko, Kapchorwa and Bukwa in the **Elgon** sub-region; and Nakapiripirit, Moroto, Kaabong, Moroto and Abiim in the **Karamoja** sub-region.

[30] MFPED (2008). Budget Speech 2008/09

programmes such as NAADS, CDD, and NUSAF are not mainstream programmes for providing credit, most small holder farmers believe they are a critical source of support especially in form of inputs. Since most farmers borrow funds to buy agricultural inputs such as hoes, seeds, fertilizers etc, when they access such inputs from NAADS, it reduces on their financial burden.

7.2.1. National Agricultural Advisory Services (NAADS)

As noted above, NAADS is one of the seven pillars of the PMA. The primary mandate of NAADS was to provide advisory services that would enable farmers increase total factor productivity. It is a 25-year programme designed to be implemented in phases. The first Phase of eight years was implemented from 2001 to 2007. The NAADS is under the second Phase of implementation.

Under Phase II the NAADS programme supports activities to increase farmers' access to productivity-enhancing agricultural technologies, knowledge and technical advice for increased productivity and profitability; value addition and enhancing market linkage in order to fast track commercialization of agriculture (NAADS, 2013[31]). These activities are promoted through the Agricultural Technology and Agribusiness Advisory Services (ATAAS) project under components of: enhancing partnerships between agricultural research, advisory services, and other stakeholders; strengthening the NAADS; and supporting agribusiness services and market linkages.

The NAADS programme funding is through 'basket funding'- arrangement where donors through earmarked budget support and the Uganda Government contribute into a common 'basket'- under the Government Consolidated Fund. The *first phase* of the programme was estimated to cost about US$108 million from four sources of funding. These were: Government of Uganda; Donors[32]; Local Governments and Farmers. Donors contribute 80 percent of NAADS budget, Government of Uganda 8 percent, Local Governments 10 percent and Farmers 2 percent.

The *second phase* of NAADS and National Agricultural Research Organisation (NARO) under the Agricultural Technology and Agribusiness Advisory Services (ATAAS) project is estimated to cost US$ 665.5 million from four sources of funding for a 5 year period. These are: Government of Uganda will provide US$ 497.3 million, World Bank (IDA) US $120.0 million; Global Environment Facility (GEF) US $7.2 million and Danida, EU, and IFAD US $41.0 million. The Ministry of Finance Planning and Economic Development (MFPED) disburses all related funding to Local Governments through project accounts. Chief Administrative Officers (CAOs) are the accounting officers of the funds to Local Governments (LGs) and Executive Director, NAADS Secretariat accounts for the Secretariat funds.

As shown in Table 7.1 below, Government of Uganda contributes over 75of the total budget and the rest (25%) is provided by development partners. Given their big stake in the programme, donors together with Government of Uganda, work together systematically over the course of each year to agree on implementation plans, financial commitments and implementation progress. Donors plan, budget and commit their financial support to

[31] http://www.naads.or.ug/about-naads/naads-phase-ii/partnerships/
[32] IDA, IFAD, EU, DFID, Netherlands International Assistance, Irish Aid and DANIDA.

NAADS in a manner in-line with Government of Uganda planning and budgeting cycle (NAADS, 2011[33]).

[33] http://www.naads.or.ug/funding/naads-phase-i-funding/

Table 7.1: ATAAS Financing Plan (US$m)

Source	Local	Foreign	Total
Government of Uganda	497.3	0.0	497.3
International Development Association (IDA)	46.1	73.9	120.0
Global Environment Facility (GEF)	5.1	2.1	7.2
Danida, EU, and IFAD	15.8	25.2	41.0
Total	**564.3**	**101.2**	**665.5**

Source: NAADS Secretariat

The institutional framework for the implementation of NAADS programme consists of institutions like: Farmers, Local Governments, Private Sector, NGOs, the NAADS Board, NAADS Secretariat, the MFPED, and MAAIF. Local Governments are charged with the responsibility of implementing NAADS activities in their respective districts. This involves local administration and regulatory aspects and support requirements for NAADS. The Sub-county and District Councils at their respective levels are responsible for policy, assessment of effectiveness and general oversight of NAADS activities and for voting of counterpart financial contributions. The NAADS Secretariat is responsible for providing technical guidance and operational oversight to programme implementation and facilitate outreach and impact. To achieve this, the Secretariat contracts and supervises private professional firms to provide specialized services according to farmers' priority needs. Thus, the NAADS funds are distributed as follows: NAADS Secretariat 13%, Districts 12%, and Sub-county Level 75(see *Table 7.2*).

Table 7.2: NAADS Financial allocation

Institution	Financial Allocation	Activities catered for
NAADS Secretariat	Not more than 13%	National Co-ordination and supervision by the NAADS Board and Secretariat
District Level Activities	Not more than 12%	District Co-ordination, quality assurance, de-layering and district wide technology development
Sub-counties	Over 75%	Contracting of service providers, technology development, and capacity building in participatory planning, monitoring and evaluation.

Source: NAADS Website: http://www.naads.or.ug/funding/naads-phase-i-funding/

The implementation of the NAADS programme has led to a gradual increase in national budget allocation to agricultural extension budget from Shs 139 billion in 2009/10 to Shs 223 billion in 2012/13. Most of the budget is the development component spent at local government level (see Figure 7.1). This is a good policy shift by government towards supporting the agriculture development in rural areas. However, underfunding is still a big challenge in all LGs surveyed. Due to the increase in the number of LGs, central government transfers for NAADS have continuously declined leading to gradual decline in amount of inputs provided to farmers. All the NAADS Coordinators at LG level interviewed during this research noted that, the NAADS budget is insufficient to meet the growing demand.

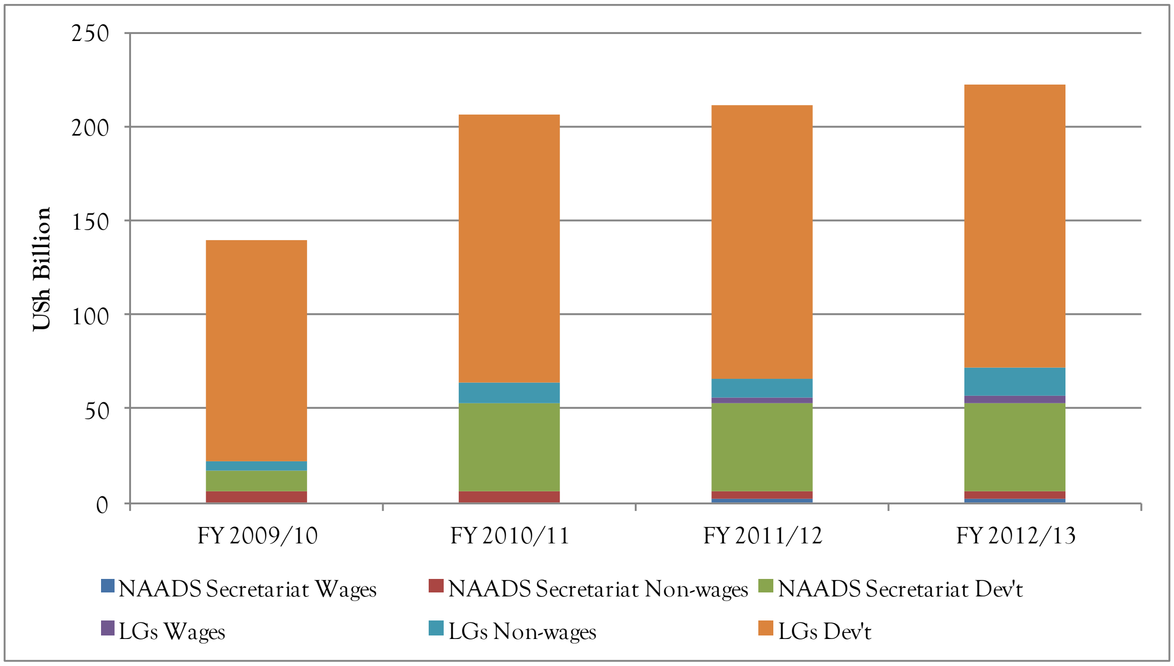
The beneficiaries of the NAADS programme are divided into three categories. These include; i) food security farmers, ii) the market-oriented farmers and iii) commercialization farmers. The food security farmer receives on average Shs 100,000/= worth of food security technology inputs. The market-oriented farmers receive between Shs 500,000/= to Shs 750,000/= worth of inputs. The commercial farmers receive between Sh1.5 million to Shs

2.0 million worth of inputs. Both the market oriented and commercial farmers are required to co-fund.

In all the surveyed districts, the performance of NAADS showed mixed results. Local officials noted that NAADS was making a difference for those who are serious, especially market oriented and commercial farmers. However, the performance of food security farmers was poor, since most of them are not serious.

...for any government programme such as NAADS, those who put in effort are benefiting...however, most farmers are not working hard. ACAO, Mpigi

Figure 7.1: Intra-sectoral analysis of the Agriculture Extension budget



Source: Author's computations based on the MAAIF, Policy Statements.

Some farmers were aware and appreciated the NAADS programme for improving crop and animal production for them. The NAADS programme provided opportunity to small holder farmers to access agricultural inputs. An old lady in Iganga District mentioned that she was given an improved cow that produces more milk. Participants also understood how to benefit from the NAADS programme; one has to belong to a farmer group and contribute financially to any enterprise needed by the farmer through co-founding. However, in some sub counties, farmers noted that the NAADS programme had benefited a chosen few. For instance in Luwero, farmers noted that it's mainly leaders and their friends benefiting from the programme. They complained about the methods of delivery of the programme; which limits their ability to use the NAADS funds the way they want.

"*Those NAADS and other government people impose on us things which we sometimes don't want. We don't know how much they spend on us... we only participate in meetings, sign forms and that all.... the next time they call you to pick inputs...they should instead give us the money, and we choose what to do with it..*" - Male FGD participant in Luwero.

The NAADS funding is crowding-out budget allocation for agriculture in the districts surveyed. NAADS seems to be seen by policy makers as a 'silver bullet' for addressing agricultural constraints faces by farmers. As shown in *Figure 7.2*, over 94of central government releases for agriculture are NAADS funds. Over the last five years, the share of NAADS funds in the entire central government releases for agriculture to local government has increased tremendously. A study by FOWODE in 2013[34] noted that most local governments allocate less of their own funds to agriculture, reasoning that agriculture is well funded under NAADS, and that there is no need for more funds to the sector.

FGD Participants in Luwero S/C, Luwero district

NAADS has a myriad of other challenges, key captured from the survey include:

- *Continued and erratic changes on the NAADS implementation guidelines*. This has continued to affect the stakeholders' ability to internalize the programme especially among the beneficiary farmers.
- *Inadequate staffing levels*: Lack of extension staff of sub-county levels means majority of the farmers are losing out on the critical knowledge for improving their productivity.

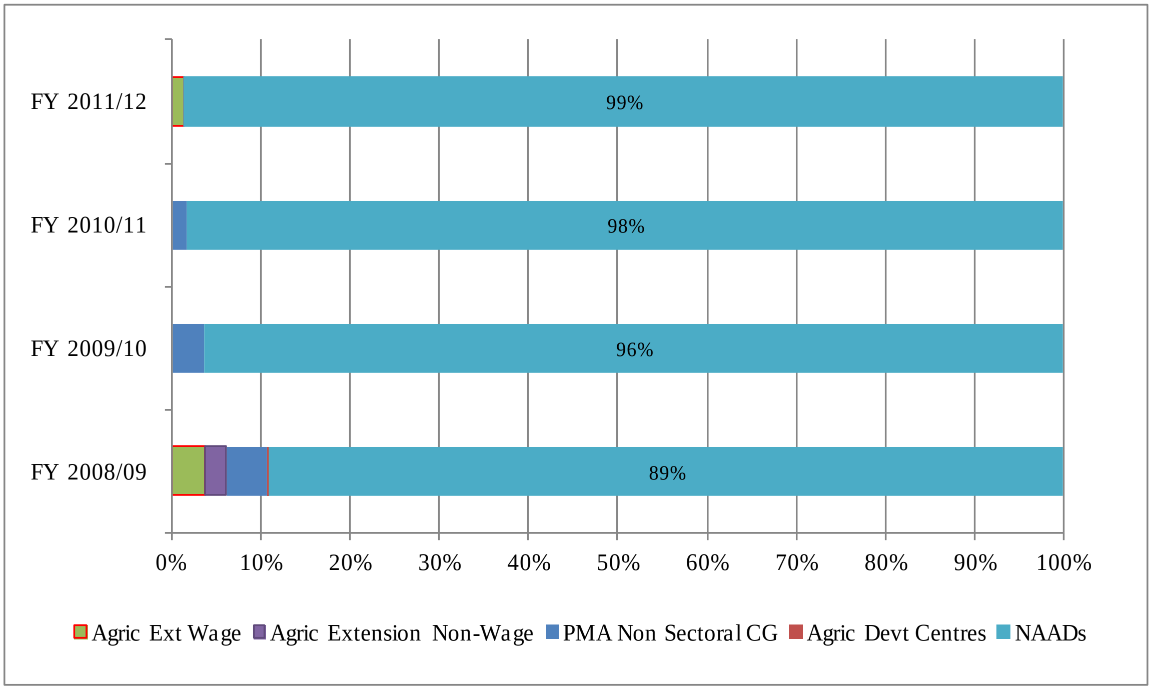
> **"***we are very few on the ground...how do expect one or two people on this office to visit all farmers in this district? Secondary we don't get any facilitation to do our work*...Official in the Iganga District Production Office.

- Inadequate monitoring and supervision of the extension providers at grassroot level to provide services to farmers. Most local government officials talked to noted that they are not able to make follow-up on the beneficiaries. In most cases, some beneficiaries sell-off or consume the inputs leading to wastage or misuse of inputs.

[34] FOWODE (2013). Tracking Agriculture Extension Grants in Uganda from a gender perspective: the case of NAADS

- Politicization of the programme. NAADS implementation is hampered by the fact that every politician at local level wants to make a claim or associate with the programme, and or lobby for his her supporters.

Figure 7.2: Trends in CG Releases to the 8 DLGs (Agriculture)



Source: Author's calculations based on MFPED data (releases to LGs)

7.2.2. Community Driven Development (CDD)

The CDD is a sub-component of the Local Government Management and Service Delivery Programme (LGMSDP). The main objective of the CDD approach is to strengthen the linkage between communities and local governments by empowering communities to champion their locality development and demand for accountability for decentralized local service delivery (MoLG, 2009[35]).

CDD focuses on:

i. Strengthening linkages between the LGs and communities through enhancing community organization and empowerment
ii. Building on existing LG systems to strengthen the capacity of LGs to sustainably support community-led development initiatives
iii. Enhancing downward accountability processes between LGs and the communities – redirecting resources to the lowest service delivery centres.
iv. Reinforcing effective implementation of major government policies and initiatives such as UPE, immunization and hygiene and sanitation
v. Strengthening community participation in the utilization of resources – direct community financing through the Indicative Planning Figures (IPFs)

[35]MoLG (2009). Local Government Management and Service Delivery (LGMSD) Programme, CDD Operational Manual

vi. Fostering and nurturing the capacity of communities to contribute to and demand for services

The CDD is funded by:

a) Government of Uganda. Thirty percent (30%) of the Local Development Grant (LDG) for Lower Local Governments which was previously Parish IPF now constitutes the CDD grant.
b) The World Bank through an IDA credit to a tune of US $ 5 million over a four (4) year period.
c) The beneficiary communities make contributions in a manner and levels appropriate to them which could be in cash or in-kind.

Size of the CDD Grant: Each community is entitled to a one-time allocation of maximum US$ 2,500 (about Shs 6 million) for the duration of the project. And a minimum of two community projects are financed throughout the project time span per Parish. However, a community can undertake a project or projects worth more than Shs 6 million as long as community members are able to mobilize additional resources both in kind and cash. The community's capacity to operate and maintain the investment after completion remains a key factor for approval of the project

Conditions for Accessing CDD funds: Communities can receive the CDD funds provided they meet the access rules as follows:

a) All households within the community applying have been assessed to meet the agreed minimum hygiene and sanitation conditions[36]
b) A functional Project Management Committee (PMC) whose membership is acceptable to the community members.
c) The community prepared project profiles that indicate the investment demanded and prioritized by the community.
d) A clear demonstration of how the community will manage and cover the cost of the operation and maintenance of the investment in a sustainable manner.
e) Community contribution in a form that is appropriate to the community (kind or cash)

Selection of beneficiaries: Determining the eligibility of the community is done through an assessment by the Sub-County Technical Planning Committee (TPC) with the Sub-county Chief/Town Clerk as the Chair and Community Development Officer (CDO) as the focal point person. The TPC will be backstopped by the district under the coordination of the District Community Development Officer (DCDO).

Although the CDD funds are not meant only for agriculture, however, most of the community projects are largely agricultural in nature; trying to help communities to improve their livelihood. Nonetheless, the CDD funding is still minimal to cover the entire community.

[36] Minimum hygiene and sanitation conditions in households shall include: a functional toilet, clean household environment and clean water collection source.

We have not yet benefited from CDD funds; funds are insufficient thus not every farmer can benefit—FGD participant Rakai

"*A few households received funding for a poultry project. The conditions needed to secure this fund remains a challenge to some of us*"- FGD in Manafwa.

The CDD has been accessed very few farmers in Gulu, Iganga, Mpigi, Manafwa and Arua. This was because of the lack of expertise to write the required proposals (project profiles) to access CDD funding. Other preconditions like having of a latrine, having a utensils rack and having children in UPE schools constrained the small holder farmers to access the CDD funds.

The CDD is a good community empowerment model of funding; since gives communities the opportunity to select, plan and management their projects. However, the stringent conditions attached to it, make it very difficult for the intended beneficiaries to optimally tap its benefits. In addition, the CDD is largely donor funded (by the World Bank); there are doubts on its sustainability when donor funds end.

7.2.3 Northern Uganda Social Action Fund (NUSAF)

As a result of the economic stagnation arising out of the two decades of insurgency due to the Lord's Resistance Army (LRA) and cattle rustling in Northern and some parts of Eastern Uganda, the Government of Uganda with support from donors established a number of development interventions in the region. NUSAF is in the second phase of implementation. The objective of NUSAF II is is to improve access of beneficiary households to income-earning opportunities and better basic socio-economic services (OPM, 2010[37]).

Specifically NUSAF II:

a) Supports initiatives that increase income earning opportunities of the target poor households; and
b) Provides support to improve public infrastructure and increase access and utilization of basic services in underserved communities.

NUSAF II is being implemented over a period of five (5) years (2009- 2014) in the forty (40) PRDP districts. The project is implemented by Office of the Prime Minister (OPM) through the districts.

NUSAF II finances: i) Household Income Support:- financing income generating activities in the targeted able-bodied poor households; ii) Public Works:- supporting labour-intensive community investments; iii) rehabilitation of existing community infrastructure; iv) undertaking complementary investments to support and improve functionality of existing infrastructure; v) project implementation:- strengthen the capacities of the various implementers to ensure efficient and effective implementation, supervision, monitoring and evaluation; vi) Transparency, Accountability and Anti-Corruption (TAAC):-strengthen transparency, accountability and anti-corruption at various levels of Project implementation.

The funds allocated among the three components as follows:

[37] OPM(2010). Second Northern Uganda Social Action Fund (Nusaf2); Operations Manual

- Livelihood Investment Support Fund (60)
- Community Infrastructure Rehabilitation Fund (30%)
- Institutional Development Fund (10%)

Unlike NAADS, NUSAF money is coordinated by the District NUSAF Coordination office; the role of Lower Local Government (LLGs) is to identify beneficiaries, sub-projects to fund, and approval. However, at the community level, people cannot easily distinguish between NUSAF and NAADS since they all fund similar activities; thus possibility of duplication. During FGDs some farmers complained of the long procedure in accessing NUSAF funds such as completing interest forms; which are not easily accessible at parish levels.

"We have not benefited from this programme since only one person received and we never knew what it takes to receive the NUSAF"- FGD in Manafwa

7.3 Challenges of implementation of government programmes

Key challenges of implementing the above-mentioned programmes that were mentioned by the local government officials and identified by the study include:

- Poor Attitudes of communities; preference for hand outs
- Minimal levels of cooperation among farmers especially in the central region; farmers don't want to work in groups
- Low commitment by most farmers towards government programmes like NAADS
- Reduction in central government funding towards these programmes yet the number of potential beneficiaries is increasing.
- Irregular flow of government funding towards programme / projects amidst high co-funding requirements.
- Late release of funds for agricultural programmes by the Central government to LGs, especially in the last quarter of the financial year, many times they are unspent and taken back to MFPED at the expense of the agriculture sector.
- High levels of political interference which affects effective implementation of these programmes
- Erratic changes in the implementation guidelines especially in the NAADS programme
- Climate changes affecting agricultural productivity
- Administrative incompetence and poor work culture of most local government official i.e. high levels of absenteeism, lack of supervision of projects, delays in procurement of projects etc
- Lack of effective interventions in addressing pests and diseases in the districts
- High levels of corruption among local government officials
- Too many government programmes leading to duplication of interventions
- Weak farmers' institutions; to champion farmers interests
- Increasing levels of land conflicts; land grabbing
- Changes in market prices; discourage productivity.

7.3.1 Proposals to address Challenges

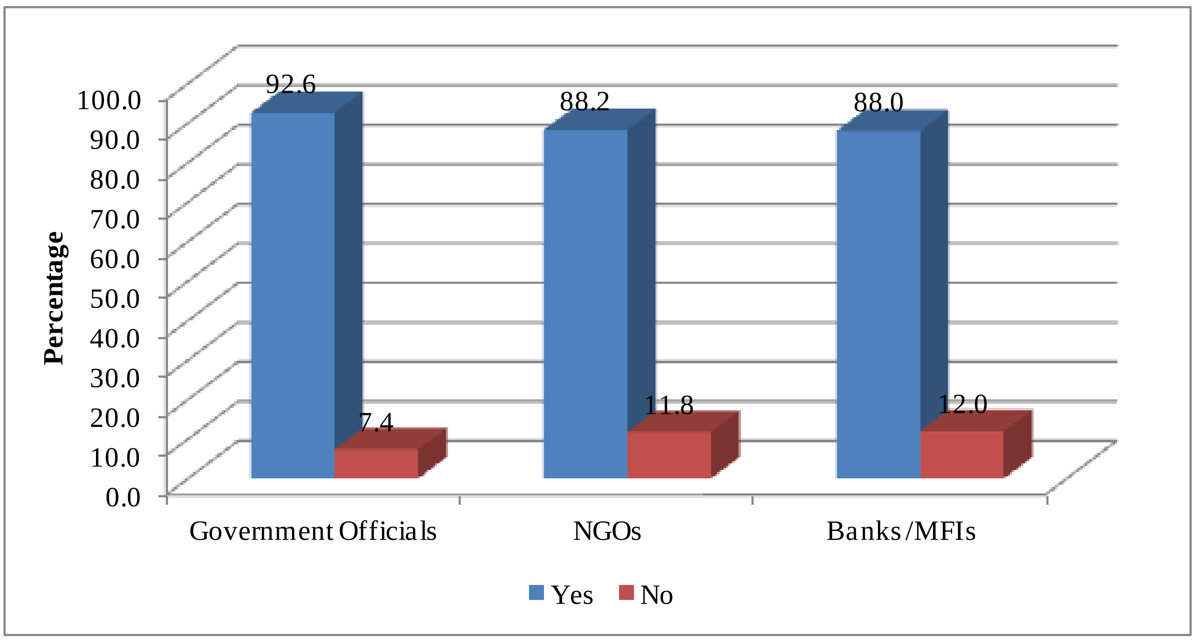
Among the proposals to address the above-mentioned challenge identified during the research include:

- NAADS should concentrate on provisions of extension services rather than inputs
- Local governments should involve beneficiaries in planning, budgeting, implementation, monitoring and evaluation of all government programmes
- Promote bottom up approach in planning "*government should empower small holder farmers to own and decide for their own programs*" an official from Mpigi
- Using the Public –Private Partnership (PPP) approach in implementing programmes
- Government needs to invest in irrigation facilities
- Establishing warehouses in the districts
- Government needs to effectively regulate the input market especially seeds
- Government needs to expedite the current land reform; operationalise the land fund to help small holder farmers acquire land
- Government needs to increase funding to local governments especially the agricultural sector and improve on predictability of the releases
- Government needs to enhance the human resources capacity of local governments by recruiting more staff and improving on their working conditions.
- Government should sternly fight the rampant corruption in the country

Section 8: Relationship between Agriculture Financing and agricultural productivity

Agricultural development requires timely and adequate supplies of essential farm inputs. Investment capacity of majority of farmers is low as they are poor and they cannot afford to meet increased demand for the purchase of improved seeds, recommended dose of fertilizer, hiring farm machinery etc; so lack of finance is one of the main reasons for low productivity of agriculture in Uganda. A study by Benin et al (2007[38]), found that farmers cite shortage of capital and credit as their single biggest constraint to improving farming (45 percent of farmers highlighted this factor). Majority of stakeholders interviewed believe lack of access to credit is among the key constraints affecting agricultural productivity of small holder farmers in Uganda (see *figure 8.1*). Other constraints farmers face include: the scarcity of agricultural inputs, lack of adequate farmland, unfavourable weather patterns and problems of pests and diseases.

Figure 8.1: Is credit a key constraint to enhancing small holder farmers' productivity?



Source: Survey data

Other empirical studies have shown that farmers' yields of various crops were higher for borrowers than non borrowers (Shah, Khan, Jehanzeb and Khan, 2008[39], Saboor et al, 2009[40]). All these studies recommend that credit is one of the important inputs to meet the cash requirements of the farmers and play the role of a bridge leading from subsistence to cash economy.

[38] Benin S., et al (2007). Assessing the impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods. IFPRI discussion paper 00724.

[39] Shah, M.K., H. Khan, Jehanzeb and Z. Khan (2008). Impact of agricultural credit on farm productivity and income of farmers in mountainous agriculture in Northern Pakistan (A case study of selected villages in Chitral). Sarhad J. Agric. 24(4): 713-718.

[40] Saboor Abdul, Maqsood Hussain and Madiha Munir (2009). Impact of micro credit in alleviating poverty: An Insight from rural Rawalpindi, Pakistan, Pak. j. life soc. sci. (2009), 7(1): Pp90-97

Easy and cheap credit is the quickest way for boosting agricultural production. Applying modern farm technology to increase agricultural output increases financing requirements. Access to working capital can substantially accelerate the adaptation of modern agricultural technologies and production and thereby improving the ability of the rural sector to meet the subsistence need of the poor (Tenaw & Zahidul Islam, 2009[41]). Use of modern technologies requires costly inputs like irrigated water, relatively large doses of fertilizers and pesticides which have to be purchased. Thus, credit can be used to purchase these inputs and other implements.

Box 8.1: Impact of Microfinance on Agricultural productivity

Alam (1988) made a study to measure the productivity growth of the Grameen Bank members. His study was confined within comparing the agricultural productivity alone. His findings suggest that the small and marginal farmers as a result of participating in the Grameen Bank programs can allocate a higher percentage of their land for the cultivation of high-yielding varieties (HYV) and have improved their agricultural productivity.

His studies showed that the users of microfinance can bring 81.5% of their cultivable land under HYV Boro production compared to 76% of the non-users. Yield of the users of microfinance for HYV Boro was 47.6 maunad per hectare while it was 38.2 for the non-users.

In all the districts visited, the farmers noted that agricultural credit was found to help in increasing acreage of land cultivated through renting farmlands. In Manafwa the mountainous topology and the high population have made land for agriculture scarce.

"The problem we have here is that we don't have a lot of land so we need money to rent land for crop production"- Woman FGD participant, Manafwa District

"I had only one acre of land; I borrowed from a SACCO and I am able to cultivate now three acres. I don't need to move elsewhere for Transfers since I now have enough food for me and my family."- Woman FGD participant, Arua District

Farmers need credit to manage the seasonality of their cash flows, to make investments, and to cope with the vulnerabilities of farm production. Therefore, the establishment of a viable and sustainable rural financial system is considered to be one of the key interventions for the sustainable development of the agricultural sector in Uganda (PMA, 2000).

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[41] Shimelles Tenaw & K.M. Zahidul Islam (2009). Rural financial services and effects of microfinance on agricultural productivity and on poverty

Credit plays an important role in income and consumption smoothing. Improved access to financial services can have two principal effects on household outcomes. First, it can raise the expected value of income and therefore of consumption and future investment and asset accumulation. Second, it can decrease the variances of income and consumption. For most small holder farmers, it is particularly important to reduce the down-side risk of using their small savings to support agricultural production.

However, lack of access to insurance and credit markets makes agricultural producers particularly vulnerable. Households thus often reduce their consumption risk by choosing low-risk activities or technology, which typically have low average returns (World Bank, 2008[42]). Because of the lack of collateral and/or credit history, most farmers are bypassed not only by commercial and national development banks, but also by formal micro-credit institutions. In addition to own sources, farmers thus rely on incomes of friends and relatives, remittances, and informal money lenders. For agricultural purposed, small holder farmers investments depend on savings from their low incomes, which limits opportunities for expansion.

[42] World Bank (2008). World Development Report 2008

Section 9: Recommendations and Conclusion

9.1 Recommendations

9.1.1 Government

vii. Develop and implement the Agricultural Finance Policy and strengthen mechanisms through establishing a specific high-level coordination body.

viii. Transform all the various agricultural financing initiatives (Agricultural Credit Facility, Micro financing through the MicroFinance Support Centre), others) into an Agricultural Development Bank, that prioritizes agricultural financing. This bank should be privately run on the standard banking best practices.

ix. Needs to leverage agricultural financing through the existing commercial banks by helping the banks develop and diversify their portfolio on agricultural financing that create demand for the products and services.

x. Development a long-term strategic plan for developing the rural financial system rather than implement isolated reforms and programs.

xi. Put in place and implement legislation to foster innovation and to remove barriers to financing the business of agriculture, through measures such as, but not limited to: asset backed products, warehouse receipts, contract farming, and other support to the informal financial sector

xii. Revise the Agricultural Credit Facility to provide financing to small-holder farmers by:
   - Channelling the ACF funds through MFIs that are better suited to lending to small holder farmers since they can use innovative lending products such as group lending, which obviate the need for physical loan securities.
   - Lowering the threshold for small holder farmers to apply for the ACF.
   - Ensuring effective monitoring of the PFIs to ensure effective utilisation of the ACF.
   - Putting in place a policy /guidelines governing the relationship between it and the PFIs under the ACF arrangement.

vii. Guarantee funds for small holder farmers through providing funds to mitigate risk away from financial institutions.

viii. Should expand the ware house systems and support farmers to use ware house receipts as collateral to access agricultural credit from financial institutions.

ix. Should ensure that SACCOs become more effective and efficient financial institutions through:
   - Strengthening their internal management in a bid to increase confidence of members.
   - Instituting a legal and regulatory framework for SACCOs.
   - Set-up a deposit protection scheme to provide enough safety net to create trust in the SACCO system.
   - Encourage linkages between Bank of Uganda, regulated financial institutions (commercial banks and MDIs) and SACCOs to encourage SACCOs to mobilize savings safely and provide credit to an even larger membership.

x. NAADS agricultural advisory service providers should be encouraged to help link farmers with SACCOs and other financial institutions. NAADS can also help farmers access various agricultural credit windows and financial services.

9.1.2 Banks/ MFIs

v. Financial literacy: In order to reach out and serve the vast masses of farmers in need of financial services, financial institutions need to invest in training / financial literacy programmes for their borrowers especially farmers
vi. Farmers should be capacitated in reasoning best loan fits: what size of loan suits their enterprises and personal capabilities. Such support could be rendered by banks themselves.
vii. Customize farmer friendly loan products: e.g. lease finance by Centenary Bank, value chain finance by aBi-Trust
viii. Should accept warehouse receipt systems as security / collateral for agricultural credit.
ix. Should provide financing based on the whole agricultural calendar and adapted to the farming cycle.

9.1.3 Farmers

a. Farmers' organisations should disseminate knowledge and information about available financial products amongst members.
b. Use interaction with bank as a capacity building exercise, which can enable them to access loans easily.
c. Enforce and structure the role of their SACCOs as on-the-job learning trajectory to prepare them to apply for commercial loans.
d. Use interaction with bank as a capacity building exercise, which can enable them to access loans easily.
e. Articulate their needs: know what they want, for what and under which conditions: The question is not: how much can the bank give them? But rather, how much money is their enterprise or activity worth? And are they capable to make it worth.
f. Embrace cooperation through the entire agricultural value-chain through collective production, storage, marketing etc.
g. Encourage VSLAs to form rural produce organisations
h. Enhance a saving culture among themselves.

9.1.3 Caritas and UGOPAP Partners

f. Mobilize voices towards banks and government to provide accessible and affordable financial services. A first issue on the advocacy agenda could be that the Agricultural Credit Facility of Uganda is rolled out to small holder farmers. This can be done thorugh:
    - Channeling the ACF funds through MFIs that are better suited to lending to small holder farmers
    - Lowering the threshold for small holder farmers to apply for the ACF.
g. Build capacity of emerging groups especially VSLAs and SACCOs and raising their financial and entrepreneurial capacities. This could be relevant for the UGOPAP partners who are working with farmer associations. Could consider prioritizing such under CAPCA, SPECIAL or SIDP.
h. Provide support and linkages in making the agricultural activities more profitable and less risky through technical training, market information services, storage facilities and positioning farmers in the market / value chain, and linking of different players.
i. UGOPAP partners should advocate for the government to strengthen the VSLA/village banks and SACCOs. Since UCA, UCSCU and AMFIU that are supposed to support the VSLA/village banks and SACCOs but are too limited in resources and mandate to do so properly.

j. Monitor and follow-up on initiatives taken by the government as part of an advocacy strategy for increasing small holder access to credit.
k. Disseminate information about (new) available financial products to specific target groups you are working with, preferably through the associations.
l. Work with farmers' organisations such as Uganda Farmers Federation to advocate for increased funding of the agricultural sectors by government.
m. Advocate for inclusion of access to agricultural credit in policy documents and strategies such as DSIP
n. Advocate for a designated institutional home fully mandated to handle agricultural finance policy in Uganda

9.2 Conclusion

The agricultural sector in Uganda is dominated by small holder farmers who practice subsistence agriculture, which means Government has a big role to play in supporting them to improve their farming practices. Agricultural credit is a key constraint to improving agricultural productivity in Uganda. Nonetheless, the policy of government has always been a private-sector led-agricultural development. However, providers of micro credit have not generally addressed the credit need of small holder farmers because of their priority of funding to the poor and because of some perceived problems associated with agriculture which include, among others, (a) risk of investment in agriculture; (b) seasonality of agricultural production; (c) poor loan repayment performance of agricultural lending; and (d) technical nature of agriculture production system. In addition, the provision of agricultural finance to small holder farmers presents significant coordination challenges and thus high transaction costs for the private sector. Therefore, there is need for government to undertake appropriate policy actions to reverse the current trend as suggested in the above recommendations.

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ANNEXES

Annex A.1: Key Socio-economic Indicators (2010)

Sector	Indicator		Arua	Gulu	Iganga	Luwero	Manafwa	Mpigi	Rakai	Soroti
Primary Education	UPE Net Enrolment Rate		135	103	94	120	121	102	99	96
	Pupil Teacher ratio		61:1	54:1	48:1	44:1	55:1	46:1	42:1	55:1
	Pupil Classroom ratio		99:1	58:1	68:1	52:1	77:1	92:1	56:1	65:1
Secondary Education	Net intake rate		21	28	30	48	33	43	23	40
	Student Teacher ratio		17:1	21:1	26:1	18:1	23:1	15:1	19:1	23;1
	Student Classroom ratio		44:1	56:1	58:1	39:1	53:1	35:1	46:1	52;1
Health	Number of health units		73	76	82	52	23	64	105	59
	Number of Hospital beds		200	602	115	250		400	304	
	routine immunization rates for BCG		86	93	100	45	95	96	83	89
	Immunization rates for measles		61	90	67	41	131	98	71	141
	Countrywide routine immunization rates for DPT3 (2011)		82	110	83	74	115	113	102	38
	OPD utilisation in Government and PNFP health Facilities (2011)		0.8	1.8	0.8	0.6	0.4	1.2	1.1	0.8
	Deliveries in Health Facilities		38	70	45	39	22	53	31	31
Sanitation	Latrine Coverage in households		59	50	67	84	73	77	62	64
Agriculture	Total Production of major crops- UCA 2008/09 (Metric Tons)	Plantain Bananas	16,606	0	13,263	37,534	58,884	114,653	139,314	0
		Finger Millet	11,341	4,931	786	0	505	3	151	29,868
		Maize	11,626	10,386	303,262	29,849	19,340	19,578	18,213	137,657
		Sorghum	12,338	6,507	192	0	125	76	1,313	55,544
		Rice	2,604	1,997	31,492	362	0	12	0	24,689
		Sweet potatoes	43,070	61,732	270,853	15,741	3,166	21,478	9,022	163,648
		Irish Potatoes	242	0	348	77	0	362	3,539	0
		Cassava	147,010	28,933	164,995	39,732	3,776	39,219	14,589	141,331
	Number of Livestock -2008 Livestock Census	Cattle	117,160	40,130	125,310	79,787	76,600	216,620	279,590	271,630
		Goats	273,012	65,301	169,915	68,527	79,928	102,828	163,806	236,839
		Sheep	45,920	4,290	5.060	13,275	4,790	23.220	18,160	53,010
		Pigs	22,930	26,570	27,680	59,040	38,910	108,080	102,870	75,450
		Chicken	588,820	299.830	904,490	464,943	444,270	600,950	503,620	808,290
		Ducks	21,470	62,360	13,470	7,032	7,400	10,460	15,400	23,910
		Turkey	1,400	5,210	6,550	1,398	8,660	1,140	1,100	19,680

Source: UBO 2012, Statistical Abstract & Agricultural Census Report; and DDPs

Annex A.2: List of Respondents

A. National Level

a) Private Sector

	Name	Position	Institution	District
1.	Charity Businge	Communication Officer	FINCA Uganda	Kampala
2.	Ssali John	Credit Officer	Pride Microfinance LTD	Kampala
3.	Annet	Manager	Uganda National	Kampala
4.	Saad Balandiza	Credit Officer	Pride Micro Finance	Kampala
5.	Emmanuel	Credit Officer	UGAFODE Microfinance Ltd	Kampala
6.	Richard	Institution Devt	UCSCU	Kampala
7.	Nalumansi Lillian	Operation Manager	Centenary Bank	Kampala
8.	Kaddu Edward	Manager	UG Cooperative alliance	Kampala
9.	Solomon Kagaba	Investment Officer	AMFIU	Kampala
10.	Namakula Juliet	Credit Officer	Stanbic Bank	Kampala
11.	Ssentumbwe Daniel	Manager	STROME microfinance EA	Kampala
12.	Project Manager Agriculture Prevatol		Uganda Finance Trust	Kampala

b) Donors

1. Agribusiness Initiative Trust (aBi Trust)
2. STROME Foundation

c) NGOs

	Name	Position	Organisation
1.	Caleb Gumisiriza	Lobby & Advocacy Manager	UNFFE
2.	Robert Nangasa	Programme Officer	HUNGER Project Uganda
3.	Kalemera	Programme Implementer	VECO East Africa
4.	Pamela	Dept. Of Agric Programmes	World Vision
5.	Yossa Daisy	Project Officer	ACFODE
6.	Flavia	Head Gender Department	ACORD
7.	Birungi	Human Resource Assistant	VEDCO
8.	Godfrey Muhwezi	Area Manager Iganga	EADEN(Iganga)
9.	Mulondo Eria	Chairperson	Iganga Ngo Forum
10.	Joseph Baliraine	Coordinator	Iganga Dist Farmers Association
11.	Peter Owor	Coordinator	MTCEA
12.	Tokoru Gladys	Manager Microfinance	BRAC Iganga
13.	Nsubuga Rose	Area Coordinator	ADRA Uganda
14.	Kaballe ALLEN	Secretary General	LWEI
15.	Kabito Denis	Programme Manager/ Coordinator	Luwero Caritas Kasanaensis
16.	Bukenya Issa	Organizational Dev't Officer	Mpigi Farmers Association
17.	Ssekyondwa Matovu Joseph	Deputy CEO	OCBO
18.	Kayongo Robert	Office Assistant	SEND A COW
19.	Bukenya Robert Kenedy	Project Officer	CIDI
20.	Opima Freda	Programmes Coordinator	CEFORD
21.	Ayikobua Kennedy	Programmes Officer	ADFA
22.	Rev.Fr. Achidri Constatntine	Director	Caritas Arua
23.	Juma Jumbe Tialio	District Coordinator	CREAM
24.	Adiko Negro Simon	Volunteer/ Field Officer	ARCOD
25.	Ejoji Sam Isaac	Programme Office	West Nile Private Sector

26.	Apecu Gloria	Field Officer	BRAC Arua
27.	Odongkara Martin	Programme Officer	HPH
28.	Osera Agnes	Programme Manager	HELU
29.	Oneka Richard	Deputy Director	Caritas Gulu
30.	Oyim Nicholas	Accountant	SURFACE Uganda
31.	Odongo Geoffrey	Relations Officer	BUDS-ALREP
32.	Arop Sam	Programmes Manager	TECHNO SERVE
33.	Otim Paul	Regional Coordinator	AMFIU
34.	Okecha Adam	Programs Officer Agric	CRC

B. Local Government

	Name	**Positoin**	**Institution**
1.	Kajunge Wasswa John	NAADS Coordinator	Kasasa S/C
2.	Asiason Godfrey	LC III	Adumi S/C
3.	Chandina Luwisi	Sec. Prod, Marketing	Arua
4.	Oleru German	NAADS Coordinator	Arua
5.	Ogwang Cypriano	DCO	Arua
6.	Madam Monica Edemachu	ACAO	Arua
7.	Dr. Toa Gordon Victor	Dist Prod Coordinator	Arua
8.	Achama Genesis	District Speaker	Arua
9.	Gladies Edoria	CDO	Logiri S/C
10.	Alioma Richard	NAADS Coordinator	Logiri S/C
11.	Matua Grisim	Sub county Chief	Logiri S/C
12.	Odongo Richard	Field Extension Officer	Paicho S/C
13.	Alice Akello	CDO	Paicho S/C
14.	Oloango Clement	Field Extension Worker	Gulu
15.	Abdulah Kiganda Musobe	CAO	Gulu
16.	Okot Robert	LC III	Paicho S/C
17.	Odwar Santa	ACAO Aswa	Gulu
18.	Kitara Patrick	District Production Coord	Gulu
19.	Okello Douglas Peter	District Speaker	Gulu
20.	Lakor Jackson	Dist Agri Devt Officer	Gulu
21.	Okumu Benard	DCO	Gulu
22.	Lubambo James	Cooperative Subsector	Iganga
23.	Kakaire John Steven	District Commercial Off	Iganga
24.	Dikusooka	Dist. Agric Officer	Iganga
25.	Batuga Sammuel	DCDO	Iganga
26.	Kayemba Jonah	Dist. Planner	Iganga
27.	Joseph Weyusya	Sen. Dist. Devt Officer	Iganga
28.	Nambuyo Annet Sarah	Sub County Chief	sibanja S/c
29.	Nantanga Patrick	Dist NAADS Cord	Manafwa
30.	Bimwende Robert	C/M III	Manafwa
31.	Mutenya Moses	Sub County NAADS Coor	Manafwa
32.	Mwangale	DFO	Manafwa
33.	Etenyu John Calvin	C/M LC III	Asuret S/c
34.	Dr. Patrick	Production & Vet Officer	Soroti
35.	Okitoi Paul	Head of Planning Unit	Soroti
36.	Agwaya Raymond	Commercial officer dist.	Soroti
37.	Joy Kintu	NAADS Coordinator	Katikamu S/C
38.	Kabaale Robert	Sub County Chief	Katikamu S/C
39.	Grace	CDO	Katikamu S/C
40.	Dr. Makubuya Andrew	Dist. NAADS Coord	Luwero
41.	Luzze Charles	District Planner	Luwero

42.	Namansa Proscovia N	District Speaker	Luwero
43.	Musobozi Eric	Agric Extension Worker	Katikamu S/C
44.	Nakawunde Gloria	SAS	Katikamu S/C
45.	Kagolo David	Sub county NAADS Coord	Kituntu S/C
46.	Bwanika Mk	Chief. Executive	MPigi TC
47.	Lubega John	NAADS	MPigi TC
48.	Kigozi Edward	CDO	MPigi TC
49.	Ssenduli John Baptist	CAO	Mpigi
50.	Mwanje Anthony	CDO	Mpigi
51.	Sserwada Patric James	Dist. NAADS Coordinator	Mpigi
52.	Zziwa Richard	S/C NAADS Coordinator	Kakuuto S/C
53.	Kaweesi Michael Freddie	CAO	Rakai
54.	Lubega W Yusuf	DAO	Rakai

C. Private Sector

	Name	Position	Institution	District
1.	Wakasanka Charles	Chairman	Baligeme Kumunwa SACCO	Iganga
2.	Lastone Wabungu	Chairman	Twegeme walala SACCO	Iganga
3.	Mugweri Christopher	Chairman	Agali awamu Village	Iganga
4.	Tokoru Gladys	Manager Microfinance	BRAC Iganga	Iganga
5.	Agnes Namugaya	Manager	Iganga Food Famers	Iganga
6.	Mulwanyi Andrew	Head Agric Credit	FINCA	Iganga
7.	Waninda James	Cashier	Sibanga SACCO	Manafwa
8.		Manager	Finance Trust	Soroti
9.	Samuel Itiakoril	Manager	Vision fund	Soroti
10.	Opus Joseph	Chairman	Aupakwap Saving & credit	Soroti
11.	Odeke David	Auditor	Awaliwal white Action	Soroti
12.	Opwata Patrick	Chief Advisor	Aliwali Active farmers	Soroti
13.	Emmanuel Okello	Credit Officer	Pride microfinance	Soroti
14.	Eringu John	Manager	Akeunos Farmers SACCO	Soroti
15.	Isaac	Manager	KADP	Luwero
16.	Nsubuga Abdushamadu S	Manager	Katikamu sub-county SAACO	Luwero
17.	Sekitto Charles	Programmes Manager	Luwero Town Council SACCO	Luwero
18.	Gladies	Operation Supervisor	BRAC	Luwero
19.	Abito	Cashier	Caritas Luwero	Luwero
20.	Kijambu Timothy	Credit Officer	Vision Fund	Mpigi
21.	Namuwonge Claire	Accountant	Mpigi Self Support Coop	Mpigi
22.	Mary Goret Nalwanga	Operations Officer	LETSHOGO	Mpigi
23.	Babirye Annet	Branch Manager	BRAC Uganda	Mpigi
24.	Origaruraho Lydia	Operations Officer	UGAFODE Microfinance Ltd	Mpigi
25.	Nakamaanya Immaculate	Branch Manager	BRAC	Rakai
26.	Mutyaba Ivan Medad	Credit Officer	UGAFODE	Rakai
27.	Luke Kabanda	General Manager	Vision Fund	Rakai
28.	Sooka Moses	Field Extension Officer	LETSHEGO (U) Ltd	Rakai
29.	Kiwawuzi Remy	Board Chairperson	Kakuuto Microfinance	Rakai
30.	Amatua Eric	Credit Officer	UCSCU	Arua
31.	Asiason Godfrey	Manager	Adumi sub county SACCO	Arua
32.	Rashid Muhammed	Credit Officer	Arua boda boda SACCO	Arua
33.	Asuzi Kenneth	Manager	Ayive Rural Sacco	Arua
34.	Opio Hudson	Manager	Rwoth Lakica SACCO	Gulu
35.	Olara Dickens	Agric Loans Officer	Gulu District Employers	Gulu
36.	Aloni Peter Onek	Loans Officer	Prime SACCO	Gulu
37.	Bazarwa Lazarus	Manager	CERUDEB	Gulu
38.	Okot Martin	Agric Product Specialist	URIBWUN MON SAVING &	Gulu

			CR	
39.	Opio Patrick	Manager Credit Agric	Talanta	Gulu

Annex A.3: FGDs Participants

Arua District

1.	NAME	Sub-county
2.	Feti Robert	Adumi
3.	Bayo luji	Adumi
4.	Adhukule Thomas	Adumi
5.	Emvi Ciriako	Adumi
6.	Akaa Evaline	Adumi
7.	Rev. Ogale Phanuelson	Adumi
8.	Ezua Liska	Adumi
9.	Adukule Charles	Adumi
10.	Agamile Simon	Adumi
11.	Arumadiri Charles	Adumi
12.	Sabo Charles	Adumi
13.	Yoti Richard	Adumi
14.	Dramani Emmanuel	Adumi
15.	Mawa .S. James	Adumi
16.	Anguzu Anzilo	Adumi
17.	William Awita	Adumi
18.	Jackson Aliguyo	Adumi
19.	Agotre Silvio	Adumi
20.	Gamundenzio Ojedra	Logiri
21.	Alioni Juma	Logiri
22.	Alubua Yokino	Logiri
23.	Ali Odama	Logiri
24.	Olema Alahazyi	Logiri
25.	Asiyoni Denis	Logiri
26.	Ajiga Salim	Logiri
27.	Richard Afidra	Logiri
28.	Wadri Juma	Logiri
29.	Oguzia Irene	Logiri
30.	Golia Baita	Logiri
31.	Orodrio Louise	Logiri
32.	Jenifer Ajemia	Logiri
33.	Inzikuru Aisa	Logiri
34.	Avoko Florence	Logiri
35.	Fen Museli	Logiri
36.	Onzizio Roza	Logiri
37.	Bako Margret	Logiri
38.	Ejoru Gatrude	Logiri
39.	Ijoru Clara	Logiri

40.	KKizito Andeku	Logiri
41.	Amid Sweaza	Logiri
42.	Adiru Ofemia	Logiri
43.	Esther Oziru	Logiri

Gulu District

	NAME	**Sub-county**
1.	Lalam Rose	Lalogi
2.	Ocaya George	Lalogi
3.	Ojok Simon	Lalogi
4.	Opiyo Jimmy	Lalogi
5.	Omukon Oboi	Lalogi
6.	Lkony Eojino	Lalogi
7.	Akello Dorine	Lalogi
8.	Akello Evaline	Lalogi
9.	Okello Damson	Lalogi
10.	Adong Alice	Lalogi
11.	Adyero Chicila	Lalogi
12.	Laker Grace	Lalogi
13.	Aloyo Korina	Lalogi
14.	Ayugi Ricky	Lalogi
15.	Acen Evaline	Lalogi
16.	Akello Monica	Lalogi
17.	Apiyo Vicky	Lalogi
18.	Acayo Florence	Lalogi
19.	Adong Richard	Lalogi
20.	Kipwola Evaline	Paicho
21.	Oryema Francis	Paicho
22.	Ocira Walter	Paicho
23.	Komakech Richard	Paicho
24.	Odong Richard	Paicho
25.	Achora Nighty	Paicho
26.	Akot Rose	Paicho
27.	Akello Magret	Paicho
28.	Aciro Aronia	Paicho
29.	Afero Achire	Paicho
30.	Aweko Christine	Paicho
31.	Akida Grace	Paicho
32.	Akumu Rose	Paicho
33.	Onen Charles	Paicho
34.	Ochora Patrick	Paicho
35.	Okweza David	Paicho
36.	Oketa Albert	Paicho
37.	Ajok Milly	Paicho
38.	Akello Mercy	Paicho
39.	Amony Lucy	Paicho

Iganga District

	Name	Sub/County
1.	Wabulungu Castom	Namungalwe
2.	Kizito Patrick	Namungalwe
3.	Isaana Samuel	Namungalwe
4.	Nabirye Hidhaya	Namungalwe
5.	Namugambo Monic	Namungalwe
6.	Babirye Zaina	Namungalwe
7.	Mbasalaki Nubu	Namungalwe
8.	Babirye Justine	Namungalwe
9.	Muwega Ziria	Namungalwe
10.	Kyebatenda Hajjila	Namungalwe
11.	Kiiza Kasifa	Namungalwe
12.	Kalabaro Samaria	Namungalwe
13.	Naigaga Salma	Namungalwe
14.	Namaganda Anati	Namungalwe
15.	Kagoya Suzani	Namungalwe
16.	Mutesi Jaliya	Namungalwe
17.	Mwasiti Nabirye	Namungalwe
18.	Lyagoba S.	Namungalwe
19.	Bamwagala G	Namungalwe
20.	Namukose Jane	Namungalwe
21.	Kagoya Hajira	Namungalwe
22.	Namusoke Edith	Namungalwe
23.	Nabirye Morine	Namungalwe
24.	Maido Zamu	Namungalwe
25.	Tabone Jane	Namungalwe
26.	Namugere Taith	Namungalwe
27.	Naigaga Salama	Namungalwe
28.	Babirye Babula	Namungalwe

Luweero District

	Name	Sub/County
1.	Namubiru Justina	Luweero
2.	Sserwadda Calisti	Luweero
3.	Namirimu Yudaya	Katikamu
4.	Louise Thomas	Katikamu
5.	Lutindo Paul	Katikamu
6.	Mulindwa Solomon	Katikamu
7.	Kato I.	Katikamu
8.	Wasswa Charles	Katikamu
9.	Nabukenya Annet	Katikamu
10.	Birungi Sulivia	Katikamu
11.	Nalubega Rose	Katikamu
12.	Teo Ssali	Katikamu
13.	Stone Serunkuma	Luweero
14.	Twehangawe	Luweero
15.	Lutwana S.	Luweero
16.	Nyini N.	Luweero
17.	Bakabaindi Matthew	Luweero
18.	Lobowa Matayo	Luweero

19.	John Bosco Kiguli	Luweero
20.	Koomu Vicent	Luweero
21.	Sessemba Steven	Luweero
22.	Kironde Yofesi	Luweero
23.	Mukasa Abubakar	Luweero
24.	Kirande Sarah	Luweero
25.	Nakaggwa Sarah	Luweero
26.	Musinguzi Laban	Luweero
27.	Kanakulya S	Luweero

Manafwa District

	Name	**Sub/County**
1.	Nalyanga Patrick	Bumufumbi 2
2.	Watsemwa Sarah	Mutaro 2
3.	Jesca Musuya	Bumurumu 2
4.	Easter Wandera	Bumurumu 2
5.	Joseph Mundesi	Bumurumu 3
6.	ursular Khainza	Bumufumbi 2
7.	Aita Wabule	Bumurumu 2
8.	Mukite Beat	Bumurumu 2
9.	Manakhe Aent	Bumurumu 2
10.	Katami Aidah	Bumurumu 1
11.	Flowrance Nabwele	Bumurumu 1
12.	Wesswa Peter	Bumurumu 2
13.	Kasawa Godfrey	Bumurumu 2
14.	Nasita Kakai	Bunabiro
15.	Rose Namakola	Bumurumu 1
16.	Rose Wekesa	Bumurumu 2
17.	Mwalye John	Sibanga
18.	Nambafa Masete	Sibanga
19.	Mutenyo Lawrance	Sibanga
20.	Kaboole Betty	Sibanga
21.	Watiti Christopher	Sibanga
22.	Wakiramba John	Sibanga
23.	Musamali Sam	Sibanga
24.	Mukhulundu Isaac	Sibanga
25.	Biketi Alex	Sibanga
26.	Munialo Tolophosa	Sibanga
27.	Mwalye Annet	Sibanga
28.	Ohwer Watibini	Sibanga
29.	Musoba Samuel	Sibanga
30.	Waalusaka Bosco	Sibanga
31.	D. Nalyongo	Sibanga
32.	Moiti David	Sibanga
33.	Wamono Sam	Sibanga
34.	Waninda James	Sibanga
35.	Watiti Peter	Sibanga

Rakai District

	Name	Sub/County
1.	Matovu Pius	Kasasa
2.	Katongole Lozio	Kasasa
3.	Mbazira Iddi	Kasasa
4.	Ayelina Nakabugo	Kasasa
5.	Kamya Yusufu	Kasasa
6.	Zzina Vicent	Kasasa
7.	Kayemba Deo	Kasasa
8.	Lusiba Emmanuel	Kasasa
9.	Waswa Vedasto	Kasasa
10.	Ssengoba Zulubino	Kasasa
11.	Kateregga Ronald	Kasasa
12.	Kabanda Ronald	Kasasa
13.	Msawozi Sakibu	Kasasa
14.	Kamukisa J.	Kasasa
15.	Kayiwa Abdu	Kasasa
16.	Naluyanga Rukia	Kasasa
17.	Kavuma Frank	Kasasa

Mpigi District

	Name	Sub/County
1.	Nanziri Cissy	Kintuntu
2.	Nakiyimba Ann	Kintuntu
3.	Katongole John	Kintuntu
4.	Majenze Atanas	Kintuntu
5.	Kasawuli Tibulisio	Kintuntu
6.	Ssegiringa Moris	Kintuntu
7.	Kibowa Deo	Kintuntu
8.	Munyanya Charles	Kintuntu
9.	Muyomba Fabiano	Kintuntu
10.	Nabakoza Noelina	Kintuntu
11.	Katende N.	Kintuntu
12.	Katamba Geofrey	Mpigi T/C
13.	Nabukalu Deziranta	Mpigi T/C
14.	Nabaggala Justine	Mpigi T/C
15.	Ssegirinya Francis	Mpigi T/C
16.	Banadda Lawrance	Mpigi T/C
17.	Ssebayigga James	Mpigi T/C
18.	Namakula Deborah	Mpigi T/C
19.	Kinobe Vincent	Mpigi T/C
20.	Nalwadda Teopista	Mpigi T/C
21.	Nantale Mariatereza	Mpigi T/C
22.	Nansukusa Solome	Mpigi T/C
23.	Nannono R.	Mpigi T/C
24.	Mawemuko William	Mpigi T/C
25.	Namponye Alice	Mpigi T/C
26.	Nakalema Alice	Mpigi T/C
27.	Nakawunde Agnes	Mpigi T/C
28.	Kayima Edward	Mpigi T/C
29.	Byakatonda Asumpta	Mpigi T/C

30.	Nakayaka C.H	Mpigi T/C
31.	Ntale Lebati	Mpigi T/C

Soroti District

	Name	Sub/County
1.	Akiokot Hellen	Asuret
2.	Akujo Becy	Asuret
3.	Apolot Faith	Asuret
4.	Aulo C.	Asuret
5.	Ewana Joseph	Asuret
6.	Okopa Levi	Asuret
7.	Etyeku J. Francis	Asuret
8.	Erimu Robert	Asuret
9.	Ocen Sam	Asuret
10.	Edongu Peter	Asuret
11.	Iliu Sarah	Asuret
12.	Okello John	Asuret
13.	Eringu John	Gweri
14.	Opwata Patrick	Gweri
15.	Akello Imaculate	Gweri
16.	Iselu G.R	Gweri
17.	Atero Magret	Gweri
18.	Akeya Pelina	Gweri
19.	Acoa Lakeeri	Gweri
20.	Alupo Immaculate	Gweri
21.	Openeck Julius	Gweri
22.	Ariokot Ketty Rose	Gweri
23.	Ocuru Boniface	Gweri
24.	Oluga Leonard	Gweri
25.	Eilu John	Gweri
26.	Olura John	Gweri
27.	Erau John	Gweri
28.	Olupot Martin	Gweri
29.	Erupu David	Gweri
30.	Okello Micheal	Gweri
31.	Ochan Julius	Gweri
32.	Agwela Simon	Gweri
33.	Odeke David	Gweri
34.	Asio Loyce	Gweri
35.	Opus Joseph	Gweri
36.	Agelo Melida	Gweri
37.	Orone Moses	Gweri
38.	Obonia Simon Peter	Gweri