



Agriculture and Agribusiness sector

Private sector Policy Concerns

Presented

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A. Introduction:

Private sector Foundation Uganda (PSFU) is the apex body of the private sector in Uganda with a mandate of sustaining dialogue with Government on improving the business environment, business development support and capacity building. Our membership which is composed of over 245 business associations, corporate members and associates, is organized into 11 sectors¹which mirror the productive sectors in the economy.

The Agriculture, agribusiness and Forestry Sector is one of and the biggest sector in terms of membership under PSFU. It is organized and fully constituted with a work plan, dedicated staff and Board of directors' representation. It is established to guide on policy advocacy for the members in the sector, conduct business development services for the members.

B. Appreciation:

PSFU appreciates the Ministry of Agriculture Animal Industries and Fisheries for continuously granting the private sector an opportunity to engage in the development of the entire agriculture sector in Uganda. We have always participated in the Joint Agriculture Sector Reviews, development of the National Agriculture Policy among others.

A number of strides have been made in the development of supportive policies and laws, robust support in the extensive services, supportive grants and resources that support production and value addition, technical support in research and development and inspection services, among others. These and more are also much appreciated.

PSFU has also over the years supported the agriculture sector through policy advocacy and business development grants that target increased production and value addition of the selected priority commodities. While each of us, has/ is working for the good of the sector players, there some areas where the private sector still face constrains/ challenges that require policy redress and sometimes implementation follow up and enforcement. These issues were submitted in advance to the Ministry and today, we intend to dialogue on how best to improve the business environment around the private sector players.

¹ Agriculture, manufacturing, Tourism, Oil, Gas and Minerals, ICT, construction, Trade and commerce, Financial services, transport and logistics, Professional services and skills, education and health sectors

C: SPECIFIC POLICY ISSUES

S.No.	ISSUE/OBSTACLE	IMPLICATIONS	RECOMENDATION	MDA
CROSS CUTTING				
1	<p>Lack of coordination amongst the players (public, private and donor) in the sector</p> <p>Many interventions exists, i.e. projects, grants, funds, idle assets from GoU, private and Donor targeting the sector however, each of these interventions follows a different theory of change. This affects efficiency.</p> <p>The Government champions a production driven- “Nucleus Farmer model” while the Private Sector promotes a market driven- “Lead Firm Model”. There is lack of synergy in the implementation of these models.</p>	<ul style="list-style-type: none"> - World Bank records that Up to 4-12% of GDP is lost annually due to inefficiencies in the agric sector. - Scattered interventions which result into very minimal results i.e. in the operations of NAADs, ACDP and other programs - Affects growth of the sector leading to tax inefficiencies & limits GDP growth 	<p>PSFU proposes that LFS, which is market driven be combined with NF model to support development of Value chains.</p> <p>Various programs & interventions must be geared towards this theory of change.</p>	<p>MAAIF MTIC MoGLSD OPM</p>
2	<p>Absence/ inefficiency of Policies and Regulations</p> <p>Required policies should address the challenges of research, disease/ quality control, marketing, inputs supply. i.e. apiculture policy, Tea policy, acaricide policy, Fisheries & aquaculture Law,</p>	<p>Absence of such policies and regulations inhibit;</p> <ul style="list-style-type: none"> - Competition in the sector - Affects the growth of the sector - Limits competitiveness of the players 	<ul style="list-style-type: none"> a) Expedite the development/ enactment of these policies, acts and regulations b) Partnership with the private sector to implement these policies, - a periodic review meeting could be taken upon. 	<p>MAAIF</p>

	animal feeds, Seed and Input Law, coffee, sugar bill. Additionally, absence of effective implementation of policies due to lack of private sector engagement.		c) Enforce the implementation of these regulations	
3	<p>Weak and inadequate extension services</p> <p>A single spine Agricultural extension services system being implemented is good but not enough to support the private sector.</p> <p>Extension workers cannot match growth of the sector. Several extension workers lack required skills i.e. Entomologists are mainly hinged on insects affecting livestock than apiary.</p>	<p>This impacts;</p> <ul style="list-style-type: none"> • Production and productivity • Compliance to standards required by the specialized markets • Supply rigidities for the processors • Low income levels earned by the HHs 	<ul style="list-style-type: none"> • Consider privatization of the extension services through supportive legal and regulatory framework • Address skills gaps through the agriculture skills sector councils to address the available gaps • Promote digitalization of extension services through; <ul style="list-style-type: none"> ✓ Increase internet penetration ✓ Support technology development 	MAAIF-DES MoES
4	<p>Inadequate infrastructure required by the private sector</p> <p>Storage gaps still exist in the value chains. The cost of establishing private silos/ storage facilities is very high.</p>	<p>Due to these challenges;</p> <ul style="list-style-type: none"> - Only 2% of the available 10% market earmarked for LDC small holder farmers by UN is fulfilled 	a) Create an incentive mechanism to promote private use of storage facilities through an incentive mechanism that can reduce some of the key cost drivers such as tax, electricity costs etc.	MAAIF MTIC UDC

	<p>Absence of proper cold chains and park houses affects competitiveness of exports</p> <p>Infrastructure for water for production inhibits constant production.</p>	<ul style="list-style-type: none"> - Post harvest loses stand on 30% 	<ul style="list-style-type: none"> b) Promote common user facilities owned at cooperative level or private business level to support production for cold chain and park houses c) Prioritize infrastructure for water for production to the level of other public transport d) Conduct research on more affordable technologies for irrigation 	
5	<p>Weak compliance and enforcement of quality production and Standards</p> <p>Standards and other market requirements are highly required in the markets. Uganda is very weak at this point to fulfill both domestic, regional and export markets. As incomes of the population rise, demand for quality products follow.</p>	<p>Absence of these standards leads/ has lead to;</p> <ul style="list-style-type: none"> - High levels of export interceptions from EU and other markets - Failure to penetrate markets i.e. local markets, exports such as EU for beef - Supply Inadequacies to support local manufacturing sector - Prices of the exported items/ products 	<ul style="list-style-type: none"> a) UNBS working with MAAIF to develop required standards such as for bees wax, propolis and harmonize them with EAC. b) Implore the Lead firm structure approach to organize production c) Invest in specialized transport systems especially for perishables d) Invest in cold chains and proper park houses to support quality standards e) Work towards development of requisite standards such as 	<p>MAAIF UNBS MTIC</p>

			global gap & support its uptake	
6	<p>Research and development</p> <p>A lot of researched technologies lack the industry development perspective. Technologies in at NAGRIC, NALIRI, NACoRi, Rwebitaba and CAES are minimally reaching the farmers</p>	<p>Impacts;</p> <ul style="list-style-type: none"> - Affecting productivity - Wastes resources spent on research - Un productive research developed which does not support the growth of the sector 	<ul style="list-style-type: none"> a) Promote industrialization of the researched technologies through demand driven approach to R&D with the private sector b) Conduct research in other specialized areas 	NARO NAGRIC DB
7	<p>Tax policy issues</p> <ul style="list-style-type: none"> I. LG charges: multiple charges exist producing area, transport, loading and offloading and, cross districts II. Licenses: are no longer for regulations but rather income generation III. CET: rates that discourage local producing in seeds, pulp, starch IV. Excise duty: Rates that discourage value addition 	<p>It impacts;</p> <ul style="list-style-type: none"> - Increase the cost of doing business for the private sector - Encourages informality of the sector - Dis-incentivize value addition 	<ul style="list-style-type: none"> a) Consider a predictable tax regime to support the sector b) Harmonize the multiple licenses into one license that can be paid by the private sector c) Review the implementation of fish levy to support the fisheries sector 	MoLG MoFPED

8.	<p>Access to affordable credit for Agricultural Production:</p> <p>Average interest rate of 19-20% is too high for the sector. UDB provides at 12% but is limited to large scale projects and yet its capital base is still low. ACF lends at 12% but it suffers from bureaucracy which dis-interests banks. MFIs are supporting but costs up to 36%. 62% of farmers are subsistence.</p>	<ul style="list-style-type: none"> - Limits large scale production and value addition. Some of the heavy investment areas include specialized transport, cold chains, park houses, specialized aboitors, bio safety measures, silos etc - Affects growth of HH incomes, & general sector performance - Discourages young people to join the industry and cooperatives development 	<ul style="list-style-type: none"> a) Encourage savings through a cooperative and/or lead firm approach b) Promote long term savings through required laws in Parliament. c) Improve ACF operations through; <ul style="list-style-type: none"> ✓ GoU appropriate funds to cater for risks in the budget and avails it at BoU ✓ Conduct post audit of Bank transactions thereby removing bureaucracy d) Improve insurance penetration through linkages and awareness programs 	<p>MoFPED BoU UDB UIA MAAIF</p>
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D: Conclusion

1. The above mentioned proposals if adopted would support increase production and productivity leading to creation of decent employment for women and young people and development of the economy
2. More structured period engagement is required to follow up the implementation of the above raised proposals.