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Institutional Constraints to Agriculture Development in Uganda

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ABSTRACT

Since the early 1990s, Uganda has implemented a number of reforms in the agricultural sector. However, in the past 10 years, the performance of the sector has lagged behind other sectors particularly services and industry. There are concerns among researchers and policy analysts that institutional constraints in agriculture play a central role in the lacklustre agricultural performance registered during the 2000s. This study examines the institutional constraints affecting agricultural production in Uganda. We recommend reforming the land tenure system as well as the architecture of the Ministry of Agriculture, Animal Industry and Fisheries as means of dealing with the major constraints.

1. INTRODUCTION

Since the early 1990s, Uganda has implemented a number of reforms in the agricultural sector. In 1992, the country liberalized agricultural marketing and dismantled the former Coffee and Lint Marketing Boards. In addition, a number of autonomous agencies such as Uganda Coffee Development Authority (UCDA) were established to promote specific agricultural products. Government also abolished the traditional system of agricultural extension services, and replaced it with an agricultural *advisory* services system.

Soon after these reforms, agricultural sector performance improved. However, over the past 10 years, agriculture has lagged behind industry and the services sector. For instance, in the period 2002-2009 growth in the agricultural sector averaged 1.7 percent while that of industry and services averaged 7.9 percent and 12.6 percent respectively (Uganda Bureau of Statistics, 2011). The annual output of coffee—Uganda's major cash crop—has stagnated at 3 million 60kg bags whereas cotton production has failed to reach its potential of 300,000 bales per annum.

Yet, agriculture remains the most important sector in Uganda—at least with regard to employment. The sector employs about 77 percent of the rural adult population and accounts for roughly 50 percent of the merchandise exports (Uganda Bureau of Statistics, 2011). Consequently, the organization and performance of the sector is an issue of great policy concern.

Policy analysts are concerned that the institutional weaknesses in the agricultural sector have been neglected during the implementation of sector reforms. This paper analyzes the key institutional constraints facing agriculture in Uganda. The aim is to (a) understand the nature, dynamics and magnitude of these constraints; and (b) make recommendations for overcoming the obstacles. The ultimate goal is to streamline the relevant institutional arrangements with a view to boosting agricultural production.

The objectives of agricultural sector reforms appear to have been well-intentioned. The major objective was to increase farmers' incomes by reducing taxation of the sector. The second objective was to dismantle the producer boards of the olden days and, in their place, establish autonomous (marketing) agencies with a view to increasing the share of the product-price received by farmers. The third objective was to encourage private sector investment in agriculture.

This paper argues that the pro-market reform momentum in general, and private sector promotion in particular, was driven by dogma, not science. It was driven by the ideological objective of fostering state withdrawal from productive economic activities. The goal was to create space for market capitalism, with particular focus on private sector development. For this reason, the reforms involved disengaging the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) from direct crop activities. The object was to supposedly create space for private actors. We will argue that several sector-specific institutional issues were overlooked. For instance, the former producer boards were major sources of credit to farmers. Their abolition meant that farmers had to rely on the traditional commercial banking system—which did not have customized agricultural loan-products. Second, in contrast with the scenario under the previous Ministry of Agriculture, the new sector agencies under the new ministry (MAAIF) are autonomous, and are not properly coordinated by the parent ministry. This has hampered efforts to deal with emerging sector challenges. Indeed, the reforms created a number of policy or operational vacuums—to which the new sector agencies have responded in an ad-hoc manner. Third, some key reforms—notably relating to land were incomplete. This has affected private sector participation in agriculture due to concerns over poorly defined property rights.

This paper seeks to address the neglected institutional constraints to agricultural production in Uganda. We build on the expanding literature which shows that institutions matter for agricultural development (de Laiglesia 2006; Fan *et al*. 2004; Kijima *et al*. 2011). In particular, informal and formal agricultural institutions lower the cost of participating in agricultural enterprise, encourage trust, and reduce price volatility. For instance, in China, the institutional innovations introduced in 1978 led to a 60 percent increase in agricultural output growth and a 20 percentage point reduction in rural poverty during 1978 and 1984 (Fan *et al*. 2004). In sub-Saharan Africa, properly functioning extension services have been at the fore-front of the push for new agricultural technologies (e.g. improved maize breeds and up-land rice) in some countries (Kijima *et al.* 2011). Consequently, the absence or poor functioning of agricultural institutions can impact the performance of the agricultural sector.

In what follows, Section 2 outlines the political economy of agricultural sector reforms in Uganda. Sector 3 documents selected trends in agricultural sector performance after the reforms. The climax of the paper (Section 4) examines the institutional constraints to agricultural production. The paper ends in Section 5 with a set of conclusions and policy recommendations.

2. POLITICAL ECONOMY OF AGRICULTURAL REFORMS IN UGANDA

Prior to the rise to power of the National Resistance Movement (NRM) government (1986 – to-date), the state played a major role in Uganda's agriculture. The role of the state ranged from providing extension services to delivering inputs and credit. The ministry for agriculture had an expansive agricultural extension-services system that prioritized the the major cash crops for export i.e. coffee, cotton, tea, and tobacco.[1]

The rationale for widespread state involvement (through the ministry for agriculture) was that the cash crops were cultivated mainly by smallholder peasant-farmers who needed substantial support. The agricultural system was also helped by a very vibrant state-guided cooperative movement which was effective in extending credit in kind e.g. through tractor-hire services, and the supply of equipment and pesticides. The cooperatives recovered such in-kind credit through the sale of produce.

Uganda's agricultural system operated, then, with minimal support from donors. For the cash crops, the ministry for agriculture organized farmers and linked them to export markets through parastatal producer boards such as the Coffee Marketing Board (CMB), Lint Marketing Board (LMB), and Produce Marketing Board (PMB). Marketing of products through producer boards insulated farmers against exploitation by middlemen; although the boards retained a portion of the sales for purposes of creating a price stabilization fund.

Uganda's agricultural system came under attack in the early 1990s for a number of reasons. First, the system was accused of depressing farm-gate prices. For instance, in the 1970s and 1980s, coffee farmers in Uganda received, on average, 15 percent of the export price for coffee with the largest share being retained by the state as tax (Bibangambah 1996). As such, the system was arguably discouraging investments by large-scale agricultural players. Second, the extension system was supply-led, allocating resources based on quantities. This was considered expensive and inefficient. Third, given the nature of the major cash crops, farmers received incomes once a year (after harvest season). Finally, in the 1980s, farmers received promissory notes and not cash-on-delivery as was earlier the case. This late payment led to mistrust by farmers in Uganda and other African countries (Fafchamps 2000; Wiegstral *et al*. 2007).

1 Food security at the household level was ensured through a coercive institution—the mutongole chief. Kaahwa (2010) describes a system of rural institutions that existed in the colonial period and soon after Uganda's independence in 1962. In this system, health assistants and agriculture assistants operated at the sub-county level. Together with the village chief (*mutongole*) and a Sub-county *aska*ri, "they would visit and inspect every home in the village. They would look for a number of items and facilities, and explain to the residents the use and importance of such items and facilities. They inspected the main house, kitchen, animal house, pit latrine, courtyard and gardens. They would also inspect granaries and village roads. If a household lacked any of these facilities, the head of the family would be taken to task, warned, sometimes arrested and charged with negligence. This ensured food security and minimized animal borne and vector diseases. Today, these services and practices hardly exist." (Kaahwa 2010).

Critics of the flaws in the state-led agricultural system did not seek to address the flaws within the existing framework of state-guided development. Rather, and with advice from donors, they sought to introduce a new order of wide-spread agricultural sector liberalization. The existing institutions of the time (such as the Ministry of Agriculture; District Agricultural Officers; and Producer Cooperatives), were assumed to be incapable of implementing the new order.

Liberalization involved dismantling the then existing extension-services system. It also involved dismantling the CMB; the LMB and the rules governing production, marketing, and distribution of agricultural output.

A number of autonomous agencies were then set up to implement pro-market reforms within the liberalized environment. For instance, the Uganda Coffee Development Authority (UCDA) was set up to monitor the coffee market as well as ensure coffee quality. Other institutions set up at the time included the National Agricultural Research Organization (NARO) in 1992; the Cotton Development Organization (CDO) in 1994; and the Dairy Development Authority (DDA) in 1998. A unique feature of the new sector agencies was that nearly all were created by Acts of Parliament. Some of these agencies (such as UCDA and CDO) were given statutory powers to levy fees on produce and spend at source.

Liberalization also involved removing state controls of any form. It involved allowing prices to be determined by the market. The thinking was that by allowing market forces to determine output prices, the farmer would get a higher share of the farm-gate price compared to the days of the cooperative movement when Government fixed the prices of agricultural produce. Liberalization was in this regard looked at as the best way of maximizing incentives to agricultural production. The expectation was that agriculture would become very attractive to investors.

In the input market, liberalization meant allowing increased competition in the supply of inputs. Here too, the thinking was that competition would drive down the prices of inputs, thereby, making them affordable to farmers. This would enhance agricultural profitability. In short, the agricultural produce and input markets were liberalized (in the early 1990s).

With the creation of autonomous sector agencies, the MAAIF was urged to focus only on policy-setting. However, the shifting of powers was initially resisted by the ministry. Suspicious of the motives of the new modus operandi, the ministry started to question the way of delivering key agricultural services to peasant farmers. Donors responded by creating parallel institutions e.g. the Plan for Modernization of Agriculture (PMA) to deal with the initial hesitation by MAAIF. The PMA had the following seven pillars:

i) Research and technology development
ii) Agricultural Advisory Services (NAADS)
iii) Agricultural Education
iv) Rural Financial Services
v) Marketing and agro processing
vi) Sustainable use and management of natural resources
vii) Physical infrastructure

Parallel structures were attractive to donors who wanted to engage directly with the agricultural subsectors in which they had vested interests e.g. extension services. The key premise of the PMA was that agriculture was business, and that there was no need to subsidize agricultural enterprises. In addition, the PMA adopted a new catch word of "ensuring food security through the market". In so long as farmers produced for the markets, they would supposedly have sufficient incomes to meet their food needs.

Over a 10 year period of implementation, only one of the seven pillars survived (i.e. NAADS)—partly due to the fact that NAADS was initiated through an Act of Parliament. Indeed, although the PMA was very elaborate in terms of its seven pillars, by the time it was replaced by the agricultural sector Development Strategy and Investment Plan (DSIP) in 2010, it was mainly known for the NAADS programme, which was itself bedevilled with major implementation inefficiencies. The PMA had little focus on the supply-side constraints to agricultural production. In the 2000s, government made renewed attempts to institutionalize liberalization within MAAIF through the agricultural sector DSIP. Like the PMA, the broad policy framework of the DSIP remains liberalization and privatization. Like PMA, the DSIP has increasing household incomes as the overarching objective. The difference between the PMA and DSIP is mainly in who is running the show (i.e. either MAAIF or other stakeholders).

The DSIP has the following four broad programmes: enhancing production and productivity; market access and value addition; creating an enabling environment; and institutional strengthening of the agricultural sector (MAAIF, 2010).

Two important problems exist. First, the DSIP mentions food security on the front page as a key priority. However, there is hardly any indication in the policy document that food security will receive any funding in the DSIP. Second, although the DSIP provides that MAAIF will lead on policy development and planning, the neoliberal framework is presented as a foregone conclusion. The policies are set and there is supposedly nothing new for MAAIF to introduce beyond liberalization. In other words, the DSIP is hardly different from its successor, the PMA. The PMA Secretariat is trying to reinvent itself as an advisory arm to MAAIF in the light of the changing dynamics. Initial efforts by the PMA Secretariat to reposition itself as the champion of Prosperity for All (PFA)[2] seem to have failed. The political class could not decide on where to locate the PFA – the Office of the Prime Minister; the Vice president's Office; the Office of the President; the Ministry of Finance, Planning and Economic Development, or elsewhere. Moreover, unlike the PMA which was a well written document spelling out key strategic pillars of intervention, the PFA was not. Consequently, the PFA was never located in any Government Ministry or Agency. When the MAAIF prepared the agriculture DSIP some people interpreted it to be the PFA. However, the DSIP was serving a different purpose – that of streamlining the principle of liberalization in MAIF, which had resisted it; otherwise the DSIP and the PMA are the same in spirit and purpose. As such, the PFA idea remained just politics.

Some of the objectives of agricultural liberalization have, without a doubt, been met. For example, the farm-gate prices increased. The farmers' share of the coffee export-price increased to 70 percent by 1994/95 (Baffes 2006). Despite the increase in coffee farm-gate prices, there was no corresponding supply response. Baffes (2006) notes that coffee exports peaked at 4.5 million bags in 1994/95 and declined to less than 3 million bags by 2005.[3] Similarly, cotton exports have stagnated at about 200,000 tonnes per annum since 1996 (Baffes 2009). The ability of farmers to use their higher incomes to demand for key inputs did not materialize either. To-date, the wish for a demand-driven, agri-business (read "agriculture-as-business") model has remained unfulfilled. Indeed, the use of agricultural inputs has declined across Uganda (Kigima *et al*. 2011).

Closely related to this is the issue of agricultural extension services. Whereas the previous system of agricultural extension focused on the traditional cash crops, the current NAADS programmes deal with a wide array of agricultural products. This broadened agenda is pursued in the name of agricultural diversification from the traditional cash crops (such as coffee, cotton and tea) to the non-traditional cash crops (such as rice, beans and bananas). Compounding this is the problem of NAADS' mandate. NAADS, whose statutory role is, as the name suggests, "advisory" eventually started providing agricultural inputs (such as improved seeds), thanks to the political expedience of using NAADS to mobilize voters' support during elections. According to the 2010 Agriculture Public Expenditure Review, at least 25 percent of the NAADS budget is earmarked for input provision (World Bank 2010).

The creation of sector agencies also opened up vacuums. For instance, institutions such as UCDA and CDO realized that they were commodity-based institutions and took up additional functions of product development e.g. seed multiplication due to the presence of a vacuum.[4] Additionally, there were weak linkages between the sector agencies e.g. between UCDA and

2 Posterity For All (PFA) locally translated as *"Bonna Bagagawale"* was President Y.K Museveni's campaign promise in the run-up to the 2001 elections.

3 The Coffee Wilt Disease (CWD) is mainly to blame for the decline in coffee output after liberalization. In 2005, it was estimated that losses due to the CWD accounted for 30 percent of the realized coffee revenues (Baffes 2006).

4 Other institutions such as NAADS have responded to the changing environment by taking up additional functions beyond extension services such as credit provision (World Bank 2010).

NARO to deal with the coffee wilt disease. NARO is mandated with all aspects of agriculture but is poorly resourced to deal with the most critical challenge (the wilt disease) facing Uganda's main foreign exchange earner—coffee (Baffes 2009). It is also worth noting that the expected attraction of the private sector to key aspects of production (such as seed multiplication of improved crop varieties) did not materialize. These problems are important obstacles to improved agricultural performance in Uganda.

3. PERFORMANCE OF AGRICULTURAL SECTOR AFTER THE REFORMS

Growth in the agricultural sector has been dismal in comparison with other sectors of the economy. As already hinted, the production of the main agricultural crops surged soon after liberalization. However, the positive trend waned after 5 years. Table 1 shows the trends in total GDP growth, and the major sectors of agriculture, industry, and services. It is indicated that growth in agricultural GDP averaged 2 percent per annum over the 2001/2-2010/11 period compared to an average of 9 percent per annum for the industry and services sectors. As Table 1 shows, the poor performance of the sector was partly driven by the food crop sub-sector—whose GDP growth averaged 1.7 percent compared to 3.6 percent per annum for the cash crop sub sector. Given that Uganda's population growth rate of 3.2 percent per annum; growth in food production has lagged behind population growth - pointing to the increasing risk of food insecurity. The dismal performance can also be attributed to the declining agricultural terms of trade compared to other sectors of the economy (Deininger and Okidi 2003)[5]. As a result of the under-performance of the agriculture sector, its contribution to total GDP has declined for wrong reasons overtime—from 51 percent in 1992/93 to less than 20 percent by 2010/11 (MoFPED 2011).

Table 1: Uganda, Growth in GDP by major sectors (constant 2002 prices), 2001/2002-2010/2011 (%)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/8	2008/9	2009/10	2010/11
Total GDP	***8.6***	***6.6***	***6.8***	***6.3***	***10.8***	***7.9***	***9.8***	***7.2***	***5.5***	***6.3***
Agriculture	**7.1**	**2.1**	**1.6**	**2**	**0.5**	**0.1**	**0.7**	**2.5**	**2.4**	**0.9**
	Agriculture Sub components									
Cash crops	12.5	3.2	7.3	-5.5	-10.6	5.4	2.2	5.6	-1.1	-15.8
Food crops	5.7	2.2	-1.5	-0.2	-0.1	-0.9	2.4	2.6	2.7	2.7
Livestock	4	3.5	4.7	3	1.6	3	3	3	3	3
Forestry	6.8	5.2	3.1	6.5	4.1	1.9	2.6	6.3	2.9	2.8
Fishing	13.8	-4.3	9.6	13.5	5.6	-3	-12.6	-7.0	2.6	0.4
Industry	**7.4**	**9.5**	**8**	**11.6**	**14.7**	**9.9**	**6.4**	**5.8**	**6.5**	**7.5**
	Industry Sub components									
Mining and Quarrying	12.2	12.8	1.7	27.2	6.1	19.4	0.8	4.3	15.8	15.8
Manufacturing	6.7	4.4	6.3	9.5	7.3	4.3	8.1	10	6.6	6.5
Construction	10.1	14.6	10	14.9	23.2	14.3	6	3.7	5.9	7.7
Services	**11**	**7.4**	**7.9**	**6.2**	**12.2**	**8.8**	**13**	**8.8**	**7.4**	**8**
	Services Sub components									
Wholesale and retail trade	7.4	5.1	6.3	7.2	12.3	9.9	17.2	9.7	0.7	3
Transport and communication	17.8	14.9	15.8	9.8	17.1	17.7	18.8	14.3	17.5	13.9
Financial services	32.6	13.2	0	13	31.7	9.9	29.6	25.4	36.1	10.3
Public administration and defence	20.4	3.6	7.7	-5.4	15.8	-8.3	18.4	5.5	6.9	12
Education	14.2	7.3	9.1	4.4	9.4	10.6	5	4.3	-1.5	10.7
Health	18	13.7	0.9	5.6	12.9	2.7	15.2	-3.2	11.9	12.6

Source: MFPED, Background to the Budget reports 2008/9 and 2011/12

Figure 1 shows the trend of coffee production following the adoption of pro-market agricultural reforms. As already noted, the coffee bags exported decreased from a peak of 4.5 million bags in 1996, to about 3 million bags per annum in 2011 (Figure 1). The marginal changes in coffee

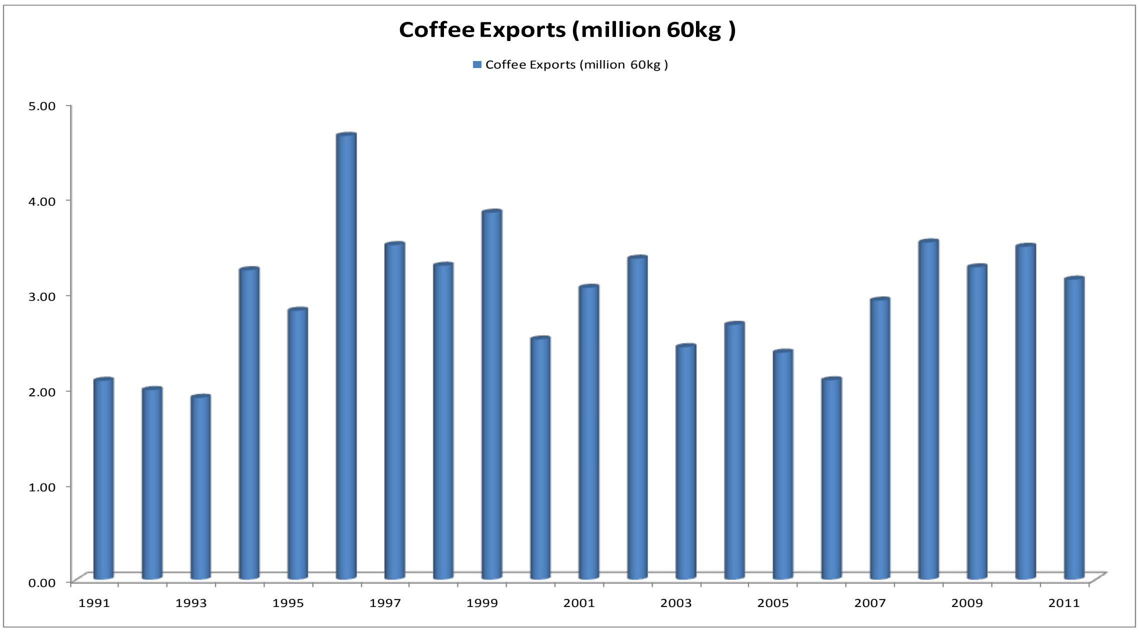
5 Other factors highlighted for the poor performance of the agricultural sector include adverse climatic conditions, declining soil quality and crop diseases (UPPAP I 1999; UPPAP II 2003; Ssewanyana et.al 2006).

output after liberalization is attributed to the coffee wilt disease and failure of the institutions responsible for coffee replanting to replace the diseased crops[6].

Uganda's export earnings from coffee declined from US$ 287 million in 1999 to US$ 100 million in 2003. Partly due to the declining coffee output, the share of coffee in Uganda's merchandise exports declined from a peak 76 percent in 1994 to 18 percent by 2010 (MoFPED, 2011). During this period, the average price of coffee declined from US$ 2.58/kg in 1994/95 to average of US$ 1.4/kg during 2001/2-2010/11. At the same time, the share of all agricultural products in merchandise exports reduced from 95 percent in 1994 to 39 percent by 2010. The decline in coffee's share of exports also points to some success in diversifying Uganda's exports.[7]

At the household level, the decline in coffee production has affected household incomes given that most rural households in central and western Uganda grow this crop. For instance, the nearly 40 percent decline in coffee production registered between 2002 and 2006 amounted to an estimated annual loss of about US$ 100 million—based on the average coffee price in 2006 of US 1.3/Kg. The coffee sector is also constrained by the problem of limited value addition. From the perspective of value-addition, this suggests that the pro-market reforms have not improved the pre-reform status-quo.

Figure 1: Coffee production, 1991-2011



Source: UCDA annual and monthly reports.

6 Since 1999, old Robusta coffee trees were attacked by the CWD. During the period 1993-2008, at least 56% of estimated 242,000 hectares of old Robusta coffee trees had been lost due to the disease (UCDA 2011). The institutional response was for the UCDA to initiate coffee replanting across the country; however, UCDA was of the view that the replanting was supposed to finance using national rather than UCDA resources.

7 The decline in the share of agriculture in exports is also attributed to the significant increase in earnings from other products notably gold, other minerals, and base metal products (MoFPED 2007).

Other major products such as cotton have been more erratic in terms of output growth than coffee. For instance, cotton output for 1995/96 was 56,000 bales. This nearly doubled to 110,000 bales in 1996/97 (Cotton Development Organization 2011). However, by 1998/99, cotton production had declined to 82,000 bales per year. The largest surge in cotton production was registered during 2004/5 where annual production peaked at 254,000 bales. However by 2009/10, the annual production had reduced to 70,000 bales despite the doubling of the average lint price from US$ 0.8/kg to US$ 1.59/kg between 2004/5 and 2009/10.

It is worth noting that the average price of lint cotton had declined from US$ 2.1/kg in 1994/95 to as low as US$ 0.8/kg in 2004/5. Certain researchers (e.g. Baffes 2009) attribute unpredictable cotton production to the declining profitability of the product, worsened by the dismantling of producer cooperatives which were major sources of key inputs (e.g. fertilizers), and not to declining cotton prices. The productivity of cotton has declined to 300kgs per acre compared to a potential output of 800-1,000kgs per acres if production is based on the right inputs (USAID, 2008). Given that cotton in Uganda is a major cash crop in the Northern and Eastern parts of the country, the extreme reduction in the price of has adversely affected the livelihoods of households in the two regions[8].

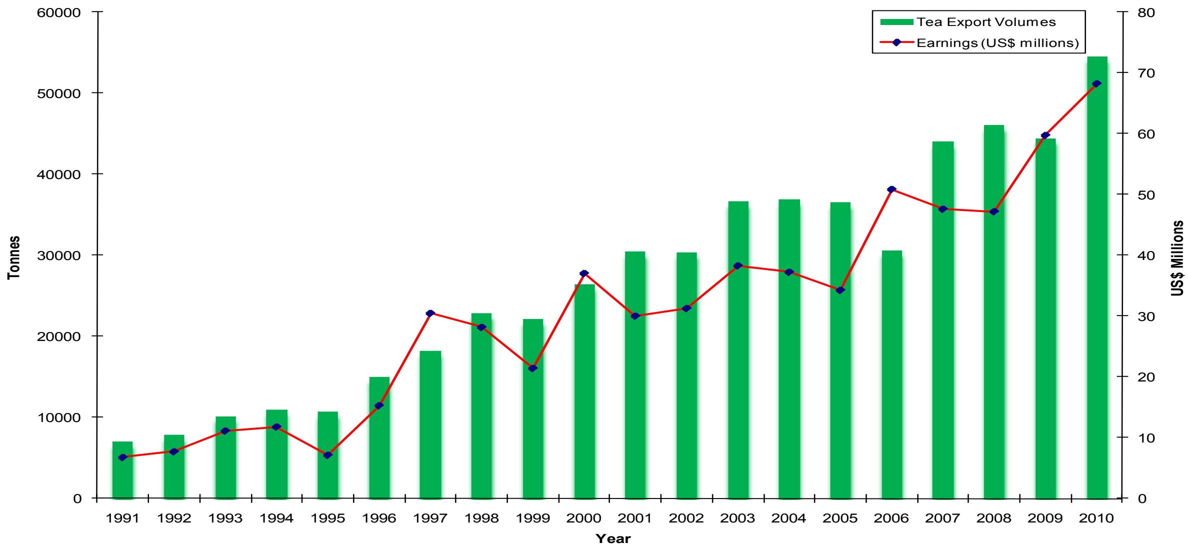
As a result of the diversification drive associated with agricultural sector reforms, a number of crops have emerged as key export commodities and, consequently, potential sources of household income. The most notable products are flowers, vanilla, cocoa and fish. For instance, export receipts from flowers increased by over 1000 percent between 1996 and 2010 (MoFPED, 2011). This is attributed to significant investments in flower-farms as well as the increased access to European markets, as result of improved air transport for perishable products (Waggstaff, 2007). Similarly, fish exports increased from US$ 15 million in 1994 to US$ 128 million in 2010 due to expansion of fish processing capacity and access to EU markets. According to the Uganda Investment Authority, investments in fish processing accounted for 25 percent of the total private investment in agriculture realized between 1991 and 2006 (Uganda Investment Authority, 2007). Furthermore, investment in fish processing amounted to US$ 90 million between 1991 and 2006, and created 9,000 new jobs.

One of the major objectives of agricultural reform was to expand private sector involvement in the agricultural value-chain. To some extent, the liberalization policy managed to attract large multinational firms (such as BIDCO) into agriculture. However, the new private sector actors are mainly concentrated in crop marketing and/or in specific products. Only a few firms have managed to set up large scale agricultural production estates e.g. Kaweri coffee plantation by Newman Kauffee Group, BIDCO in Kalangala for palm oil production, Mukwano in Masindi

8 Other major agricultural products—notably Tobacco - have also exhibited similar erratic trends. For example, tobacco output declined by 33 percent between 2005 and 2006 (Bank of Uganda, 2008) due to industrial disputes between farmers and the main tobacco buyer—British American Tobacco.

and Lira for sunflower; and various multinationals engaged in Tea production. Indeed, the rehabilitation of formerly expropriated tea estates and the opening up of new tracts of land by multinationals explains the consistent increase in tea production after the reforms (Figure 2). The limited expansion of plantation agriculture is partly linked to constraints of the land tenure system—an issue we examine further below. An important point of concern is that the structure of agricultural production in Uganda has remained more or less the same even after agricultural reforms. About 80 percent of the agricultural production is still carried out by smallholder farmers. Second, the level of value-addition has not changed fundamentally. The limited value-addition implies that a significant part of the national income is lost to Uganda's importing partners.

Figure 2: Exports of Tea



Source: MoFPED, Background to the Budget (various issues).

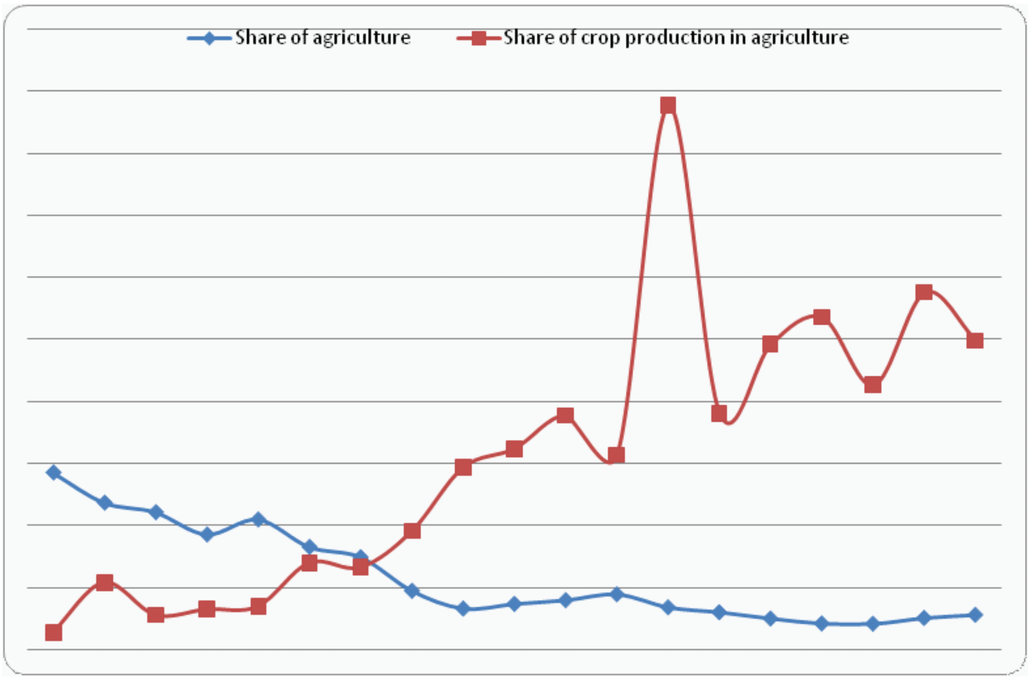
Access to credit

Lack of access to credit is highlighted in the literature as one of the major institutional constraints facing African countries (World Bank 2007). In Uganda, the dismantling of producer cooperatives curtailed farmer's access to preferential forms of credit, as earlier mentioned. Indeed, the share of commercial bank loans and advances to the private sector devoted to the agricultural sector in Uganda has declined overtime. Figure 3 shows the trends in agriculture's share of loans and advances in Uganda during 1993-2011. The shares declined from 28 percent in 1993 to about 6 percent by 2011. Yet, the loans and advances advanced to the private sector increased more than 30-fold from UShs 126 billion to UShs 4,222 billion (Bank of Uganda 2011).

However, the loans and advances to agriculture production (as opposed to crop finance which is mainly short term lending), have registered a steady rise—from less than 20 percent in

June 2000 to 50 percent by June 2011. The recent surge in the share of loans to agricultural production can be attributed to the targeted schemes e.g. the Agricultural Credit Facility introduced by government in 2009. This scheme made available UShs 30 billion per year-matched equally by participating banks—at a preferential interest rate of 10 percent per annum for a maximum loan period of 10 years. Nonetheless, the relatively low share of total agricultural loans in private sector lending suggests that the agricultural sector is not accorded the necessary resources—by both the commercial banks and the public sector.

Figure 3: Trends in share of loans to agriculture and share of crop production loans in total agricultural credit, 1993-2011



Source: Bank of Uganda Quarterly Reports (various issues)

Another key problem is that an even smaller proportion of loans are directed towards households. Most of commercial bank advances to agriculture go to commercial agricultural production enterprises and agricultural trading entities. According to the Uganda National Household Survey, the proportion of households applying for credit from either commercial banks or microfinance institutions remained at about 7 percent during 2005/6-2009/10 (UBoS 2010). The corresponding rate for rural households—where most of the agricultural production is done, was only 6.4 percent. Ugandan households predominantly continue to borrow informally (from friends/relations) to finance either economic activities or household consumption.[9]

9 The down side to these phenomena is that the size of loans from informal sources is considerably much lower compared to formal providers. For example, for households that apply for loans to purchase farm inputs and tools, the average loan amounts in commercial banks and MFIs are UGX 904,000 and UGX 501,000 respectively. The average loan amounts for the same purpose from local groups and friends/relations are UGX 65,500 and UGX 84,400 respectively.

The low level of credit applications through formal financial service providers may be partly explained by the predominance of agriculture as the main economic activity—which is considered more risky due to dependency on weather and also the limited number of formal institutions targeting small holder farmers. Also, the perception of potential loss of assets—in case of loan defaults, leads to fewer volumes of loan applications. Overall, less than a third of households have any household member that has applied for credit in the previous 12 months prior to the survey. This implies that in cases where households have not accumulated savings, they are unable to exploit potential business opportunities.

For households that apply for credit, the UNHS surveys probe the reasons for the application. In Table 2 we show the reasons for household loan application by financial service provider in 2009/10. The two predominant uses of funds received from banks or MFIs are for working capital/purchase of inputs and paying for education expenses. The rate of borrowing to purchase farm inputs and tools is consistently low for all households. Thus, apart from consumption, households are only willing to borrow to make long term investments such as purchase of land and non-farm equipment. Although the initiation of MFIs in the late 1990s was expected to partly fill the void left by the collapse of producer cooperatives, MFIs and related institutions have failed to develop farm loan products. The interest rates charged by MFIs are not only high; the very short repayment periods make loans from MFIs unsuitable for agriculture.

Table 2: Reasons for Household loan application, 2009/10 (%)

	All Uganda			Rural Uganda		
Buy land	5.6	6.0	4.3	5.7	4.7	4.4
Buy livestock	3.9	3.7	2.3	4.3	4.5	2.4
Buy farm inputs such as seeds, fertilizers, farm tools etc	7.6	9.0	10.0	11.2	11.6	10.6
Purchase inputs/working capital for nonfarm enterprises	28.3	37.9	19.7	27.5	33.3	17.7
Pay for building materials (e.g. a House)	17.6	6.1	3.5	9.8	6.4	3.7
Buy consumption goods and services	1.6	4.0	17.8	1.5	4.6	18.4
Pay for education expenses	22.6	21.6	14.5	25.4	21.4	14.1
Pay for health expenses	2.0	5.4	16.4	3.1	6.7	17.3
Other (specify)	10.9	6.4	11.4	11.6	7.0	11.3
Total	100	100	100	100	100	100

Source: Authors calculations from the 2009/10 UNHS

The extent of private investment in agriculture is also indicated by the level of expenditure on the agriculture inputs. According to Table 3, households in Uganda spend an estimated UShs 279 billion on non-labour inputs. The two most important line items are expenditures on seedlings and pesticides. Seedlings and pesticides account for 61 percent and 19 percent of the total expenditures respectively. The table further shows that there are limited expenditures on the other key inputs—organic and chemicals fertilizers. In terms of the welfare distribution, the top quintile accounts for 32 percent of total expenditures. The table shows that agricultural production in Uganda remains rudimentary. The limited use of chemicals and pesticides can be attributed to both the costs of these inputs as well as their non-availability in near-by markets.

Table 3: Uganda: Household Expenditures on Non-labour inputs, 2009/10 (UShs billions)

	All Non Labour Inputs	Type of input			
		Seedlings	Organic Fertilizer	Chemical Fertilizer	Pesticides
Uganda	279.5	171.6	26.7	28.2	52.9
Rural	258.9	160.5	23.9	24.5	49.9
Urban	20.6	11.1	2.7	3.7	2.9
Regions					
Central	101.8	50.1	10.8	7.2	33.5
Eastern	65.4	47.4	0.3	10.1	7.5
Northern	39.5	30.5	0	7.8	1.2
Western	72.7	43.4	15.4	3.1	10.7
Quintiles					
1	24.7	21.3	0.04	0.98	2.3
2	37.7	24.2	2.6	6.6	4.2
3	49.6	32.9	0.21	6.4	10.1
4	76.7	35.9	7.5	7.8	25.4
5	90.5	57.1	16.3	6.3	10.9

Source: Authors calculations from the 2009/10 Uganda National Panel Survey

The limited use of agricultural inputs can be traced to the dismantling of producer cooperatives, which used to provide inputs to farmers on credit. The expectation was that liberalization would attract private sector actors to provide key inputs. This has not materialized. Even for coffee—where producers are guaranteed some form of income—only 1 percent of the coffee farmers use inputs (UCDA 2011). Related, the quality assurance function of MAAIF with regard to the quality of seeds remains unfulfilled. Issues of poor quality seeds remain pervasive and in some instances poor seeds are blamed for the rampant spread of crop diseases (MAAIF 2010).

The rural financial services sub-sector received substantial support from Government and development partners. The most significant intervention is Government's Microfinance

Outreach Plan (MOP) that many development partners supported financially. The policy framework provided for sufficient space for private sector provision of financial services in rural areas. However, the financial products microfinance institutions offer to their clients are hardly suitable for financing agriculture. The question of long-term financing for agriculture keeps re-occurring.

Indeed, our interviewees faulted micro finance as a source of agricultural credit. According to a former architect of *Entandikwa* (a quasi-micro-finance innovation of the 1990s), micro-finance was not meant to help every poor person. It was designed to help the *active-poor,* defined as poor people who are involved in some productive activities. However one of our rural-based interviewees found this claim unconvincing. Rural peasants are among Uganda's 'active poor'. They are engaged in smallholder farming, grazing and other rural economic activities. But they are unable to benefit from micro-credit (Okurut *et al*. 2004). The reason apparently lies in the nature of microfinance. Microfinance offers short-term, high interests loans, which are typically recovered after 6 months. For example, a farmer who opens up a new garden of coffee (Uganda's leading export crop) harvests after 3-5 years. Yet, repayment of micro-loans commences four weeks after loan disbursement. Clearly, microcredit is not suitable for long-term oriented agriculture.

4. ASSESSMENT OF INSTITUTIONAL CONSTRAINTS TO AGRICULTURAL PRODUCTION IN UGANDA

This section outlines the nature, outcomes and limitations of agricultural sector liberalization. In this section, we assess the institutional constraints to agricultural production in Uganda. By institutions we mean the rules of the game; and the written and unwritten relationships between the line ministry, the agricultural sector agencies as well as private actors. First, we examine the mainstream institutional explanations of limited agricultural production in Uganda. Dissatisfied with these mainstream accounts, this paper adopts a more context-specific institutional analytical perspective. We examine the institutions of landlordism and patriarchy, and how they constrain agricultural production. We also examine the constraints relating to: access to credit; inputs; infrastructure; and financing of the agricultural sector.

4.1 Mainstream explanations of institutional constraints

Several theoretical explanations have been offered regarding the institutional weaknesses in agriculture. The first explanation is poor technology. Two variants exist – the historical and the contemporary. The historical explanation draws attention to the problem of technological stagnation in Africa. African agriculturalists arguably entered colonialism with a primitive hand hoe and left colonialism with the same primitive agricultural technology (Rodney, 1973). The contemporary technological dimension of the problem focuses on the non-adoption of Green Revolution technologies – such as high yielding crop-varieties; irrigation; and micro-nutrient fertilizers. These technologies were widely adopted in Asia but not Africa (Spencer 1994; Obi *et al*. 2001). The technologies 'responsible for about 90 percent increase in agricultural productivity in Asia registered over the past four decades (Voortman *et al*. 2003). The Green Revolution technologies, which are demonstrably linked to increased agricultural production, have been reluctantly adopted in Africa.

This viewpoint does not account for the reluctance of African farmers to adopt the new technologies. This reluctance might not be *the cause* of limited agricultural production in Africa, but a mere expression of the (cultural) inappropriateness of imported technologies. To the extent that this is true, it points to the need for massive investments in education.

The second explanation is Africa's supposedly difficult environment. Lack of navigable rivers and land lockedness increase the cost of agricultural inputs and outputs substantially. Voortman *et al*. (2003) and Collier and Gunning (1999) point to Africa's unique natural conditions such as land lockedness. They point to the predominantly poor soils, the widespread pest and diseases, and Africa's low population density as unfavourable conditions for sustained agricultural growth. A key limitation of the 'difficult-geography' hypothesis is its erroneous assumption of 'natural causation.' Natural causation presumes that poor agricultural performance in Africa is a product of destiny, not public policy. It is an outcome of nature, not institutions.

The third explanation is couched in the language of agrarian history. Colonialism, for example, historically favoured European colonists (in Kenya, Zimbabwe and South Africa) and dis-favoured the natives. In Southern Africa, for example, European colonists pushed the Basotho of Lesotho to the steeper/marginal slopes of land. This created ripe conditions for soil erosion, land degradation and food shortages. All that was needed was population growth for the time-bomb to explode.

The more refined view is that colonialism created contradictory land tenure systems. It created a landlord class which conflicted with the landless (or land hungry) peasants. The landlords or agricultural capitalists were granted generous state favours – such as huge land grants and access to cheap credit. Smallholder peasant-agriculturalists were forced to divide their productive labour between wage-work on the lords' properties, and subsistence farming to meet their household food requirements. Such a contradictory system has historically been a source of land conflicts in Kenya, Zimbabwe, South Africa and elsewhere in the settler colonies. Even in 'protectorates' such as Uganda, landless peasants overtly or covertly conflict with absentee landlords (Kiiza 2010). In short, historical factors have been crucial obstacles to agricultural production and national development.

4.2 Alternative view

This section presents an alternative institutional view of the problem. We specifically draw attention to the institutional obstacles to agricultural production in Uganda. This is not to deny the contribution of history or technological stagnation to Africa poorly performing agricultural sector. Rather, the point is that dysfunctional institutional arrangements and norms are the major (but by no means *the only*) constraints to agricultural development. Figure 4 summarizes two categories of social institutions that impact agricultural production – the slow-moving institutions, and the fast-moving institutions. The slow-moving institutions are socially-embedded norms (such as patriarchy). The fast-moving institutions are primarily governance arrangements (such as the flawed architecture of the sector ministry for agriculture). Below we outline what we consider to be the most crucial institutional obstacles in Uganda:

4.2.1 Inappropriate land tenure

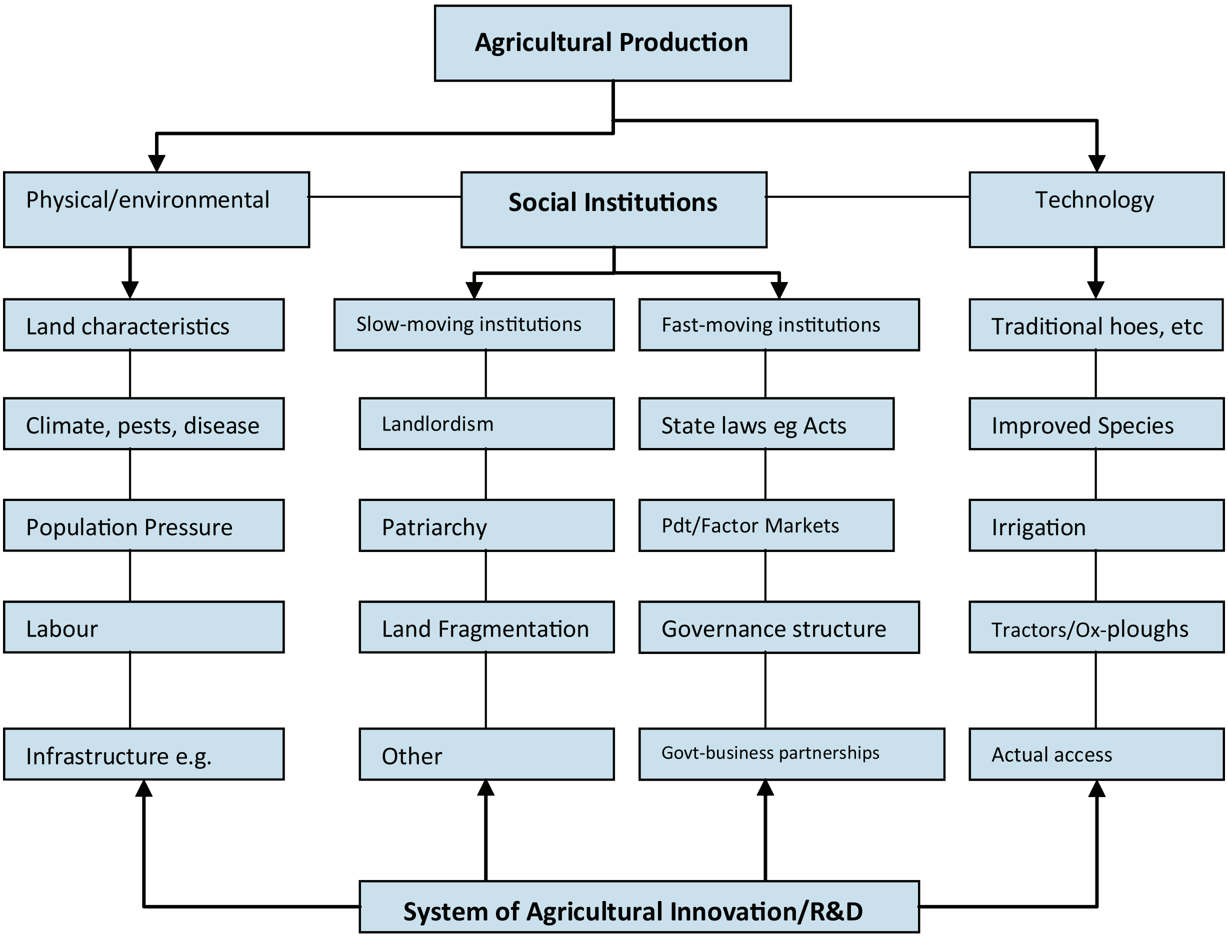
The inappropriate land tenure system is one of the most important but 'neglected' obstacles to agricultural production in Uganda. Despite the abundance of land, there is a mismatch in land ownership and use. Those that own the land do not use it; those that use land do not own it. Landlords who oftentimes own huge chunks of land do not actively use the land for agricultural production; agriculturalists who are condemned to the status of tenants or peasants typically own small holdings of land.

4.2.2 Ineffective governance; overlapping land rights

What worsens Uganda's land tenure system is ineffective governance. Government has lacked the determination to impose taxes on idle land. Yet, such taxes would compel holders of land to utilize it productively or sell it to those who are willing and able to use land for wealth creation. Furthermore, Uganda has a unique system of land tenure which encompasses overlapping land rights. The registered rights of landlords typically conflict with the usufruct rights of *bona fide* tenants or squatters on the same piece of land. Although Uganda has enacted a number of land laws during the implementation of agricultural reforms, these laws fall short of a fundamental land reform, which the country needs to substantially boost agricultural production.

Indeed, contemporary Uganda has never had far-reaching land reforms. The absentee landlords, for example in the Seven Lost Counties of Bunyoro, are a fetter to agricultural production (see e.g. Kiiza 2010). Instead of implementing radical agrarian reforms, Uganda has embraced the pro-market *willing-seller, willing-buyer* or property rights model of land reform (Deininger and Ali 2008). The problem with this approach is that it delivers only minimal changes to land ownership. It is premised on the assumption that the invisible hand of the market will automatically result in land redistribution and deliver desirable developmental outcomes (such as increased agricultural production). As a result of ineffective land reform, tenant-peasants continue to till the land they do not own. This problem assumes a distinctive gender dimension with regard to patriarchy.

Figure 4: Institutions for Agricultural Production



Source: Author's conceptualisation on the Basis of Document Reviews. Designed by Julius Kiiza

4.2.3 Institutional problem of patriarchy

Compounding the problem of the ineffective land reform at the macro-political economy level is the household-level institutional problem of patriarchy. Patriarchy is, by definition, a system of male domination. In this case, the gender domination is in terms of land ownership and use. Like landlordism, patriarchy is a socially embedded institutional norm. Like landlordism, patriarchy runs counter to the realities of agricultural production. However, unlike landlordism, patriarchy is gender-based. The typical sterotype is that women, who produce food, do not own the land. The males who predominantly own the land de-emphasize food production in favour of 'cash crop' production. The result is limited attention to agricultural production for household and national food security.

The recent transformation of traditional *food* crops (such as bananas, maize, beans and rice) into marketable crops has had important gender dimensions. These products have become male crops (Golan and Lay 2009). Male domination in the control of cash crops springs from the gendered link between 'cash' crops and access to power in the household political economy.

Evidence suggests that the new cash crops claim a larger share of household land. They also claim a greater share of family labour and other household productive assets.

The problem is that the elite women who push for gender equality in land ownership may be urban-based. Like their elite male counterparts, the elite women are divorced from active agricultural production. Most of them own land not as a tool of agricultural production, but for speculative purposes. With a few notable exceptions, Uganda's elite women and men primarily acquire land for speculative purposes. Land is seen as a better store of value than bank deposits. The elite class prefers to invest in real estate, not productive farming. In short, the land acquisition drive of the elite class in Uganda is propelled by widespread worries about state failure to provide reliable sources of livelihood (during active service and after retirement). The reality on the ground is that space for land reforms is limited in case of Uganda. Shouldn't we then be emphasising measures that improve land productivity e.g. high yielding varieties, improvement land management?

4.2.4 Death of Omutongole Chief

One of the key factors affecting food security in Uganda is the collapse of the institution of *Omutongole* (or local) chief. In the pre-colonial era, the *Omutongole* chief existed in the kingdom states of Bunyoro-Kitara and Buganda, and was adopted as an institution by the colonialists. The Batongole (plural of *Omutongo*le) were used as local/rural administrators or agents. They served to regulate and/or enforce rural development in general and agricultural production in particular.

According to Mamdani (1996), the main purpose of the village chief was to mediate colonial despotism through local rulers. Accordingly, the local rulers became shock absorbers of the natives' wrath against colonial oppression. In fulfilling their colonially-defined roles, the village chiefs were ruthless and unaccountable to the natives (in the democratic sense). When Uganda obtained independence in 1962, the *Omutongole* institution remained intact. It continued to unleash terror onto the rural population. At the same time, the *Omutongole* continued to serve as a key government institution for rural development programs – such as maintaining feeder roads, ensuring household hygiene and enforcing household food security. With the advent of the NRM regime in 1986, the coercive but effective *Omutongole* institution was replaced with a system of Resistance Council now known as Local Councils (LCs) as organs of popular participatory democracy. At the beginning the councils were active but the push for democratization has rendered them ineffective as oversight institution—as the primary objective has become self-preservations.

The problem at hand is that Uganda's LC officials, unlike the village chiefs they replaced, are *ineffective* in enforcing agricultural production and other rural development programs. Village chiefs cannot enforce bye-laws for fear that local citizens may vote them out of office (for being 'autocratic'). For the same reason, LC officials cannot enforce the time-tested system of food granaries precisely because these are associated with the ancient regime of authoritarian village chiefs. In the name of 'democracy' and 'freedom', the current system of administration camouflages or even nurtures governmental incompetence in service delivery.

4.2.5 Inappropriate agricultural development strategy?

The current policy and institutional framework for agriculture development has hardly factored food security into the agricultural development strategy. Yet, attainment of food *and* income security is the "unique selling proposition" (USP) of MAAIF's DSIP. This implies that food security should be a major priority of the ministry for agriculture. Moreover, Uganda is signatory to the Millennium Development Goals (MDGs). The MDG No. 1 emphasizes food security (via the eradication of hunger and malnutrition). Ironically, food security hardly features in Uganda's agriculture policy frameworks (save for the *cover page* of the DSIP (2010/11 – 2014/15).

A related issue affecting household food insecurity is the consideration of agriculture primarily as a business under the PMA. This approach prioritizes production for the market over household and national food security. It prioritizes profits over sustainable livelihoods. Although households may be able to grow and sell agricultural products, they cannot dependent on their incomes to sustainably purchase food from the market (given that agricultural produce is typically sold at low and unpredictable prices). Moreover, major cash crops such as tobacco require a lengthy process of cultivation and curing. Tobacco production diverts all household labour from crop production (for household food security) into tobacco growing for the market. Tobacco growing households are typically food insecure precisely because they receive incomes once a year (after selling their tobacco).

4.2.6 Multiplicity of Agencies Pose Coordination Problems

The delivery of pubic agricultural services is led by the sector ministry for agriculture (MAAIF). Yet, most of the services are delivered by several autonomous agencies**.** The ministry operates 12 departments under four directorates of: animal resources; crop resources; fisheries; and policy, planning, and support services. It is through the four directorates that the sector ministry undertakes its role of "*agricultural policy formulation, support supervision, sector planning, regulation, standard setting, quality assurance, sector monitoring, and guidance*" (MAAIF 2010: 29).

In addition to the departments, the public agricultural system also have eight semi-autonomous sector agencies namely: UCDA; Cotton Development Organization (CDO); Diary Development Authority (DDA); Plan for Modernization of Agriculture (PMA) secretariat;

National Agricultural Advisory Services (NAADS); National Agricultural Research Organization (NARO); National Genetic Resource Information Centre (NAGRIC); and the Coordinating Office for the Control of Trypanosomias in Uganda (COCTU). Some of the above sector agencies e.g. UCDA, CDO, and NARO were set up by Acts of Parliament, and implemented the first-wave market reforms within the liberalized environment. The statutory agencies are not just self accounting; some of them (such as UCDA and CDO) collect statutory levies which are spent at source. With no direct control of the sector policies or how the agencies use revenues from levies, the MAAIF's oversight and coordination functions are weak.

Additionally, there seem to be weak institutional linkages between the ministry and sector agencies on one hand, and amongst sector agencies on the other. The sector Minister only appoints the Boards of Directors of the agencies; the managers of these agencies report to their respective boards, not the minister.

Other examples of weak intra-sector linkages were exhibited by the operations of the PMA secretariat prior to the implementation of the 2010 DSIP. Originally, the PMA Secretariat reported to MoFPED – with a PMA Steering Committee that guided the activities of the Secretariat. Yet, for budget management purposes, the Director of the PMA Secretariat was expected to cooperate with the Permanent Secretary of the MAAIF. As the overall accounting officer for the agriculture ministry, the Permanent Secretary plays a key role in approving the expenditures of the PMA Secretariat. Without the Permanent Secretary's direct leadership role, the plethoras of agricultural agencies lack the central guiding force to cohesively work together.

However, a practical institutional problem existed. While the elite officials of the PMA Secretariat looked at liberalization as the best thing that could have happened to agriculture, and at NAADS as the best way forward, the mainstream MAAIF officials suffered nostalgia over the old agriculture extension services system, which was effectively destroyed with the advent of privatization and liberalization. The relationship between the PMA Secretariat and MAAIF remained cold throughout the period of implementation of the PMA.

The problem of weak coordination between sector agencies is best evidenced by the un-coordinated responses to the coffee wilt disease (CWD) which has cumulatively destroyed over 50 percent of Uganda's old Robusta coffee trees since 1993. There are separate institutional mandates in the coffee value-chain. Whereas NARO has the institutional mandate to undertake all agriculture research, it has been faced with resource constraints, thereby constraining its ability to multiply the disease-resistant coffee varieties (NUCAFE 2008).

Some of the sector agencies have substantial influence on agricultural stakeholders—especially at the at local government level. The source of influence can be traced to the nature of institutional set up—whether a particular agency was set up by an Act of Parliament and/or its ability to mobilize resources. The NAADS is a typical example of a powerful agricultural agency. The NAADS was not just set up by an Act of Parliament in 2001. Its original objective of providing "demand-driven" advisory services—which were preferred to the traditional public extension-services system—made the institution a darling of donors. Accordingly, NAADS has received significant donor support. For instance, during 2006/7-2010/11, the share of the NAADS programme in the agricultural sector budget averaged 38 percent. The NAADS share of the agricultural sector budget (to which donors have been contributing "budget-support") is projected to increase to an average 60 percent during 2011/12-2015/16 (MoFPED 2011). Indeed, NAADS has overtime managed to establish solid roots within Uganda's decentralized local government structure —something the parent ministry had failed to achieve since the enactment of the Local Government Act, 1997—due NAADS access to donor resources.

4.2.7 Problem of Departmentalization and use of short term projects to deliver public

Public services.

Complicating the foregoing is the problem of departmentalization. Departmentalization refers to the flawed *department*-focused culture of doing organizational business. Each unit (or department) prioritizes its 'selfish' interests. For example, budget maximization for 'my' department takes precedence over the overall interests of 'our' organization. In the same vein, preferential remuneration of selected project staff (who are oftentimes recruited through patronage networks) takes precedence over the merit-based system of recruiting, deploying and remunerating public servants.

One outcome of departmentalization is 'empire-building.' This arises when an individual unit or department struggles to 'prove' that it is more important (and should, 'therefore' receive a larger budget) than other units of the same organization. The 'NAADS Empire' is a typical example that was frequently mentioned by our key informants. Like departmentalization, empire building points to a more fundamental institutional problem. It points to the absence of cross-functional work teams within MAAIF. It suggests the existence of weak or no intra-agency, intra-departmental coordination mechanisms. It also suggests that shared values (the 'institutional glue') are yet to be developed.

Empire building typically results in a *projectized* approach to public service delivery. [A recent World Bank study identified 24 projects within MAAIF alone!!]. Projectization routinizes, normalizes and institutionalizes the erroneous culture of 3-5 year donor-funded projects. A study participant described the projectized approach to public service management as 'a cancer that eats up the well-established public administration system; that is, the system of public service via continuous, integrated and multi-year programs, not projects' (MAAIF

Interviews, November 2011).

Project officials reportedly reap substantial monetary, material and/or political rewards or incentives. In the ministry for finance, for example, the directors of donor-funded projects earn between US$4,000 – $10,000 per month, depending on their negotiating power with donors (Interviews, 2011). This pay dwarfs the official civil service salary of Shs 1, 500,000/= or about $ 652 which is paid to the top-most civil servant – the Permanent Secretary. However, off-the-record government interviewees suggested that the senior civil servants (who do not necessarily work directly on donor-funded projects) also benefit from project funding – for example by accessing 4 x 4 project vehicles, computers or even allowances. However, these are deemed to be less than the benefits reaped by projectized staff.

The solution to projectization apparently lies in reinventing Uganda's public service management system. It lies in 'picking the best practices of the old Weberian system of public administration – such as meritocratic recruitment – and cross-fertilizing them with some promising ideas of the new approach – such as results-oriented management' (Interviews, November 2011).

Table 4 presents a framework for institutional analysis and new policy interventions in Uganda. It summarizes the key institutional obstacles to agricultural production; their effect on agricultural output; some of the remedies that have been attempted (so far); and the new institutional/policy reforms that are needed.

Table 4: Framework for Institutional Analysis and New Policy Interventions

Institutional Factor	Effect/Problem	Attempted Remedy	New policy intervention needed
Landlordism	○ Disconnection between land ownership and use ○ Landless peasants vs absentee landlords	▪ Pro-market, World Bank *willing seller, willing buyer* approach ▪ Impose tax on unused land??	▪ - Embark on a Land-to-the-Tiller reform movement ▪ - Nationalize unused land ▪ - Link farming to high value added industries ▪ - Expand “Camp model” for improved technology use
Patriarchy	○ Gender-based inefficiency in land use	○ Domestic Relations Bill ○ Co-ownership ○ Elitist women’s movement	▪ - AS ABOVE ▪ - Shift from elitist to grassroots gendered land reforms
Death of *Omutongole* Chief	○ No enforcement of LG bye-laws ○ Youths are gamblers, idlers, or boda-boda cyclists ○ No household food security	○ Institutionalize LCs as tools of grassroots democracy	▪ - Restore *Omutongole* Chief ▪ - Appointed local chiefs should replace LCs ▪ - Resurrect household food security strategy ▪ - By-laws against idleness ▪ - Restore graduated tax
Multiplicity of agencies	○ Departmentalization ○ Empire-building ○ Agencification of MAAIF	○ Launch commodity platforms? ○ Research in NARO *and* UCDA	▪ - Merge certain agencies, abolish others ▪ - Tame the NAADS Empire
Weak coordination	○ Erosion of power of permanent secretary ○ Weak policy implementation capacity	○ Civil service reforms of 1980s and 1990s ○ Efficiency reforms of 2000s	▪ - Reclaim the power of the PS ▪ - Establish intra-agency coordination committees ▪ - Build team work ▪ - Identify cross-functional processes
Accountability	○ Over 70% of official time spent on accountability reports for donors ○ Donor-funded projects create two-worlds in the civil service ○ Erosion of motivation, public service culture	○ Incremental changes to civil servants pay ○ Hardship allowances for rural doctors, etc ○ Single-spine system?	▪ - Restore the civil service structure ▪ - Use primary criteria, not access to projects (or networks) as basis for pay. ▪ - Tame official corruption as a necessary precondition
Sources of funding	▪ Donors funds 60% of NAADS budget? ▪ UCDA charges 1% levy on exports ▪ Also gets budgetary allocations ▪ Other agencies – funded from consolidated fund?	○ Budget support ○ Coordinate donor efforts ○ But traditional donors emphasize social development e.g. health. ○ China: infrastructure development	▪ - Use agriculture as platform for industrialization ▪ - Industries will expand domestic sources of revenue, employment etc ▪ - Use donor funds to build durable capacity ▪ - Wean off foreign aid as a sign of aid effectiveness
Ideological capture	▪ Local elites are less patriotic ▪ Think like IMF & World Bank	○ Patriotic clubs ○ Mchaka Mchaka at Kyankwanzi, etc ○ Both constrained by unpatriotic corruption of those in office	▪ - Restore public institutions e.g. cooperatives as a means to reclaiming patriotism ▪ - Tough, China-like action against the corrupt ▪ - Lead by example ▪ -Ideologically captured officials should “reapply”
Source of agricultural Credit	▪ Death of development banking? ▪ Death of the Cooperative Bank ▪ Rise of micro-finance	○ SACCOs for the active poor ○ Unsuitable for agriculture	▪ - Revive development banking ▪ - Establish agric and industrial development bank ▪ - Link central bank monetary policy to development, not just macro-stabilization
System of agric innovation	▪ Death of old system of extension services ▪ Death of cooperatives and community cattle deeps	○ Demand-driven extension services ○ Farming as an event, not a process	▪ - Revitalize the old system of farm institutes ▪ - Restore cooperatives ▪ - Revive community deeps

Source: Based on Stakeholder Consultative Workshops, Oct – Dec 2011

4.2.8 Funding for the agricultural sector

The agricultural sector in Uganda gets less than 10 percent of the national budget. This has created spaces for donors to maintain a significant influence on the sector. A number of donors have financed long term agricultural projects (for example through NAADS). These projects have not only provided resources to undertake specific activities but have also been used to top-up the allowances of MAAIF headquarter staff. Some donors have even by-passed MAAIF and directly supported sector agencies as evidenced by the creation of the PMA secretariat. Finally, other donors such as USAID have elected to use the private sector and NGOs in the delivery of agricultural services. In short, Uganda's low public spending on agriculture has created a funding vacuum that is being filled (effectively or ineffectively) by donors. Yet, the interests of donors are not necessarily consistent with the need for increased agricultural production in Uganda.

5. CONCLUSIONS AND RECOMMENDATIONS

As clearly indicated, agricultural production in Uganda is constrained by the socially-embedded institutional norms (such as patriarchy) and the governance-related institutional flaws (such as the coordination weaknesses within the sector line ministry). To overcome these constraints, this paper recommends several agrarian and institutional reforms.

i) Landlordism

We recommend far-reaching agrarian reforms. Agrarian reform, by definition, sees a link between pro-wealth creation land reforms and the structural transformation of the national economy from the low value-added farming activities to the higher value-added industrial activities. Specifically, we urge Uganda to adopt the following policy and institutional reforms:

a) Embark on the Land-to-the-Tiller land reform movement. This is the kind of land reform that underpins successful land reform, increased agricultural productivity and effective industrialization in Japan, Korea and Taiwan (or even Cuba in the socialist world).
b) Pass a policy of nationalizing unused land. This will have the effect of causing absentee landlords to invest in agriculture and other productive economic activities. The threat of nationalizing unused land will liberate idle land from speculation. It will bring the land into the orbit of productive investment for national development.
c) Link farming to high value-added industries. Agriculture should be used as a basis for industrialization and rural transformation.
d) Expand the northern Uganda 'camp model' of land use. A product of the civil war in northern Uganda, the camp model involves resettling rural dwellers in urban centres, which should be planned with proper roads, schools, health centres, etc. The camp model had the unintended consequence of increasing cost-effect delivery of public services (such as immunization rates, which shot up to roughly 80 percent in Gulu alone). The camp model also demonstrated that rural land (which is currently scattered with tiny, uncoordinated households), can be liberated for planned use of improved technology (such as tractor-hire services and combine harvesters).

ii) Patriarchy

Patriarchy, like landlordism, is a socially-embedded institutional norm. Past efforts to overcome the problem of patriarchy have resulted in struggles for co-ownership of land between husband and wife. Unfortunately, gender co-ownership of land has predominantly been elitist. The elite women, like their male counterparts, have mainly struggled to own land for speculative, not productive purposes. The solutions to landlordism, in our judgment, will also overcome the institutional constraints posed by patriarchy. In addition, we recommend a policy-shift from elitist to grassroots gendered land reforms.

iii) The institution of the Omutongole Chief and graduated tax

The historical death of the institution of the *Omutongole* Chief is one of the top governance-relate institutional obstacles to agricultural production in Uganda. As already hinted, the collapse of this institution compromised the enforcement of local government bye-laws. It has also resulted in a new breed of unemployed youths who are gamblers, idlers, thieves, or at best, under-utilized boda-boda cyclists. These youths are united by one common denominator: they predominantly despise productive work (such as farming) and prefer quick money (which they call 'smart money'). Oftentimes, smart money comes through criminal or dubious activities. This study associates these problems with the death of the Omutongole chief, and the rise of a new system of elected, populist LCs. Like the CAOs who were (until recently) appointed by the District Service Commission, elected LC officials are compromised by local, populist politics. They are held hostage to rural voters.

The incapacity of LC officials is, in turn, worsened by the historical tax reforms that resulted in the abolition of graduated tax. Under the colonial and the postcolonial governments, graduated tax was used to incentivize people to look for jobs and contribute to national development, or face imprisonment. The Omutongole chief also ensured that every household had gardens (of cassava etc) or granaries (of millet, ground nuts, etc) for household food security. No such mechanisms exist today.

As a way forward, this study recommends the following institutional and policy reforms:

a) Restore the institution of Omutongole chief;
b) Adopt a system of local chiefs (hired as civil servants) to replace LC officials (who are politicians);
c) Resurrect the old household food security strategy. For example, each rural household should be forced to demonstrate that it has a food-reserve garden (cassava, matooke, etc) or granaries for household food security;
d) Make bye-laws against idleness, and enforce them through the revived Omutongole chief, or the restored system of graduated tax; and
e) Restore graduated tax. This will 'incentivize' able-bodied people to sell labour and contribute to national development.

iv) The institutional architecture of MAAIF

With regard to the institutional architecture of MAAIF, the problem of multiple agencies has resulted in departmentalization, empire-building and 'agencification' of the ministry. Certain stakeholders in the sector ministry are proposing commodity platforms to deal with the institutional weaknesses. Some recommend an agency for each particular crop – for example, an agency for beans; another for peas, and yet another for soya beans. If this happens, it will worsen the already bad coordination problem. It will worsen the erosion of the power of the Permanent Secretary to coordinate the business of government within MAAIF. The policy formulation, development and implementation capacity, which is currently 'weak', will probably get worse.

To address the multiplicity of agencies, and the weak coordination mechanisms in the sector ministry, this study recommends the following institutional and policy reforms:

a) Merge certain agencies, abolish others. The guiding question should be: Who would care if your unit or agency were abolished? The possible answers will be (a) myself; (b) my family; (c) my patronage network; (d) donors; and (e) citizens. If the answer is not an emphatic (e) with clear illustration of which categories of citizens would lose, how, and to what degree, the unit or agency in question should be abolished or merged with others;
b) Tame the NAADS Empire. Study participants deemed NAADS to be becoming more powerful than the parent ministry - MAAIF. This problem will breed institutional anarchy, if it is not tamed;
c) Reclaim the power of the Permanent Secretary to coordinate the sector;
d) Establish intra-agency, intra-departmental coordination committees;
e) Build team work. The guiding philosophy is clear: *Together, Everyone Achieves More* (TEAM); and
f) Identify cross-functional processes that cut across different units (such as departments and agencies).

None of the recommendations made in this study is easy. Virtually all of them may be complicated by the political risks involved (eg in the restoration of graduated tax). However, our considered view is that the agrarian and institutional reforms we recommend are absolutely necessary if the obstacles to agricultural production are to be overcome. They are necessary if agriculture is to become a reliable instrument for industrial transformation, rural development and national socio-economic transformation.

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