OFFICE OF THE LEADER OF THE OPPOSITION

Clerk - pls include this in tomorrow's order paper
9/11/21

STATEMENT BY THE LEADER OF THE OPPOSITION ON ALTERNATIVE DEVELOPMENT APPROACH TO THE PARISH DEVELOPMENT MODEL

Moved under Rule 53(1) of the Rules of Procedure

P.P.

November 2021

1.0 Background

In FY2021/22, Government sought to roll out the Parish Development Model as a national development strategy. The funds to finance the strategy were initially proposed to be mobilised from reallocations towards PRDP, Luwero-Rwenzori Development Programme, NAADs (Seedlings), Agri-Led (OWC), UCDA (Seedlings) as well as amalgamation of existing wealth funds such as Uganda Women Entrepreneur Programme (UWEP) and Youth Livelihood Programme (YLP). UGX 453 billion was expected to be raised from the amalgamation. Of this UGX 404 billion was to be used as revolving fund[1].

However, Parliament raised concern on the feasibility of the Model. Critical then was the absence of Parish Chiefs who were to be the main coordinators of the Model. Hence it was resolved that allocation is reduced to UGX 200 billion in FY2021/22. This mainly targeted at recruiting Parish Chiefs to fill vacant posts in 5,192 parishes. This will raise the number of Parish Chiefs across the country to 10,594 parishes[2].

The recruitment of Parish Chiefs is in line with Section 69 of the Local Government Act. However, in October 2021, it was noted that by the deadline of 30th September 2021, most of the local governments had not yet recruited Parish Chiefs. Affected Accounting Officers were threatened with disciplinary action and deadline extended to 30th October 2021[3].

Upon filling the posts of Parish Chiefs across the country, it was proposed that UGX 18.87 million would be allocated per parish. This was later revised to UGX 30 million. This amount is equivalent to what was allocated to each Apex Sacco under the Emyooga programme. Later the President proposed to raise the allocation to UGX 100 million.

Nevertheless, based on allocations it was noted that government prioritised establishment of Parish Revolving Funds. The key implementing agencies included Local Governments, Kampala Capital City Authority (KCCA), Uganda Bureau of Statistics (UBOS), Ministry of Local Government as well as Ministry of Information, Communication Technology and National Guidance as indicated in table below.

[1] Minister of Finance, Planning and Economic Development, 2021. Ministerial Statement on the Parish Development Model

[2] Ministry of Finance, Planning and Economic Development, 2021. Budget Strategy Financial Year 2022/2023

[3] Ministry of Finance, Planning and Economic Development, 2021. Letter of the Permanent Secretary / Secretary to the Treasury on Recruitment of Parish Chiefs / Town Agents in Local Governments

Table 1: Appropriated Funds of the Parish Development Model for FY2021/22 (UGX Billion)

Institution	Resolving Fund	Admin. Cost	Staff Cost	Gadgets&Tools	Total
LGs	125.39	10.50	28.79	17.83	182.51
KCCA	1.17	0.10	0.27	0.17	1.71
UBOS		4.00			4.00
MoLG		2.98			2.98
MICT&NG				8.80	8.80
Grand Total	**126.56**	**17.58**	**29.06**	**26.80**	**200.00**

Source: Approved Budget Estimates FY2021/22 (Local Government Votes)

The Parish Development Model centres on seven (7) pillars that include:
Pillar 1 - Production, Processing and Marketing (Value Chain Development)
Pillar 2 - Infrastructure and Economic Services
Pillar 3 - Financial Inclusion
Pillar 4 - Social Services
Pillar 5 - Community Data (Community Information System)
Pillar 6 - Governance and Administration
Pillar 7 - Mindset Change

Its operations focus on prioritising development of 18 commodities which include coffee, cotton, cocoa, cassava, tea, vegetable oils or oil palm, maize, rice, sugar cane, fish, diary, beef, bananas, beans, avocado, shea nut, cashew nuts and macadamia nuts.

2.0 PREVAILING BOTTLENECKS OF THE PARISH DEVELOPMENT MODEL

Scrutiny of the Parish Development Model reveals that it does not address prevailing bottlenecks hindering the transformation of agricultural enterprises into profitable ventures.

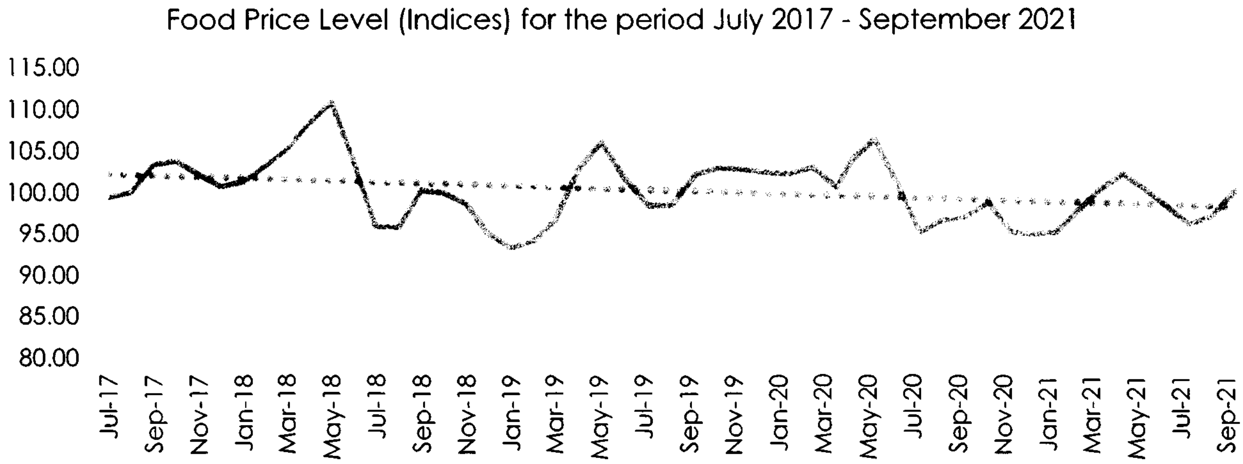
2.1 Unstable Prices

The Parish Development Model seeks to increase household income mainly through agriculture and financial access. However, it is oblivious of the fact that majority of the citizens who are engaged in agriculture require not handouts rather an environment that makes agriculture profitable.

While the agricultural sector needs quality inputs, extension services, insurance, arable land and financing among others, it should be noted that its potential is suppressed to a greater extent by unstable and unpredictable prices which have been depreciating over the years. This is largely attributed to bumper harvests, inadequate post harvesting infrastructure and unsustainable markets. Unfortunately, recent initiatives such as National Agricultural Advisory Services

(NAADS) and Operation Wealth Creation (OWC) have failed to address these gaps.

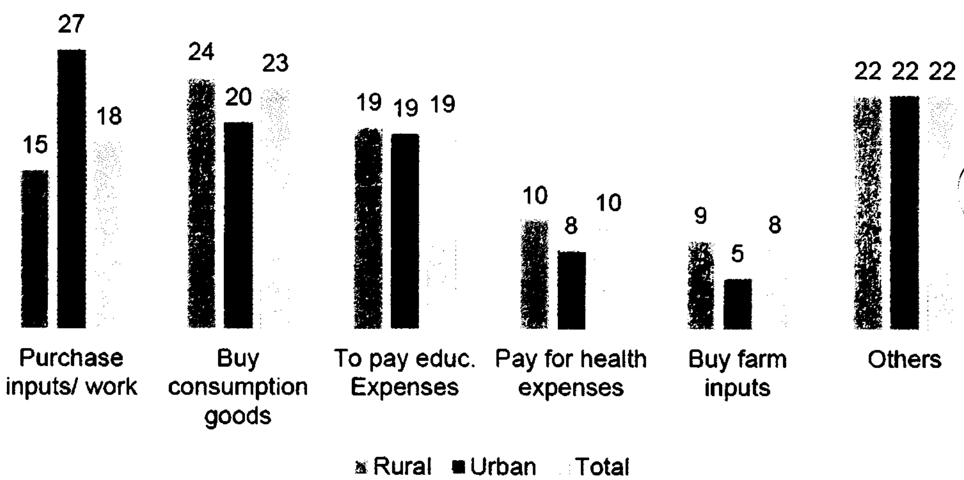
Figure 1: Graph showing depreciating prices of Food Crops



Source: UBOS

Consequently, there is uncertainty in profitability which draws away private capital from agriculture. Enterprises perceived to have durable and predictable profitability, attract investments from the population. This largely explains why those that are perceived to be subsistence households have individually mobilized resources through savings, borrowing, sale of agricultural produce and sale of assets particularly land to invest in boda boda, salons and retail enterprises among others. It is also important to note that majority of the Ugandans seek loans or credit for non-farm enterprises and consumptive purposes other than investment into agriculture.

Figure 2: Main reasons for seeking loans or credit by adults in Uganda by percentage



Note: Others includes such reasons as to buy livestock, to pay for ceremonial expenses, etc

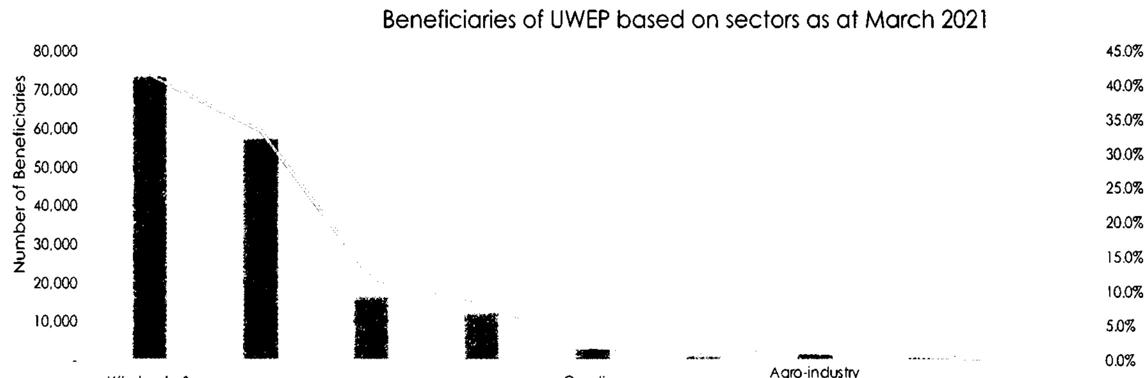
Source: UBOS

Disjointed Financing Interventions

The government has on several occasions initiated different financing interventions such as Agricultural Credit Facility, Micro support Finance Centre, Entandikwa, Bona bagagawale, Youth Livelihood Programme (YLP), Uganda Women Entrepreneurship Programme (UWEP) and Emyooga among others. Nevertheless, over 49% of Ugandans still do not have access to any form of financial services. Amongst those that can access financial sources, 57% of them source credit from informal sources such as Village Savings and Loan Association (VSLA), Accumulating Savings and Credit Associations (ASCA), Rotating Savings and Credit Association (ROSCA) and merry-go-rounds[4]. Therefore, the government financing interventions that require a minimal level of formality particularly registration are largely shunned by targeted beneficiaries.

Besides, the financing interventions are geared towards low earning households and designed as revolving funds. They target a number of sectors. It has been noted over the years that beneficiaries are mainly involved in the sectors of agriculture, trade, service and industry. This has been observed in the Youth Livelihood Programme[5] and Uganda Women Entrepreneurship Programme[6]. It can therefore be deduced that the agriculture sector has not been short of financing options rather they have been so disjointed to make any considerable impact.

Figure 3: Graph showing beneficiaries of Uganda Women Entrepreneurship Programme

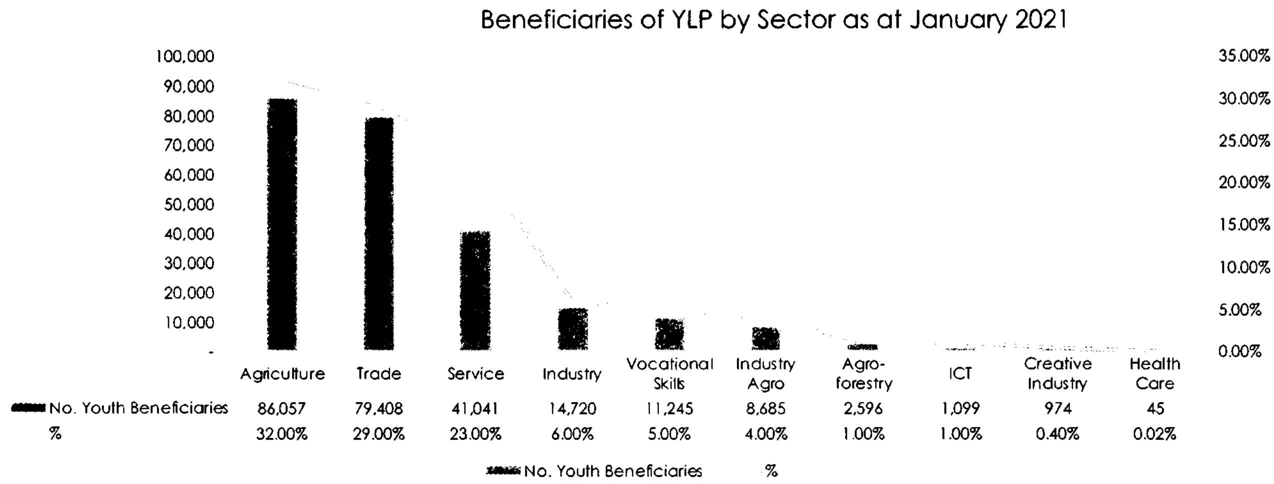


	Wholesale & Retail Trade	Agriculture	Services	Industry	Creative Industry	Transportation	Agro-industry (Value Addition)	Agro-forestry	ICT
No. Women Beneficiaries	73,506	57,294	16,454	12,221	2,954	1,198	1,493	1,089	86
%	41.4%	33.4%	11.9%	8.5%	1.8%	1.2%	1.1%	0.6%	0.1%

Source: Ministry of Gender, Labour and Social Development and OLOP Computation

[4] Uganda Bureau of Statistics, 2021. The Uganda National Household Survey (UNHS) 2019/20
[5] Ministry of Gender, Labour and Social Development, 2021. Youth Livelihood Programme (YLP). Summary Update of Programme Implementation
[6] Ministry of Gender, Labour and Social Development, 2021. UWEP Championing Employment Creation among Rural Women

Figure 4: Graph showing beneficiaries of Youth Livelihood Programme



Source: Ministry of Gender, Labour and Social Development and OLOP Computation

Inadequate recovery rates of revolving funds

On several occasions, government facilitated revolving funds such as Emyooga, Youth Livelihood Programme and Uganda Women Entrepreneurship Programme have been considered as donations from government. They are also regarded as political tokens and parallel systems within government.

Under the Parish Development Model pillar on financial inclusion, government proposes to establish a Parish Revolving Fund that will lend to parish SACCOs. Each of the SACCOs was scheduled to receive UGX 38.16 million in FY2021/22[7]. The Parish SACCOs is proposed to coexist with Emyooga which are constituency based SACCOs. Each of these Constituency Saccos was allocated UGX 30 million.

Concern is raised on the fact that revolving funds set up by government have poor recovery rates. For instance, in FY2019/20 the Youth Livelihood Programme has so far recovered only UGX 37.04 billion (40%) out of UGX 93.3 billion disbursed while the Uganda Women Entrepreneurship Fund only recovered UGX 16.9 billion (23%) out of UGX 66.7 billion disbursed[8].

Costly Agricultural Credit

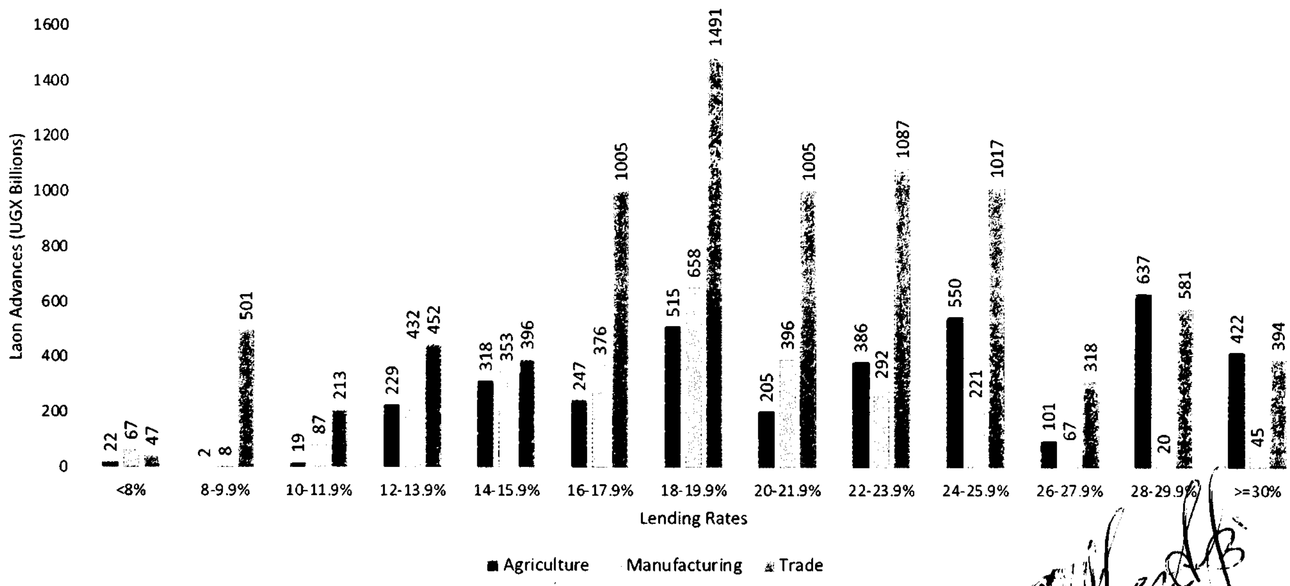
The commercial banks that may have capacity to develop suitable financing products find agriculture activities risky due to the long gestation periods, low

[7] Minister of Finance, Planning and Economic Development, 2021. Ministerial Statement on the Parish Development Model

[8] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2020

turnover and rely on seasons[9]. Hence lower interest rates are offered to sectors of trade and manufacturing. It is imperative to note that commercial banks contribute 90% of agricultural loans which are largely targeted to formal large agricultural farms and firms at higher interest rates when compared with other sectors[10].

Figure 5: Graph showing new advances to the sectors of Agriculture, Manufacturing and Trade by Lending Rates in the Period 2015 – 2019



Source: EPRC

Besides the low transactions by small scale farmers who are largely informal have high operating costs particularly recovery costs and are characterized by low investment returns. Hence these are not a favourable target for commercial banks. The alternative sources of financing instead are SACCOs which largely target individuals and better positioned to operate in market segments that are expensive for banks. Unfortunately, they are characterized by weak administration, supervision and short life span[11].

Critical to note is the fact that private capital follows where profits exist. This varies according to agricultural value chain. Presently, agriculture is deemed profitable by majority of citizens at the production level although it has greater potential in marketing and processing levels. Individuals easily mobilise finances for agricultural engagements that they perceive it profitable in the short run. This partly explains why people easily informally mobilized capital to purchase inputs, grow and secure their gardens for vanilla and ginger growing without donations and seed capital from government.

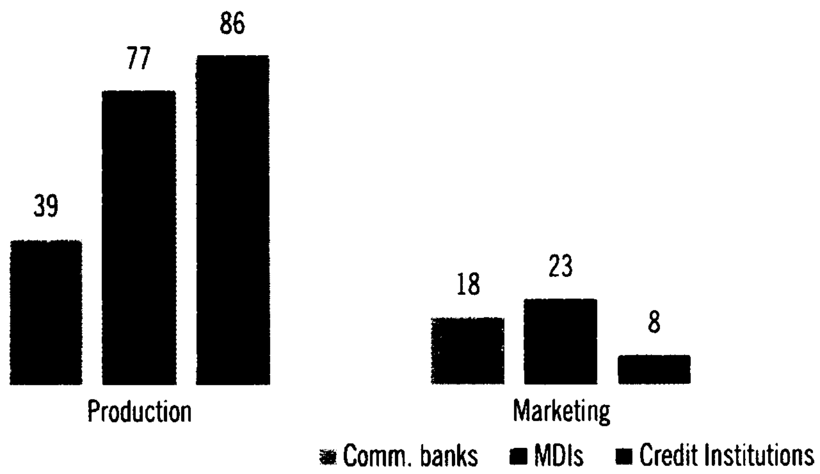
[9] National Planning Authority, 2013. Policy Paper on Transforming Smallholder Farming to Modern Agriculture in Uganda

[10] Economic Policy Research Centre, 2020. Agricultural Finance Year Book 2020 – Digitalisation and Agricultural Financing in Uganda

[11] Financial Systems Development (FSD) Programme, 2004. Agricultural Finance in Uganda

Given that production requires less capital investment as compared to marketing and processing, those that are formally engaged in agriculture are in the processing and marketing phases of the agricultural value chain. Commercial banks are the main lenders in this phase.

Figure 6: Percentage of outstanding credit institutions loans by agricultural activity for the period 2011 - 2019



Source: EPRC

Replica of Failed initiatives

The Parish Development Model is a replica of Rural Development Strategy (RDS) adopted in FY2005/06 and later Economic Development Strategy (EDS) adopted in FY2006/07. The Rural Development Strategy targeted increasing household incomes and necessities in rural communities. This was partly to be achieved through a zoning strategy where industrial activities and facilities were to be developed across the country to add value to agricultural produce, enhance shelf life and create wealth[12]. These aspirations are similar to those of the pillar of the Parish Development Model on production, processing and marketing.

The Economic Development Strategy (EDS) targeted households through sub county as the unit of planning. It focused on empowering sub counties and their structures through improved organisation, productivity, marketing, access to rural financial services and community information system[13]. These components of the Economic Development Strategy are similar to the current pillars of the Parish Development Model. The only different component or pillar that has now been advanced is the one on mindset change and crossing cutting issues. Unfortunately, the Parish Model that was not successful over 15

[12] National Planning Authority, 2006. Annual Report for FY2005/2006

[13] Ezra Sabiti Suruma, 2014. Advancing the Uganda Economy – A Personal Account

years ago has been rebranded and reintroduced without assessing why it failed on its initial attempt.

It is also crucial to note that the Parish Development Model is almost structured like Project for the Restoration of Livelihoods in the Northern Region (PRELNOR). Unlike the Model which has no projected lifespan, PRELNOR worth UGX 248.150 billion started in July 2015 and is scheduled to close in 30th September 2022[14]. The project operates only 9 districts (Gulu, Omoro, Nwoya, Amuru, Adjumani, Pader, Agago, Kitgum and Lamwo), 100 parishes, 25 sub counties and 491 villages[15]. The project components include livelihood, market linkages and infrastructure as well as programme management and coordination. These are similar to the pillars of the Parish Development Model albeit under different nomenclature. Unfortunately, the Committee on Public Service and Local Government revealed that the project was a failure and requires a forensic audit[16]. It would only have been prudent to evaluate this and other failed strategies such as Etandikwa and Bona bagagawale among others to inform new initiatives.

The Community Information System being proposed in Parish Development Model was initiated in FY2005/06 as means of generating data from parish and sub county levels. The system was expected to respond faster to policy unlike the Uganda National Household Survey that is undertaken every 3 years[17]. The system was funded under Uganda Bureau of statistics (UBOS) as the lead agency working in collaboration with the National Planning Authority (NPA), Ministry of Local Government and the then Ministry of Labour, Gender and Community Development.

Amongst activities funded included political mobilisation, data base setup, data recording and entry as well as community mobilisation particularly at sub county level[18]. Ever since FY2005/06, the system has been allocated public resources. It is therefore misleading to indicate that the system was to commence in May 2021[19]. A new nomenclature is also being used to define the system i.e. Parish Based Management Information System (PBMIS)[20].

[14] Ministry of Finance, Planning and Economic Development, 2020. Public Investment Plan (PIP) FY2020/21 – FY2022/23. Pg. 789
[15] Ministry of Local Government, 2021. https://prelnor.molg.go.ug/. Last accessed 5th May 2021
[16] Parliament of Uganda, 2021. Report of the Parliamentary Sectoral Committee on Public Service and Local Government on the Sector Ministerial Policy Statements and Budget Estimates for FY2021/22. Pgs. 28-30
[17] Uganda Bureau of Statistics, 2007. Budget Policy Statement FY2007/2008
[18] Uganda Bureau of Statistics, 2008. Budget Policy Statement FY2008/2009
[19] Ministry of Finance, Planning and Economic Development, 2021. Ministerial Statement on the Implementation Roadmap for the Parish Development Model
[20] Ministry of Local Government, 2021. Implementation Guidelines for Parish Development Model

Besides after 15 years, Uganda Bureau of Statistics indicated that Community Information System would be rolled out to all districts by 2024[21]. It was earlier estimated that UGX 336 million was required to roll out in each district[22]. Suffice to note is the fact that the Auditor General has raised several queries on the functionality of the system. They included inactive Community Information System accounts, lack of accountability of appropriated funds, non-functional computers due to electricity connection challenges, failures in reporting and coordination among others[23].

Table 2: Budget Allocations towards Community Information System from FY2005/06 – FY2017/18

Vote	Amount (UGX Billions)
FY05/06	2
FY06/07	0.321
FY07/08	3.5
FY08/09	4.5
FY09/10	3.5
FY10/11	3.5
FY11/12	3.8
FY12/13	2.14
FY13/14	1
FY14/15	0.4
FY15/16	0.2
FY16/17	0.35
FY17/18	0.18

Source: UBOS Budget Policy Statements FY2005/06 – FY2017/18

3.0 ALTERNATIVE INTEGRATED DEVELOPMENT APPROACH

The Parish Development Model is largely intentioned at supporting and transforming livelihoods of those engaged in informal sector. Emphasis has been placed on supporting agriculture particularly production of 18 commodities as well as financial inclusion through supporting Parish SACCOs. However as earlier highlighted, the strategy and structuring of the Parish Development Model is problematic. It is more inclined towards tokenism rather than creating and supporting an enabling environment where intended beneficiaries would naturally position themselves to benefit from available opportunities.

Aware that the informal sector employs majority of the population who contribute approximately 51% of Gross Domestic Product (GDP)[24], it is critical

[21] Uganda Bureau of Statistics, 2020. Strategic Plan III – 2020/21 – 2024/25
[22] Uganda Bureau of Statistics, 2007. Budget Policy Statement FY2011/12
[23] Office of the Auditor General, 2014. Report of the Auditor General on the Financial Statements of Uganda Bureau of Statistics for the year ended 30th June 2014
[24] Ministry of Finance, Planning and Economic Development, 2019. Domestic Revenue Mobilization Strategy

that development interventions are properly targeted to positively transform their livelihoods.

Given the fact that the Parish Development Model is still in a formative but defective phase, it would be prudent for the following integrated development approach propositions to be considered:

a) Establish Price Stabilisation Fund

The volatile prices of agricultural produce are an economic, political and security risk to the country. The risk is heightened especially during harvest periods amidst post-harvest handling and marketing bottlenecks as well as during drought periods when the stocks decline. This affects consumer behaviour especially in the retail market to the disadvantage of small-scale farmers. The greatest impact is felt in the trading of perishables.

To abate the ensuing losses, a national price stabilization fund for a basket of commodities should be established. Akin to the arrangement in the cotton subsector, the Fund should target developing buffer stocks and regulating release into the market. Nonetheless it should not be of an adhoc arrangement as was the case for grains fund when there was a bumper harvest for maize. This would ensure sustained market, durable pricing system, discourage hoarding especially for grains and undue speculation by middle men. With the reduced pricing risks, people engaged in agriculture will be encouraged to access credit, invest in fertilisers, value addition and irrigation among others to boost productivity. This should be complemented by revitalizing cooperative movement, re-establishment of district farm institutes and demonstration farms across the country.

b) Re-establish Cooperative Bank

Unlike the informal sector, financial access by formal sector particularly large enterprises has been partly enhanced through Uganda Development Bank (UDB) and Uganda Development Corporation. The informal sector lacks matching financial interventions. Those that are fronted such as the Parish Development Model and Emyooga are narrowly targeted, spread too thin to make noticeable impact, seem to overlap each other and at risk of political patronisation. Furthermore, the interventions are developed without adequate needs assessment and are a one size fits all. They do not take into consideration varying characteristics such as population size, location and localised level of development, challenges and demands of targeted beneficiaries.

Interventions such as Microfinance Support Centre, Pride Microfinance Limited and Uganda Women Entrepreneurship Programme should be combined to re-establish cooperative bank and dedicated product lines developed to target the diversity in the informal sector. Hence based on the diversity in sources of livelihoods of targeted beneficiaries, they can benefit from different products based on their competitive and comparative advantage.

Based on the appropriations made in FY2021/22, when combined UGX 278.3 billion (Microfinance Support Centre – UGX 133.29 billion, Pride Microfinance – UGX 113.01 billion, Pride Microfinance Limited and Uganda Women Entrepreneurship Programme – UGX 32 billion) would be raised to re-establish the cooperative bank. When the funds proposed for Parish Revolving Fund i.e. UGX 404 billion is included, the total amount of funds to run cooperative bank will rise to UGX 682.3 billion. With this capital base, the Cooperative Bank would ably compete in the financial market dominated by foreign run commercial banks.

c) Transform Agricultural Credit Facility into Agricultural Bank

Uganda lacks a dedicated financial institution to facilitate the development of agricultural sector which employs majority of the population. Many banks are constrained to extend credit to agricultural enterprises for they categorize them as risky ventures. This partly compromises development of agricultural value chains particularly in production, processing and marketing for access to agricultural oriented financing is a critical enabler[25]. However, the intervention by government to address this gap by establishing the Agricultural Credit Facility (ACF) in FY 2009/10[26], has failed to transform financial access in agriculture sector. It largely benefits the wealthy in the formal sector while overlooking the multitude of agricultural players in the informal sector.

As a means of enhancing access to agricultural financing, the funds allocated towards the Agricultural Credit Facility should be transformed into seed capital for establishing National Agricultural Bank. As of March 2021, UGX 589.48 billion had been disbursed of which UGX 299.52 billion was contributed by Government and the rest raised from commercial banks, Uganda Development Bank, Microdeposit institutions as well as credit institutions[27].

d) Developing Fertiliser Factory

Uganda annually loses 80kg of nutrient per year while adding a parity 1-1.5 kg[28]. This has led to lower yields across the country for the land is no longer virgin. The present generations tend the lands as though its fertility is a constant factor of production. This is mainly attributed to poor farming methods, inadequate extension services, supply of fake fertilisers and prohibitive cost of fertilisers. The latter is mainly driven by transportation and supply costs for the

[25] The National Farmers Manifesto. Agenda 2016 and Beyond
[26] Ministry of Finance, Planning and Economic Development, 2017. Background to the Budget for Fiscal Year 2017/18.
[27] Bank of Uganda, 2021. The Agricultural Credit Facility Progress Report March 31, 2021
[28] Ministry of Agriculture, Animal Industry and Fisheries, 2016. National Fertiliser Policy

country imports a full range of fertilisers used in the agricultural sector[29]. Consequently, there is land degradation in every part country.

To address the dwindling land fertility, a National Fertiliser Policy was passed by Cabinet in 2016. The Policy sought to develop national capacity in the production of fertilisers as a means of addressing their supply and quality constraints in the market. This would in turn contribute to the boosting productivity, sustainability of supply chain, predictability of prices and increase in household income. However, the Policy hinged its interventions on intensifying importation and development of fertiliser factories on private investors through public private partnerships. This was the case in Sukulu phosphate industry in Tororo and proposed NDP III core project fertiliser blending factory in Mbale. This approach has failed to yield dividends. Such investments require massive capital and government is best suited to develop the infant industry of fertilisers. This would make the fertilisers affordable, create their demand and application. It would also enable favourable competition with imported fertilisers until such a time when it is favourable for the market to regulate supply and demand by itself. In turn the country would realise stable and predictable prices that are critical in sustaining both supply and demand of agricultural produce.

I beg to submit.

[29] Ministry of Finance, Planning and Economic Development, 2021. Public Investment Plan [PIP] FY2021/22 – FY2023/24