

# POLICY UPDATE

## BUDGET RESPONSES TO THE 2009/10 PRIVATE SECTOR CONCERNS; AGRICULTURE AND AGRO PROCESSING LOAN GUARANTEE FACILITY

### 1. INTRODUCTION

In its annual Policy Advocacy Agenda, PSFU on behalf of her Membership presents key concerns to GOU for consideration. We are glad to report that over **78% of the proposals** presented by PSFU to the national budget in FY 2009/10 were considered by Government. Below is a case in point to explain one of the key responses as Government's action in implementing agreed activities to the set priorities and proposals in detail.

### 2. PRIVATE SECTOR AREA OF CONCERN AND RECOMMENDATION

Following the impacts of the Financial Global Crisis, PSFU was of the view that efforts should be made to take advantage of the opportunities which make themselves available at the same time reduce the cost of doing business in Uganda. One of the areas advocated for in this case is **Agriculture**. Therefore, PSFU recommended to Government in FY 2009/10 to use the national budget as a stimulus package especially in food production by removing the supply side constraints.

### 3. GOVERNMENT'S RESPONSE TO CONCERN AND RECOMMENDATION ABOVE

In her response, Government has earmarked/provided Ushs 30billion in the FY 2009/10 budget for the agriculture loan facility to stimulate Commercial Farming and Agro Processing as a strategy for increased production and productivity. Also, participating banks are to cofinance Ushs 30bn making a total of Ushs 60bn for the facility. The major **goal** of this facility is to "stimulate agricultural production and agro processing through mechanization". Its **objective** is to "provide agricultural and agro-processing machinery, equipment and implements at affordable terms to support the commercialization and modernization of Agriculture in Uganda".

### 4. DETAILS OF THE FUND

A fund amounting to UGX 60bn financed equally by the Government of Uganda, represented by the Ministry of Finance, Planning and Economic Development (U.Shs. 30bn) constituting of a 50% risk cover; and participating credit and financial institutions (U.Shs. 30bn) will be created to support agriculture **expansion** and **modernization**. The Government contribution of UGX 30bn will be deposited in Escrow account at Bank of Uganda which will administer its usage by the participating financial institutions.

**Note:** Eligible borrowers will include farmers, agro processors and related services to agriculture. The detailed categories of beneficiaries will be agreed between the banks and bank of Uganda and the Government of Uganda prior to commencement of the scheme.

### 5. CONCLUSION

The PSFU Secretariat's policy advocacy work is member-driven and we strive to meet member expectations. Therefore, it is imperative to note that; Issues that were not satisfactorily addressed in this FY's budget will form part of the 2010 agenda for follow-up.