Comprehensive Africa Agriculture Development Programme (CAADP)

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UGANDA

REVIEW OF ONGOING AGRICULTURAL DEVELOPMENT EFFORTS

Is the agricultural sector in Uganda in flux or just at a crossroads? Trends during the last two decades provide evidence for both scenarios. A sound and stable government policy framework facilitated investment and growth in agriculture in the 1990s, resulting in increased production. However, the once-positive growth rates have paled in recent years. Moreover, while national poverty rates have declined, chronic poverty remains a largely rural phenomenon, particularly among food crop farmers. There is scope for both optimism and pessimism in assessing whether agriculture can serve as an engine for continued economic growth and improved welfare for all Ugandans.

Overview of Uganda's agricultural sector

Productivity Trends

Seventy-five percent of Uganda's geographical area is suitable for cultivation, pasture, or both—an immense resource. However, only 30 percent of arable land is presently under cultivation. Nonetheless, agriculture is the source of employment for 70 percent of the labour force. The productivity, profitability, and continued expansion of the agriculture sector are critical to the well-being of millions of Ugandan households.

Productivity growth in Ugandan agriculture has resulted primarily from area expansion and not from intensification of production resulting in higher yields. According to the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), estimated average yields in recent years have been between 1.5 and 1.8 metric tonnes (mt) per hectare (ha) for maize, between 5.5 and 6.0 mt/ha for cooking banana, and less than 1.0 mt/ha for most pulses. The yield gap between average farm yields and research yields indicates the immense potential for improvements in crop productivity. The livestock and fisheries subsectors have shown more encouraging trends as producers respond to increasing demand for milk and meat in local markets and for fish in regional and export markets. Livestock production has grown at more than 4 percent annually during the past 10 years, while fish exports are now the second leading export revenue earner for Uganda.

However, both the productivity and the profitability of agriculture enterprises are constrained by a range of broader development challenges for Uganda. The limited market information that producers are able to obtain hampers their bargaining power. Transport costs are high, increasing transaction costs along commodity value chains serving local, regional, and international markets, while also making the use of commercially supplied inputs such as improved seed, inorganic fertiliser, or veterinary supplies prohibitively costly for many smallholders. Local institutional deficits, including unpredictable local government taxation and inadequate oversight in the operations of farmers' and other cooperative groups, also pose important challenges to farmers seeking to develop prosperous agricultural enterprises.

Agriculture's Contribution to Uganda's GDP

The Ugandan economy has enjoyed strong growth during the past two decades, with annual per capita GDP growth rates in the 2 to 4 percent range. The agricultural sector has played an important but declining role in this growth. Although agricultural production made up 50 percent of total GDP (monetary and non-monetary) in the early 1990s, other sectors have advanced in recent years. Agriculture now contributes less than 25 percent of total GDP. At the same time, the sector has experienced growth rates in recent years that lag well behind those of the other economic sectors. This is of concern, since increased agricultural output is required in the changing Ugandan economy both to feed the labour being absorbed into the industrial and service sectors and to provide raw materials many emerging industrial firms require.

Although the share of agriculture products in Uganda's export mix is declining, agriculture is still central to Uganda's external trade—agricultural products accounted for 52 percent of the value of total exports between 2005 and 2008. Coffee remains the most important export. However, growth in other agricultural exports—fish in particular, but also maize and flowers—has been significant in recent years. While the value of coffee exports has increased by about 50 percent in the past seven years, the value of non-coffee agricultural exports has increased by about 120 percent.

Rural Poverty and Nutrition

The economic strategies pursued by Uganda during the past two decades have been remarkably pro-poor. The poverty headcount decreased from 56 to 31 percent between the late 1980s and 2006, although the decline was not always consistent. This lack of consistency in poverty trends is linked to shifts in the agricultural terms of trade for Uganda's produce, most notably international coffee prices, which dropped sharply in 2000 and resulted in a rise in poverty. There is a direct relationship between the overall economic performance of the agricultural sector and poverty reduction—low growth rates in the agricultural sector resulting in low rural household incomes have a significant negative impact on national poverty-reduction efforts.

However, the successes in poverty reduction in Uganda are not fully reflected in the food security and nutritional well-being of the population. Levels of child stunting in the country have declined during the past 10 years, but not dramatically—35.5 percent of children under five years of age were short for their age in 1995, compared to 28 percent in 2006. Similarly, the proportion of people suffering from inadequate calorie consumption has fallen during the past two decades. However, the rate is not sufficiently fast to bring about substantive reductions in food insecurity. The number of people who live with inadequate calorie consumption—14 million Ugandans in 2002—has actually increased due to population growth during this period. Advances have been achieved in assuring food security and addressing undernutrition, but greater successes are needed.

Economic Development Strategies and Agricultural Development Frameworks

Uganda's success in overall economic and, to a more limited degree, agricultural-sector growth can be attributed in part to the government's sound and generally consistent economic policies and its implementation of strategic programmes.

Development Vision Statements

The Uganda Constitution of 1995 describes what government must do to deliver a better future for its people. It defines the objectives and principles that guide the establishment and promotion of a just, free, and democratic society. Among the functions for which government is held responsible is an appropriate agriculture policy.

Uganda's long-term planning framework has been the Vision 2025 document of 1995, though it has not been used effectively. Consequently, the government has embarked on developing the new Comprehensive National Development Framework (CNDF), which, among other objectives, will provide a 30-year national development vision.

Medium-term Development Frameworks

The Poverty Eradication Action Plan (PEAP) has been the principal medium-term development framework for Uganda since 1997, with revisions in 2000 and 2004. Although it is being replaced by the National Development Plan (NDP) as the medium-term planning element of the new CNDF, the PEAP has proven to be a robust guide for economic growth and development.

The 2004 revision of the PEAP detailed a shift in policy focus from economic recovery to sustainable growth and structural transformation to accelerate poverty reduction. This last version of the PEAP was organised around five pillars:

- Economic management.
- Enhancing competitiveness, production, and incomes.
- Security, conflict resolution, and disaster management.
- Governance.
- Human resource development.

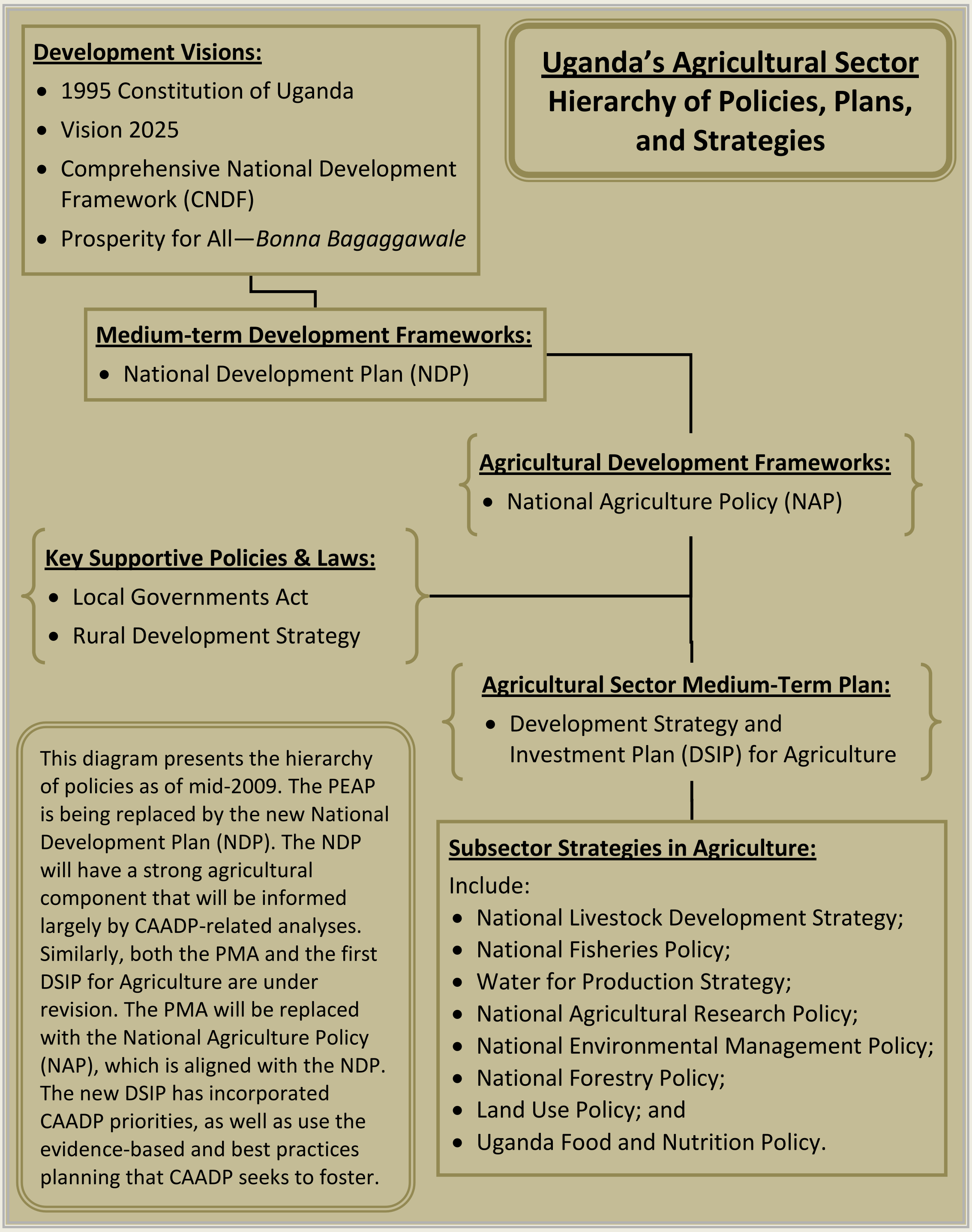
Similarly, the overall theme for the NDP is Growth, Employment and Prosperity for All. As such, agriculture is highlighted within the draft plan as one of five core sectors for economic growth, food and nutrition security, income enhancement and employment. The NDP's focus on agriculture is aimed at public investments that will stimulate private sector investments in the sector along commodity value chains.

Agricultural Sector Policies

Implemented since 2001, the Plan for the Modernisation of Agriculture (PMA) has been a central element in the implementation of the PEAP, particularly in enhancing competitiveness, production, and incomes. Its vision is "poverty eradication through a profitable, competitive, sustainable and dynamic agricultural and agro-industrial sector." Its main objectives are to: (i) increase incomes and improve well-being through increased productivity and share of marketed production; (ii) improve household food security through the market; (iii) provide gainful employment through agro-processing; and (iv) promote the sustainable use of natural resources.

The PMA is comprised of seven priority programmatic areas:

- Agricultural research and technology development
- Delivery of agricultural advisory services
- Rural financial services
- Promotion of agro processing and agricultural marketing
- Agricultural education
- Natural resource management.
- Physical infrastructure.



The National Agriculture Policy (NAP) is now being finalised to replace the PMA. The NAP is being developed to provide policy guidance to MAAIF and other stakeholders in planning and making sector investments to progressively move the country and its farmers towards the national development objectives established in the NDP. The NAP specifically draws upon the principles of CAADP in establishing both the objectives and the modalities or instruments for attaining those objectives.

Development Strategy and Investment Plan for Agriculture (DSIP)

The DSIP is the medium-term strategic plan for MAAIF. The DSIP states how the goals and priorities for the agricultural sector, as stated in the NAP and, more broadly, the NDP are to be translated into public-sector activities. The first DSIP for agriculture outlined 12 priority areas, which have been the basis for the Ministry's planning and budgeting over the past five years. To align activities in the agricultural sector with the updated policies of government as articulated in the NDP and the NAP, a second DSIP for agriculture is now being finalized.

This new DSIP represents a 'roadmap' to assist government, the private sector, civil society and development partners in defining public interventions to meet key agricultural objectives. As such, it is a combination of policies and programmes around which stakeholders can form a consensus and mobilise the resources needed. The DSIP is based on a vision of a competitive, profitable and sustainable agricultural sector. In setting the priorities to attain this vision, the second DSIP also is explicitly aligned with the principles of CAADP.

Other Related Policies and Strategies

Several other political vision statements, public policies, and strategies contribute to the matrix within which agricultural-sector policies and strategies are implemented. The most important include:

- The 2006 Prosperity for All (*Bonna Bagaggawale*) vision or agenda for action of government aims to transform Uganda from a poor peasant society into a modern, industrial, united, and prosperous society. This vision receives the highest level of political support, with the office of the Vice-President responsible for coordination of activities and oversight.
- The Rural Development Strategy, formulated in 2005, is a complementary strategy to the NAP, and specifically focuses on increasing the productivity of selected rural enterprises at the household level, increasing household outputs of selected agricultural products, and ensuring a stable market for these products.
- Decentralisation of government is enshrined in the 1995 Constitution and manifested in the Local Governments Act of 1997. The decentralisation process has involved substantial transfers of political, financial, and planning responsibilities from central government to local governments at district and sub county levels, including in the agricultural sector.

There are a range of subsectoral policies and strategies that guide how institutions involved in the attainment of government's objectives for the development of Ugandan agriculture carry out their duties. These include the National Livestock Development Strategy, the National Fisheries Policy, the Water for Production Strategy and Investment Plan, the National Agricultural Research Policy, the National Environmental Management Policy, the National Forestry Policy, the Land Use Policy, the Uganda Food and Nutrition Policy, the District, Urban and Community Access Roads Strategy, and the National Environment and Natural Resources Strategy and Investment Plan. The majority of these subsectoral policies are being implemented within the framework of the NAP and DSIP.

Agricultural Financial, Administrative, and Technical Institutions

Public Funding of Agriculture

Though African governments pledged to allocate 10 percent of their total annual budgets to the agricultural sector as part of the Maputo Declaration, Uganda is yet to meet this target. During the past two decades, agriculture has not received more than 3 percent of the budget in any year. Adding donor financing raises the allocation to agriculture substantially, but it has never exceeded 5 percent. Of equal concern is that the development component of the budget for the agricultural sector—through which programmes are implemented—declined from more than 100 billion Ugandan shillings (UGX) in 2000/01 to between UGX 63 and 76 billion from 2003/04 to 2005/06. Moreover, not all of the funds budgeted to the agricultural sector were released—in recent years, the actual funds released amounted to between 57 and 79 percent of budget figures.

A second issue of concern with regard to public financing in agriculture is the apparent disconnect between the priority areas identified in the Agricultural DSIP and the distribution of annual approved budget allocations across MAAIF's programmes.

Private Agricultural Financing

At about 18 percent annually, commercial bank lending rates are quite high. Moreover, agriculture makes up a very small portion of the lending portfolio of commercial banks—0.9 percent in 2006. Agricultural investment as a proportion of all private-sector investment in Uganda is declining; agriculture accounted for 30 percent of investments in 1992, but only 18 percent in 2005 with the trend continuing since. If an annual growth target of 7 percent and above for the economy is to be achieved, as specified in the PEAP, overall private-sector investment across all sectors remains too low to sustainably maintain such a growth rate.

At the local level, only 10 percent of rural Ugandans had access to financial services in 2003. Although new or reformed financial institutions have emerged, substantial gaps persist in the rural financial market, such as the existence of very few microfinance facilities. However, even if recent government efforts at sharply increasing access to credit for Ugandan households by creating Savings and Credit Cooperatives (SACCO) in all subcounties of Uganda succeed, such finance should be extended beyond production activities alone to include credit to support crop value-chain activities such as storage, processing, transport, packaging, and marketing.

Public Sector Institutions in the Agricultural Sector

Many stakeholders are involved in Uganda's agricultural sector. The major ones include the Parliament, government ministries, parastatal institutions, the private sector, farmers' organisations, and civil-society and other non-governmental organisations.

The Parliament scrutinises government policy, administration, and programme implementation, including the government's activities in agriculture. The Sessional Committee on Agriculture is responsible for dedicated parliamentary oversight.

Among the sectoral ministries of government, MAAIF is most central to agricultural development. However, its role in relation to the sector has shifted from the direct implementation model of the past toward a model based on planning, policy development, appropriate regulation, and, overall, the provision of an enabling environment in which a dynamic and sustainable agricultural and agro-industrial sector can develop. As such, MAAIF now seeks to adequately undertake a more narrowly defined set of strategic functions within the sector.

However, with regard to the planning and allocation of public resources to the sector, the Ministry of Finance, Planning, and Economic Development typically plays the most pivotal role. It is responsible for coordinating development planning, mobilising resources for agriculture, and ensuring accountability for the use of such resources.

Several parastatal institutions are central to efforts to attain the objectives of the PEAP and, now, the NDP within the agricultural sector, including the Secretariat for the PMA, the National Agricultural Advisory Service (NAADS), and the National Agricultural Research Organisation (NARO). The agricultural sector also has several commodity-specific semi-autonomous organisations: the Uganda Coffee Development Authority, the Cotton Development Organisation, and the Dairy Development Authority.

Producer and Civil-Society Organisations

The Rural Development Strategy of 2005 fostered renewed attention to the formation of rural cooperative institutions. Moreover, government is now working to enhance rural financial services by establishing SACCOs in every one of the almost 1,000 subcounties and providing infrastructural and capacity-strengthening support for this purpose. However, the ambitions of the government concerning agricultural marketing and other farmers' organisations are less clear.

Among the civil-society organisations in the agricultural sector, the most prominent is the Uganda National Farmers Federation (UNFFE), a federation of local commodity associations and agricultural service providers across the country. The UNFFE advocates for farmer-friendly agricultural policies, develops the capacity of farmers' organisations, and increases farmers' access to income opportunities and information.

Agricultural Policy Elements and Institutions

The broad range of policy, legal, and institutional reform processes and strategies in Uganda's agricultural sector has produced significant benefits for the sector and has led to a decline in the levels of rural poverty, which while modest, represents a positive trend. Over the past decade, the PEAP has led government interventions to become increasingly pro poor, while the PMA's multisectoral approach, its poverty focus, and the supportive sector and subsector policies and strategies have led to notable, if not broad and consistent, successes in agriculture and rural development. These same orientations for action are expected to continue under the NDP and NAP. Moreover, these efforts have been done in consultation with a broad set of stakeholders. These stakeholders generally have successfully exploited the enhanced environment for agricultural development that has resulted from these initiatives.

However, while important successes have been achieved, declining agricultural growth rates and mounting evidence that past sources of growth increasingly are being exhausted means that there is a need to identify emerging key constraints to future growth, as well as to expand gains from current approaches.

CAAPD and the Development of Uganda's Agricultural Sector

The CAADP agenda for the countries of Africa includes three important targets: that agriculture-led economic growth be central to poverty reduction; that countries pursue a 6-percent average annual agricultural sector growth rate, and that 10 percent of the annual national budget be allocated to the agricultural sector. How realistic are these targets for Uganda?

Agriculture is a key sector of the Ugandan economy, and the potential to achieve a 6-percent average annual growth rate in the agricultural sector exists: In 1999/2000, for example, agriculture grew at 5.6 percent. However, a pragmatic view is that such a target is overambitious considering the performance of the sector during the past decade—the agricultural sector growth rate for 2008/09 was 2.6 percent. By necessity, future growth will be more urban, more infrastructure dependent, more export led, and will require increased private investment. And evidence exists that a structural transformation of the Ugandan economy may be gathering momentum that will lead to a strengthening of the nonagricultural sectors, which will then contribute the most to poverty reduction.

However, even with these structural changes, agriculture will remain central to the economy in the medium to longer term. Much of the anticipated investment in other sectors of the economy will be linked to agro-processing or will otherwise provide incentives for increased agricultural output for food, exports, or processing. Greater agricultural output will increasingly be reliant on more productive technologies and significantly improved infrastructure. In this regard, therefore, there is no doubt that agriculture will remain a significant sector for economic growth. However, this will complement investment in other sectors of the economy. As such, CAADP's 6-percent annual growth rate target for the agriculture sector is ambitious under current circumstances, but is not out of the question, particularly in the longer term.

The third goal, a 10-percent allocation of the annual government budget to the agricultural sector, is not likely to occur without significant shifts in the development priorities to which the government of Uganda allocates its resources. Moreover, budget allocations are not the most important issue in this regard since about one-third of the resources budgeted annually to the sector is never disbursed. This reflects deficiencies in the priority-setting processes within the sector, in the resource-allocation systems of the government as a whole, and in the capacity of the sector to absorb and effectively utilize these resources. As such, several more fundamental issues concerning how public resources are actually allocated and used to support agricultural growth need to be resolved before the 10-percent budget target will have much meaning.

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