

UGANDA | BACKGROUND

Population¹	33 million
Of which in agriculture¹	~27 million (82%)
Of which smallholders²	~15 million (0.7% of global total)
Funding flow % world	2.6% of total funding captured
% Africa	4.6% of total Africa funding captured

Total Funding Captured 2009-onward:

\$310M

Total Number of Projects Captured:

47



Overview of Uganda's agricultural sector

Being one of the first Sub-Saharan countries to implement a wide range of pro-market policies in the 1980s, **GDP growth in Uganda has accelerated** from an average of 7% per year in the 1990s to over 8% the seven years to 2007/08.³

Although the role of agriculture in the economy is declining it still accounts for 22% of GDP and employs more than 70% of the labor force.^{4,5} With agricultural products representing 52% of the value of total exports between 2005 and 2008,⁵ it is also **central to Uganda's external trade**. Enhancing both productivity and profitability, and continuing the expansion of the agriculture sector, are critical to the well-being of millions of Ugandan households.

While the value of **coffee exports** – which remains the most important export – has increased by 50% in the past seven years, the value of non-coffee agricultural exports such as **fish, maize and flowers** have risen by 120%.⁵ Uganda's main export countries are Belgium, the Netherlands and France.

According to the Ugandan Ministry of Agriculture, Animal Industries and Fisheries, **productivity growth in agriculture has resulted primarily from area expansion and not from productivity gains resulting in higher yields**. It estimates average yields in recent years to 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 large gap between average farm and research yields demonstrates the **immense potential for improvements in crop productivity**. Responding to increased demand for milk and meat in local markets, the livestock subsector has grown at more than 4% annually in the last 10 years. Similarly, fish exports have become the second leading revenue earner as a result of rising demand in regional and export markets.⁵

The Ugandan **government has engaged in several policies, plans, and strategies related to agricultural development**, including the National Agricultural Policy (NAP), the Local Government Act, a Rural Development Strategy, and the Development Strategy and Investment Plan for Agriculture (DSIP). Furthermore, there are subsector strategies for livestock, fisheries, water for production, research, environment, forestry, land use, and food and nutrition. However, during the past two decades, agriculture has **not received more than 3%** of the government budget in any year.⁵

Challenges and opportunities of the agricultural sector

Productivity and profitability of the agricultural sector face a range of development challenges, but can also gain from opportunities:

- **Limited market information** hampers producers' bargaining power.⁵
- **Outdated infrastructure** results in smallholder remoteness and **high transportation costs** for getting products to markets.⁶
- A **lack of inputs** (such as improved seed, inorganic fertilizer, or veterinary supplies) **and technologies** hinders farmers from raising productivity and reducing pests and diseases.⁶
- **Local institutional deficits**, including unpredictable local government taxation and inadequate oversight in the operations of farmers' and other cooperative groups, have hampered growth.⁵

In terms of opportunities, 75% of the geographical area is suitable for cultivation or pasture. However, **only 30% of arable land is presently under cultivation**.⁵ Moreover, there is tremendous potential for enhanced **crop productivity**. Finally, Uganda has been identified as one of the **USAID Feed the Future** initiative's potential 'Focus countries'.

Uganda and CAADP Progress

Uganda signed its country CAADP Compact on March 31st, 2010 with the following track record:

- **Agriculture growth rates have generally been lower and more volatile than GDP growth rates** (ranging from more than 10% in 2005 to negative rates in 2003 and 2004). However, in 2008, agriculture growth is estimated to have increased substantially to 9.1%, well **above the CAADP 6% target**.⁷
- **Government spending on agriculture as a percentage of total spending has remained well below the 10% target set by CAADP**. Despite the sector's important contribution to the economy, the government of Uganda has dedicated no more than 3% of its annual expenditures to agriculture. According to the Uganda Budget Strategy 2007/08, it remains committed to facilitating access to modern production inputs, improved marketing and processing capabilities, rural financial services, and improved rural access to roads, water, education and health facilities.⁷

¹ World CIA Factbook

² Estimate extrapolated from "Small farms: current status and key trends", Oksana Nagayets, IFPRI, 2005

³ World Bank: "Uganda: Country Brief" (World Bank Website)

⁴ World Bank: "Uganda at a glance", 2009

⁵ Comprehensive Africa Agriculture Development Programme (CAADP) in Uganda, Brochure 1-4

⁶ IFAD: "Rural Poverty in Uganda"

⁷ Regional Strategic Analysis and Knowledge Support System Uganda Page (www.resaks.org)

UGANDA | SMALLHOLDER FUNDING TRENDS

Funding trends by focus area

In line with Uganda's challenges and opportunities around costs and availability of inputs, access to markets, and the need for infrastructure, funding for smallholder development in Uganda is **distributed evenly among the three focus areas** featured in this report.

The World Bank's **Eastern Africa Agricultural Productivity Project** has provided much of the funding focused on inputs/training. Specifically, the project entails strengthening the institutional capacity that is needed to establish the Regional Center of Excellence in **cassava**, enhancing regional collaboration in agricultural training and dissemination, and improve the availability of planting material, seeds, and livestock germplasm. Other notable efforts in inputs/training include a large IFAD **Vegetable Oil Development Project**, a Gates Foundation **Heifer Project**, and an AfDB **Farm Income Enhancement Project** focused on tree planting, training, and small-scale irrigation. Further crops that are receiving support from donors include rice, pineapple, organic crops, vanilla, and potatoes.

In the finance/markets focus area, IFAD's **National Agricultural Advisory Services Programme** enables farmers' groups and associations to move into commercial production and become part of the commodity value chain. DANIDA's **Agribusiness Development Initiative** includes advisory services, training, agro-processing and marketing, financial services, business support. The Dutch development agency is supporting the commercialization of oil seed production.

Lastly, in terms of infrastructure, the **Community Agricultural Infrastructure Improvement Programme** focuses on rehabilitating and maintaining district and community access roads, building marketplaces, developing agroprocessing facilities and providing electric power to market centers.

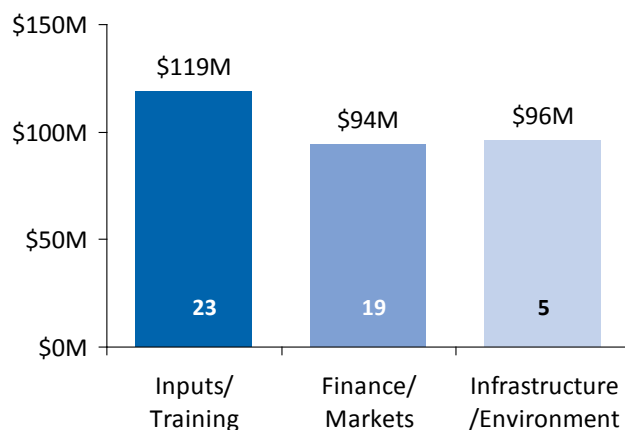
The donor landscape

As mentioned above, the **World Bank** has been supporting smallholder development in Uganda as part of its **Eastern Africa Agricultural Productivity Project**. **IFAD** and the **African Development Bank** are both funders of the **Community Agricultural Infrastructure Improvement Programme**. IFAD has also supported rural finance and market access efforts, while the AfDB has provided support to productivity improvement projects.

DANIDA has provided most of the \$67 million in bilateral funding captured in this analysis through its Growth Programme efforts around agribusiness and infrastructure. The **Dutch** and **French** development agencies are involved in several small projects around dairy and organic crops.

The **Bill & Melinda Gates Foundation** is funding several efforts as part of their many multi-country African agricultural development projects. Finally, the **McKnight Foundation** is funding several projects that seek to improve smallholder livelihoods, including training, credit, and help with associations.

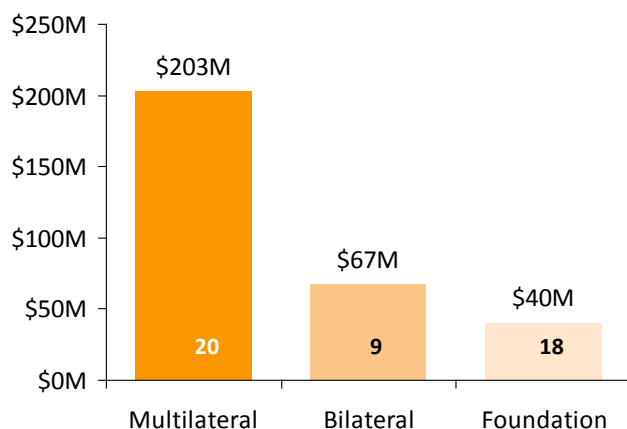
Funding & number of projects by main focus area



Representative projects

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> Eastern Africa Agricultural Productivity Project, WB Farm Income Enhancement and Forest Conservation Project, AfDB | <ul style="list-style-type: none"> Uganda Growth Programme – Agribusiness, DANIDA National Agricultural Advisory Services Programme, IFAD | <ul style="list-style-type: none"> Community Agricultural Infrastructure Improvement Programme, IFAD, AfDB |
|---|---|---|

Funding & number of projects by funder type



Active funders

- | | | |
|----------------------------|--------|--|
| World Bank
IFAD
AfDB | DANIDA | Bill & Melinda Gates Foundation
McKnight Foundation |
|----------------------------|--------|--|