



Realizing the Potential of Ugandan Agriculture for Economic Growth

2nd Uganda Economic Growth Forum | September 13, 2018

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Presentation Outline



The core question

The key trends

The three priority areas

The recommendations

A core question for agriculture in Uganda



Vision 2040, NDP II, ASSP all prioritize agriculture as growth opportunity that will spur socio-economic transformation into a middle-income country by 2040

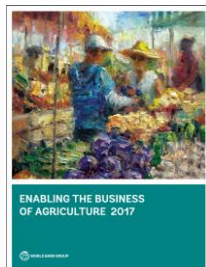
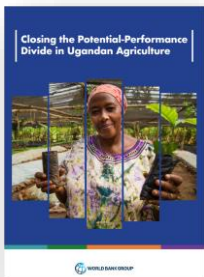
And indeed, agri-food until now has served as the main engine of sustainable and inclusive growth

But despite its potential, agri-food growth has been below potential and erratic across years and locations

Under present trends, it is reasonable to worry **whether agriculture can continue to drive future overall growth**

What will it take to Unlock Uganda's Agriculture Potential??

1. Strengthening public institutions and policies for agricultural productivity
2. Promoting commercialization of agriculture through private sector value-addition and trade
3. Increasing resilience in agro-ecosystems and of rural livelihoods



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On-going Agribusiness (R)evolution

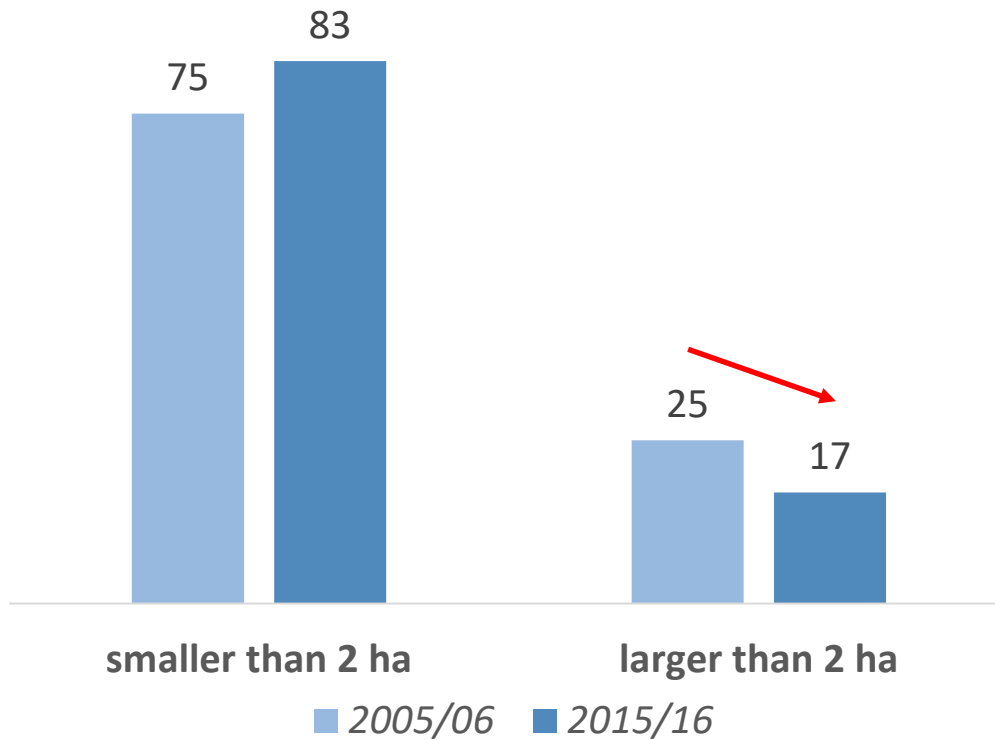
Item	Average annual % compound growth over 2011/2012 to 2015/2016 period
All food and drink processing ¹	5.5%
Sugar processing	14.9%
Beer	-6.5%
Coffee processing	7.5%
Soft drinks and bottled water	9.0%
Tea processing	1.8%
Edible oils and fats	6.1%
Total manufacturing all sectors	4.8%

Source: Calculated from data in UBOS Statistical Abstract 2017

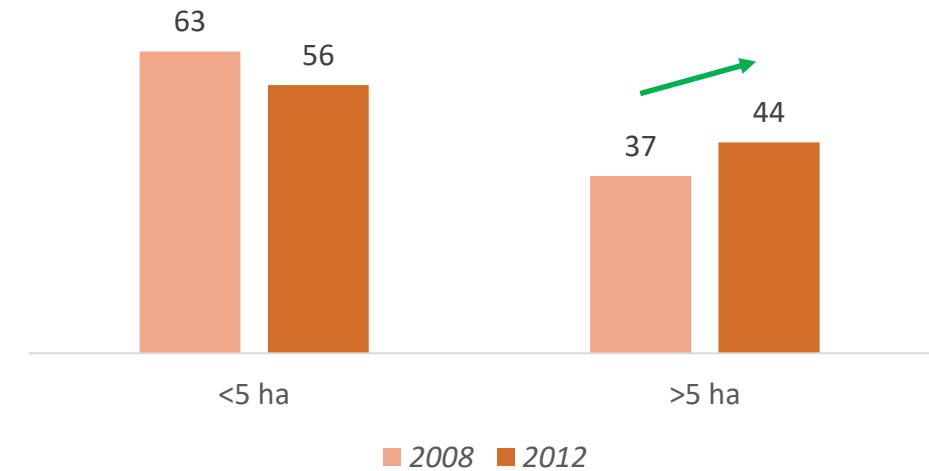
Agrarian structure: A worrying trend despite tremendous potential

Uganda

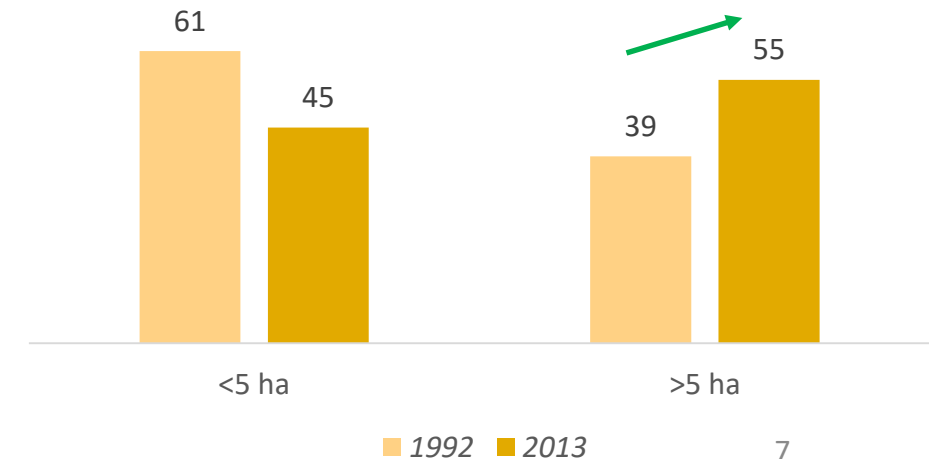
[% share in net land operated by farm size]



Tanzania [% share in land operated by farm size]



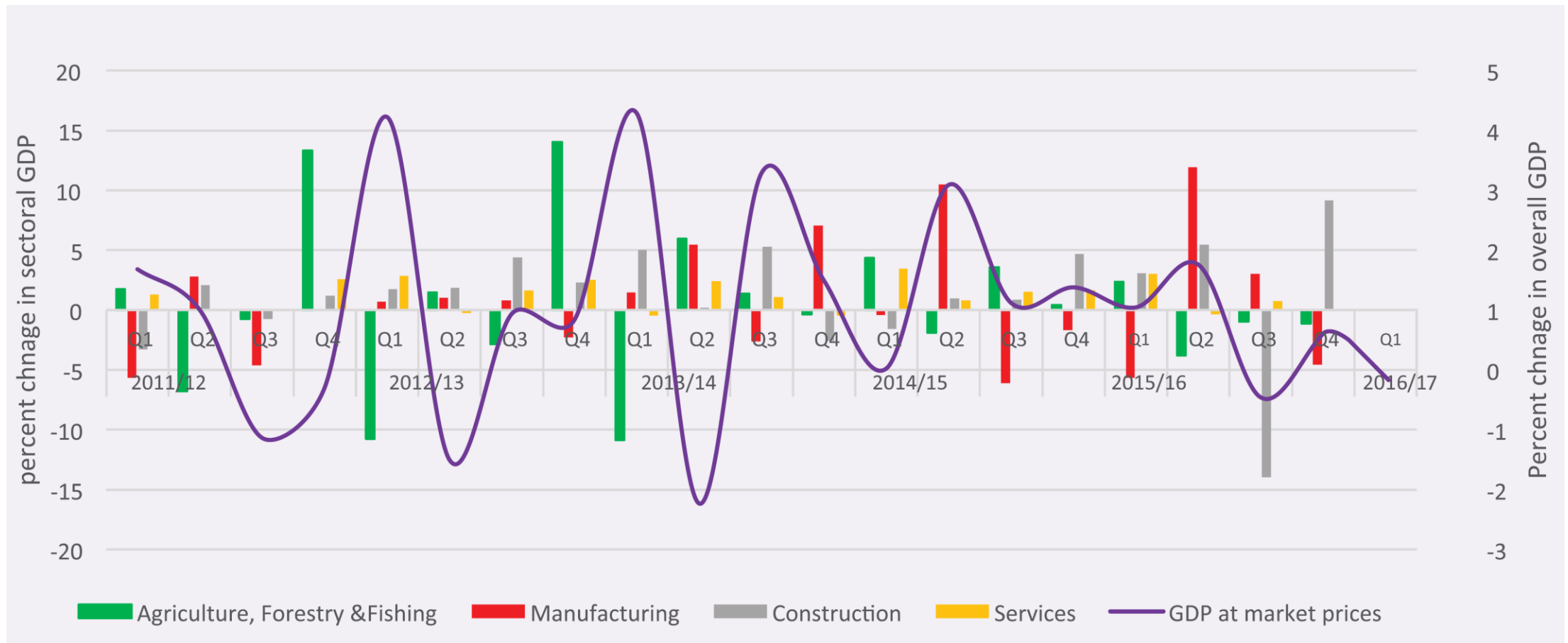
Ghana [% share in land operated by farm size]



Source: World Bank, 2018 (Uganda) and Jayne & Kray, 2018 (Tanzania, Ghana)

Note: Tanzania data only refers to land operated by farms below 100ha

Agricultural growth is erratic and recently low

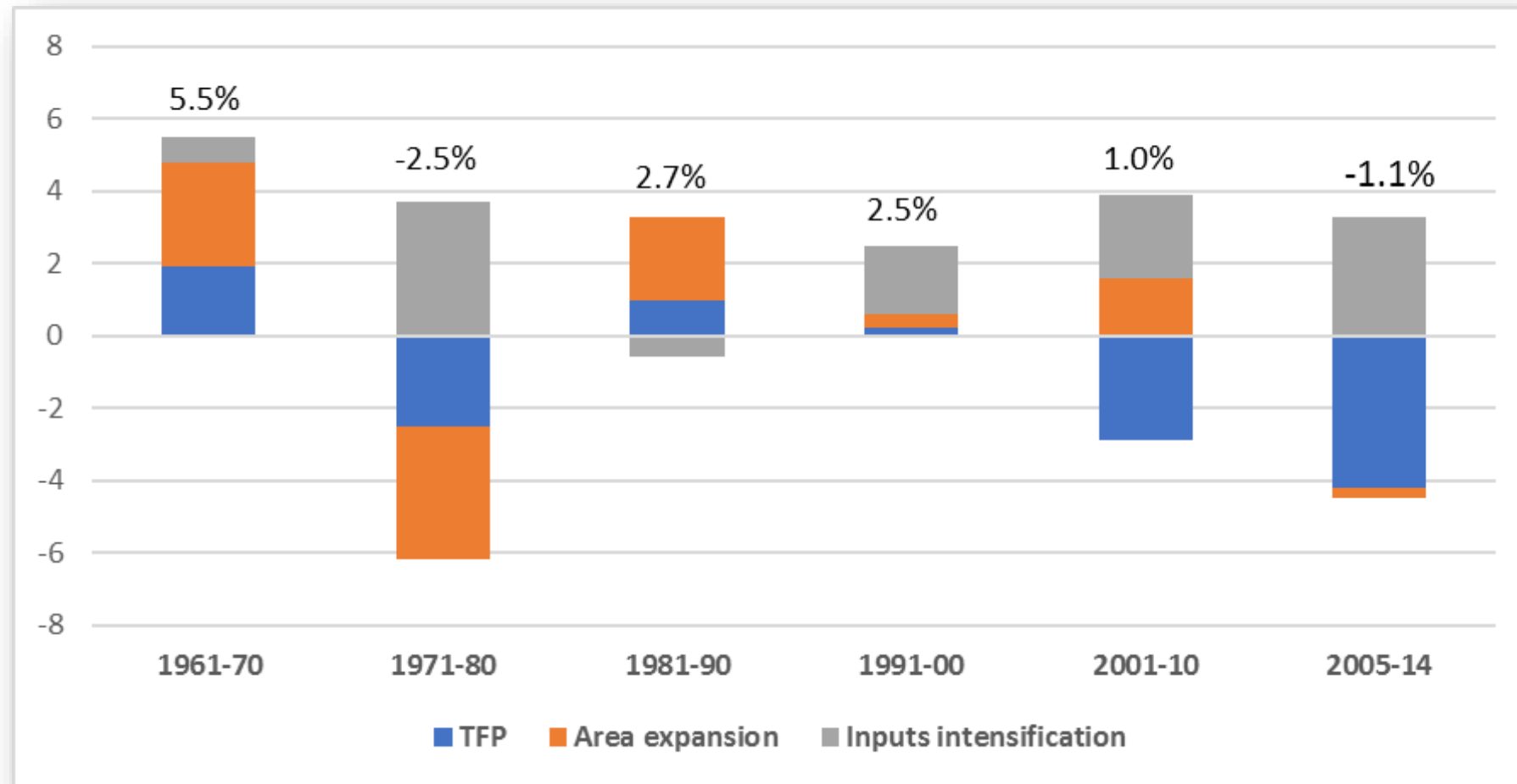


2.2% average agriculture growth, 2010-14

average population growth, 2010-14 **3.3%**

Largely absent: Growth in efficiency & technological progress

Decomposition of sources of agricultural growth [% per annum]
with net agricultural output growth in % per annum at top of column in period indicated)



Source: Compiled from the USDA Agricultural Productivity database

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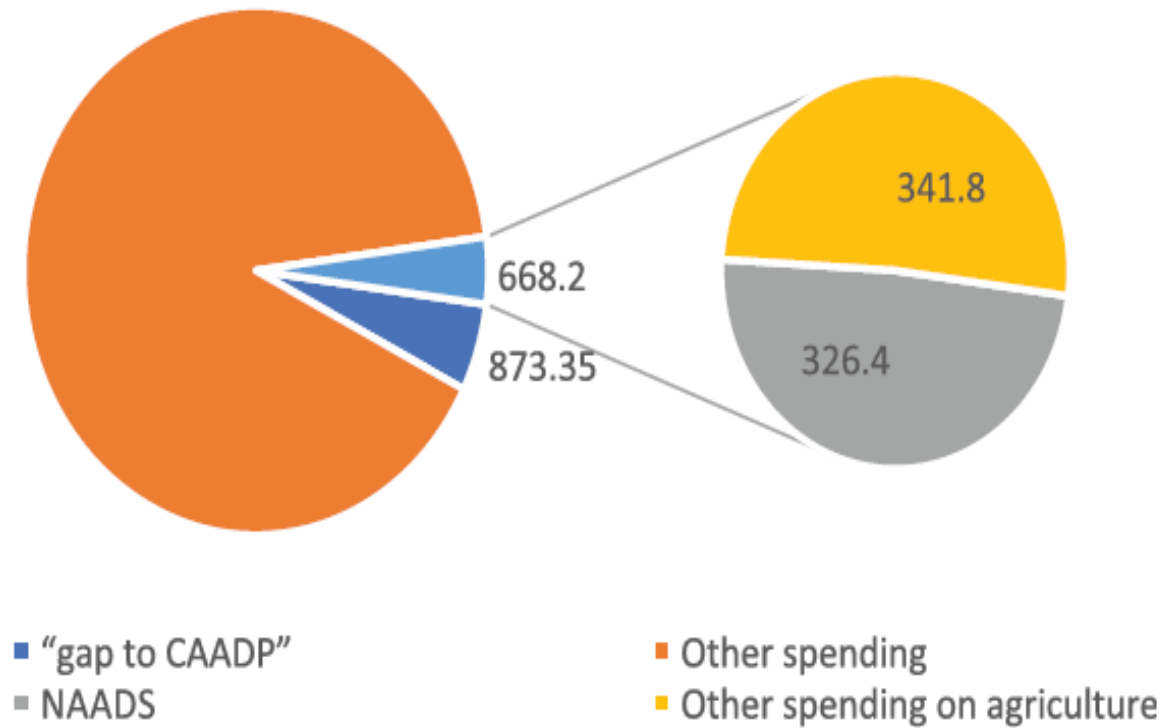
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Agriculture Public Expenditure: Enhancing Impact

1



Source: Joughin and Adupa (2017)

- With development partner funds included, agriculture in Uganda estimated to account for 4.2% of total expenditure in 2017/18
- High percentage of agriculture spending used for free distribution of inputs
- Actual expenditures well below budgeted amounts in most years, due to absorption capacity and implementation constraints

Better links between policy/strategy formulation and implementation

1

Institutions, public policy and finance



Institutional weaknesses and lack of coordination among agriculture-related ministries causes important bottlenecks for translating policy plans into effective action

The agricultural advisory system steadily moved away from its core function, and future funding for the agricultural R&D system is at threat

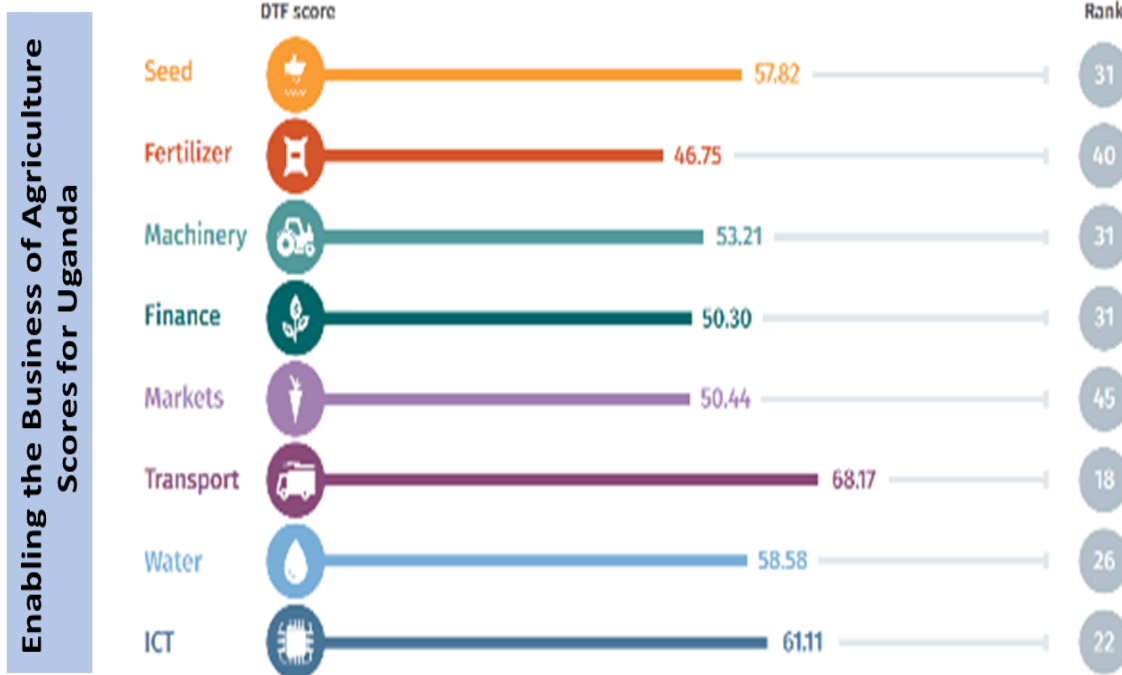
Farmers groups and cooperatives have an important role to play but their actual development has been limited

Strengthening the Enabling Environment

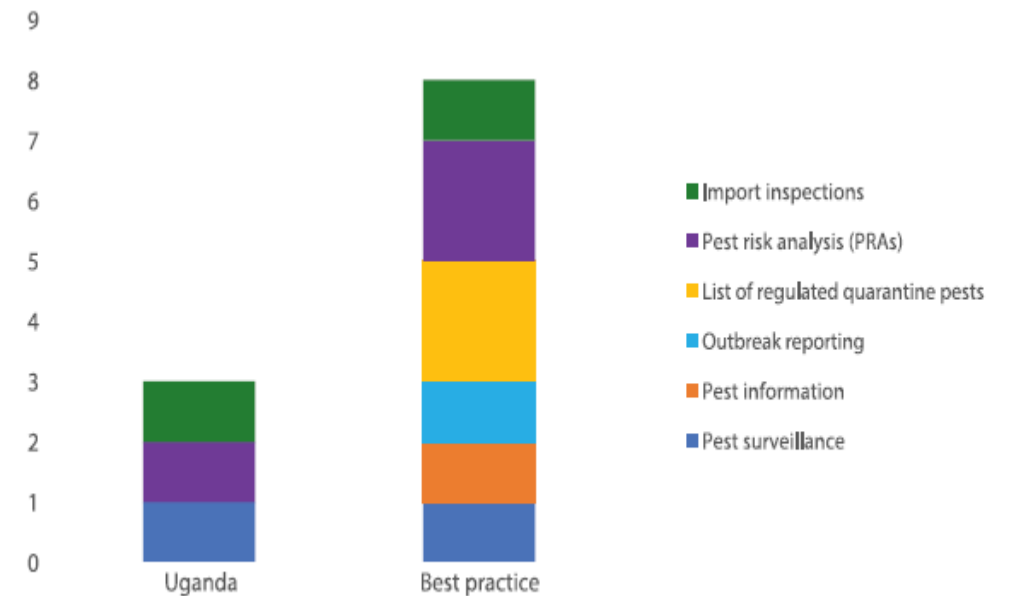
2

Commercialization:
Response to Rising Demand

Commercialization requires regulatory improvement



E.g. Only 3 out of 8 regulatory elements in place for a strong plant protection framework



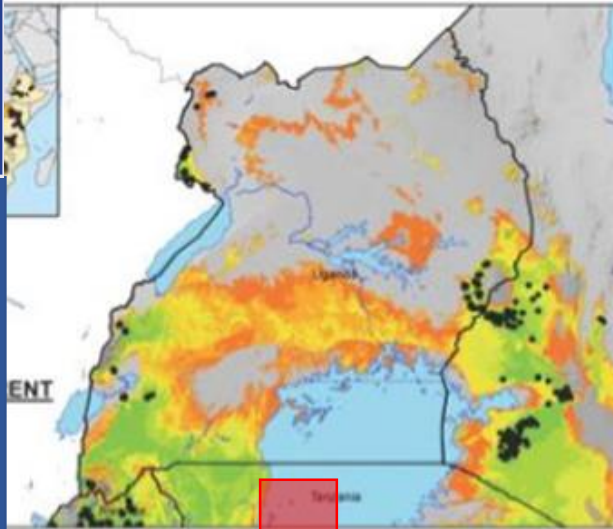
Source: World Bank. (2017), Enabling the Business of Agriculture 2017

Source: Enabling the Business of Agriculture (2017)

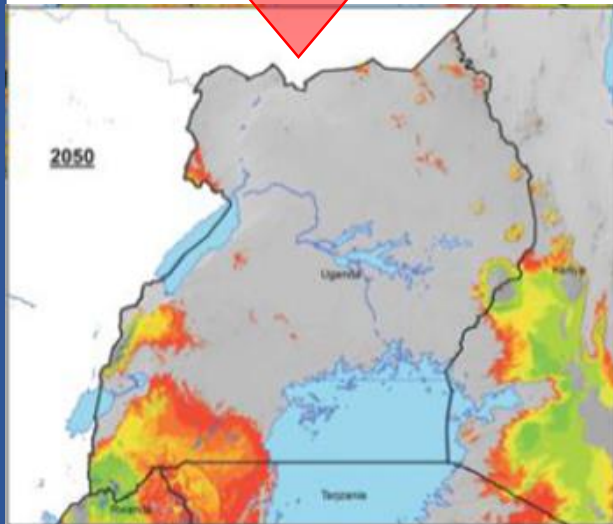
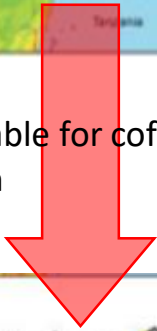
Building Stronger Climate Resilience

3

Resilience Challenges
to Agriculture and Livelihoods



Areas suitable for coffee production



Today, environmental degradation causes a loss of 4-12% of GDP, 85% from soil erosion.

Without building resilience, poverty reduction achievements are at threat of being reversed

Putting incentives in place for Climate-Smart Agriculture will yield a triple win for agriculture. Supplemental irrigation can be part of a solution, and yield increases can be dramatic, but cost are often too high for non-commercialized smallholders.

Early warning mechanisms are among the key investments to improve adequate public sector response

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Recommendations towards realizing the potential of agriculture



The Closing the Potential-Performance Divide requires focus on 3 priority areas:

1. Institutions, public policy and finance
2. Promoting commercialization and value addition
3. Resilience and climate smart agriculture

Most can be initiated in the short- to medium-term.

Most do not require more, but a different public spending.

Many do recognize, that good policy is as important to agricultural transformation as it technology.

Reform of Institutions and Policies

1

Institutions, public policy and finance

PRIORITY 1: Renewing the public institutional base for supporting agriculture

- Reforming the agricultural extension system

PRIORITY 2: Improve agricultural regulation

- Reducing disincentives to private sector agricultural input businesses
- Implementing measures to improve quality of agricultural inputs

PRIORITY 3: Improving MAAIF's capacity to manage itself and promote good policies

- Assisting MAAIF to create a first-class Policy Analysis, Monitoring, and Evaluation Unit

Promoting Commercialization and Value-Addition

2

Commercialization:
Response to Rising Demand

PRIORITY 4: Regional trade and value-addition

- Rebuilding trust in market availability of regional food staples
- Seeking market-led ways to lower special transfer cost for ag commodities in peak seasons

PRIORITY 5: Expanding farm access to finance

- Land titling
- Enhancing access to finance through warehouse receipt systems
- De-risking formal lending to agribusiness firms to leverage private finance

PRIORITY 6: Expanding farm access to markets through vertical coordination

- Adding transparency to contracts and making details on good practices easy to access
- Clarifying legal status of contracting arrangements, obligations, and recourse

PRIORITY 7: Expanding farm access to ICT for increased productivity

- Boosting performance of data networks in rural areas
- Boosting farmer and policy-maker returns to connectivity

Promotion of Resilience and Climate-Smart Agriculture

3

Resilience Challenges
to Agriculture and Livelihoods

PRIORITY 8: Providing policy and institutional support to the promotion of Climate-Smart Ag

- Improving the institutional environment through creation of a multi-stakeholder platform

PRIORITY 9: Improving access to agricultural water

- Developing detailed implementation pathways for the NIP with private sector involvement
- Developing farmer water user groups and irrigation management institutions

PRIORITY 10: Addressing soil degradation

- Relaunching search for financing instruments to pursue official landscape restoration objectives



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