



**New Partnership for
Africa's Development (NEPAD)
Comprehensive Africa Agriculture
Development Programme (CAADP)**



**Food and Agriculture Organization
of the United Nations
Investment Centre Division**

GOVERNMENT OF THE REPUBLIC OF UGANDA

SUPPORT TO NEPAD–CAADP IMPLEMENTATION

**TCP/UGA/2910 (I)
(NEPAD Ref. 04/03 E)**

Volume IV of VI

BANKABLE INVESTMENT PROJECT PROFILE

Agricultural Marketing Project

November 2004

UGANDA: Support to NEPAD–CAADP Implementation

Volume I: National Medium–Term Investment Programme (NMTIP)

Bankable Investment Project Profiles (BIPPs)

Volume II: Smallholder Irrigation Development and Water Harvesting Project

Volume III: Livestock Development Project

Volume IV: Agricultural Marketing Project

Volume V: Natural Resource Management Project

Volume VI: Aquaculture Development Project

NEPAD–CAADP BANKABLE INVESTMENT PROJECT PROFILE

Country: Uganda

Sector of Activities: Agriculture

Proposed Project Name: **Agricultural Marketing Project**

Project Location: National

Duration of Project: 5 Years

Estimated Cost: Foreign Exchange US\$2.6 million
Local Cost..... US\$10.3 million
Total US\$12.9 million

Suggested Financing:

<i>Source</i>	<i>US\$ million</i>	<i>% of total</i>
<i>Government (central and local)</i>	5.2	40
<i>Financing institution(s)</i>	5.2	40
<i>Beneficiaries</i>	0.6	5
<i>Private sector</i>	1.9	15
<i>Total</i>	12.9	100

UGANDA:
NEPAD–CAADP Bankable Investment Project Profile
“Agricultural Marketing Project”

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Abbreviations

AGOA	African Growth Opportunity Act (of the United States of America)
CAADP	Comprehensive Africa Agriculture Development Programme
CDA	Cotton Development Authority
COMESA	Common Market for East and Southern Africa
DANIDA	Danish International Development Agency
DDA	Dairy Development Authority
DFID	Department for International Development (UK)
EAC	East African Community
GDP	Gross Domestic Product
GoU	Government of Uganda
ICT	Information and Communication Technology
IITA	International Institute of Tropical Agriculture
JITAP	Joint Integrated Technical Assistance Project
NEPAD	New Partnership for Africa’s Development
NMTIP	National Medium–Term Investment Programme
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MAP	Marketing and Agro–processing
MEMD	Ministry of Energy and Mineral Development
MFPEd	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MTN	Mobile Telephone Network
MTT	Ministry of Tourism Trade and Industry
MWHC	Ministry of Works, Housing and Communications
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NEPAD	New Partnership for Africa’s Development
NMTIP	National Medium–Term Investment Programme
NPA	National Planning Authority
NTE	Non–Traditional Exports
PMA	Plan for Modernization of Agriculture
PSF	Private Sector Foundation
RSDP	Road Sector Development Project
SAPs	Structural Adjustment Programmes
UBOS	Uganda Bureau of Statistics
UCE	Uganda Commodity Exchange
UEB	Uganda Electricity Board (now split into three companies)
UEPB	Uganda Export Promotion Board
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNCTAD	United Nations Conference on Trade and Development
UNFF	Uganda National Farmers Federation
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
UTA	Uganda Tea Authority
UTGC	Uganda Tea Growers Corporation
UTL	Uganda Telecommunications Limited

Uganda: TCP/UGA/2910 (I)

Assistance in the Preparation of a National Medium-term Investment Programme
and the Formulation of Bankable Projects in support of the NEPAD-CAADP Implementation

WRS Warehouse Receipt System
WTO World Trade Organization

I. PROJECT BACKGROUND

A. Project Origin

I.1. The immediate origin of this project is the national stakeholders’ workshop which took place in Kampala in February 2004 to validate the NEPAD–CAAD *National Medium–Term Investment Programme* (NMTIP) for the agricultural sector. The workshop identified marketing as one of the major bottlenecks to Uganda’s agricultural development and recommended it as a priority area for the formulation of bankable investment projects. Over the long term, the project originates from policy shifts in response to *Structural Adjustment Programmes* (SAPs) implemented by the Government of Uganda (GoU) during the 1980s and 1990s. In accordance with privatization and liberalization policies within the framework of SAP conditions, publicly run marketing boards or agencies that used to be the principal formal outlets of farmers’ produce were dismantled. However, no substitutes were set up to replace them. The marketing role was relegated to a young and unorganized private sector that had not yet recovered from the shocks of over a decade of political chaos and instability. Globalization, free trade and trends towards reducing state intervention in agricultural marketing therefore presented complex challenges to GoU, whose goal centred on the reduction of poverty, the provision of food security and the promotion of economically sustainable development in Uganda.

I.2. Development partners such as USAID, the *International Institute of Tropical Agriculture* (IITA–FOODNET), the UK’s *Department for International Development* (DFID), DANIDA and FAO stepped in to help GoU and the private sector take on the challenges that these new marketing transformation presented; these efforts are ongoing. This project would complement and, in some respects, help consolidate those efforts.

B. General Information

I.3. ***Geophysical Features.*** Uganda is a landlocked country occupying a land area of 241,000 km² of which about 44,000 km² are covered by inland water bodies. The land lies mostly at an altitude of 1,000–3,000 m above sea level, with mountainous areas to the east and west rising above 5,000 m. The 2002 census estimated the population at 24.7 million, with an annual growth rate of 3.4%. The population is predominantly (over 85%) rural, with only 11% living in urban areas. Ranked 147 in the 2003 UNDP Human Development Index out of 175 countries worldwide, Uganda has approximately 38% of its population living on less than US\$1 per day, down from 56% a decade ago. The *Poverty Eradication Action Plan* (PEAP) aims to further reduce this figure to about 10% by 2017. The per capita gross domestic product (GDP) stands at US\$330, placing Uganda among the poorest countries in the world.

I.4. ***The Agricultural Sector*** dominates Uganda’s economy and should necessarily constitute the focus of any realistic intervention for poverty reduction: it accounts for 43% of GDP, 85% of export earnings, 80% of employment and provides most of the raw materials to the mainly agro–based industrial sector. Production of food crops dominates the sector, contributing two–thirds of agricultural GDP in 2001/02, while the livestock subsector provided 16%, export/cash crops 7%, fisheries 9% and forestry 6%. With the exception of sugar, cut flowers and tea – which are grown on large estates – nearly all agricultural production comes from the country’s estimated 3 million smallholder families/households.

I.5. ***Agricultural Marketing in Uganda.*** Uganda has a liberalized agricultural marketing environment. However, in remote areas where there are only a few buyers to purchase farm produce/products, local effective monopolies do arise. While farmers are often unhappy with the

prices they receive for their produce/products, it is recognized that marketing consists of many more issues than simply prices. Input supply, output marketing, market size, post-harvest handling, produce/product quality, transport, competitiveness, market information and market intermediaries must also be taken into consideration.

I.6. A major preoccupation of GoU relates to finding ways and means of forging ahead with the modernization of the country’s agriculture, along with the alleviation of poverty within the context of developments in the *World Trade Organization* (WTO), regional trade initiatives and, in particular, falling world commodity prices. In recent months, GoU has developed a draft *Marketing and Agro-processing Strategy* (MAPS), which has identified key priority areas for possible public sector interventions, namely:

- improved capacity to undertake negotiations in regional and international trade;
- establishment of expert teams to provide trade/market analysis and intelligence;
- improved access to financing for marketing/value added interventions;
- improved rural contract law;
- introduction of accepted product quality standards and improved post-harvest technologies;
- strengthening farmer organizations; and
- increased rural road infrastructure investments to link farmers with markets.

I.7. The key institutions involved in agricultural marketing in Uganda include: public sector agencies, both at the central and local governments principally playing policy and regulatory roles; the organized and informal private sector; civil society and non-governmental organizations as well as development partners. Table 1 indicates key players in the marketing of various agricultural commodities.

Table 1: Institutions and Agencies Involved in Agricultural Marketing in Uganda			
Commodity	GoU role	Government agencies involved	Private sector and other players
Coffee	Promotional and legislative	UCDA, UPIS	Farm-gate produce buyers, processors and exporters
Tea	(ditto)	MAAIF	UTGC, UTA, Core investor-out growers
Cotton	(ditto)	MTTI, CDO,UEPD	Cooperative unions, ginners and exporters
Cocoa	(ditto)	MAAIF	Cocoa Project, Uganda Cocoa Exporters association
Food grains (maize, beans, g/nuts)	Quality control	MAAIF, MTTI UNBS	Farm-gate produce buyers, grain millers and exporters
Sorghum	Promotional	MAAIF, NAADS	Nile and Uganda breweries
Cut flowers	Promotional and phytosanitary	MFPED, UIA, MAAIF	Cut-flower producers/exporters
Fresh fruits and vegetables	Promotional and phytosanitary	MAAIF, NARO, UNBS	Uganda Horticultural Exporters Association (HORTEXA)
Fish	Promotional, regulatory and phytosanitary	MAAIF, UNBS	Fish processors and exporters
Livestock (beef, goats etc.)	(ditto)	MAAIF, MTTI,	Cattle Traders and Butchers' Associations
Milk	(ditto)	MAAIF, DDA	Uganda Dairy Corporation
Hides and skins	(ditto)	MAAIF	Private Companies/enterprises

I.8. Uganda’s surplus production areas for the most traded agricultural commodities are located in: (i) the Cattle Corridor — for livestock; (ii) the south–western and central region districts — for milk, horticulture plantain/bananas, coffee and tea; and the eastern, northern and (iii) the south–western districts — for food grains (mostly maize, beans and rice), tobacco and cotton. Many of these surplus areas suffer from poor road infrastructure and inadequate transport facilities.

I.9. The main agricultural food crops grown and marketed locally or exported are proportionately indicated in Table 2. These are useful indicative figures because the trend has not changed much since the data were compiled in 1998.

Food crops	% of total				Total (millions of tonnes)
	Northern	Eastern	Central	Western	
Plantain)	3.2	15.8	32.2	48.8	9.30
Pulses (beans, g/nuts,)	37.8	29.2	9.0	23.9	0.52
Tubers (cassava, potatoes)	28.2	34.3	14	23.4	5.80
Cereals (maize, millet, rice)	39.4	37.7	4.9	21.1	2.10
Oil seeds (mainly sunflower and soy)	49.9	35.2	4.9	10.0	0.31

Source: Compiled by APSEC (1998).

I.10. Crops produced purely for sale (cash crops) include coffee (robusta and Arabica), cotton, tea and tobacco, to which may be added (in recent years) cut–flowers and vanilla.

I.11. The main agricultural exports are fish, coffee, cut flowers, fresh fruits and vegetables, tea and livestock products (mainly hides and skins). The structure and contribution of individual commodities to total export values has dramatically changed since 1998 when coffee, cotton, tea and tobacco contributed 65.9%, while maize, beans, fish, cattle hides, sesame seeds, soybeans and others represented 13.6% (total agricultural share, 79.5%). By 2003, non–traditional exports (fish, hides and skins, cut flowers, fruits and vegetables), had surpassed the traditional exports, with fish and cut flowers in a clear lead over coffee and cotton.

C. Constraints and Opportunities

I.12. Uganda’s agricultural export performance is affected by a number of constraints:

- The country is perceived as an unreliable supplier, unable to guarantee supplies at the right time and in contracted quantities.
- The low quality of produce cannot compete in high–income, high–quality markets. This reflects the nature of the domestic market, which tends to be more price– than quality–conscious.
- Commodities that do not meet specific export market requirements are produced.
- The marketing and distribution systems are poorly developed.
- There is inadequate infrastructure for export marketing, including product promotion.
- There are inadequate crop finance and export pre–financing packages.

- High unit production costs and high inland transport costs (the country is land-locked) make exporting some commodities uncompetitive in regional or international markets.
- There are insufficient marketing information systems.
- Capacity for trade policy formulation and negotiations is poor.
- Trading blocks tend to discourage imports from less-developed countries, including Uganda, through non-tariff barriers.
- Local marketing is also additionally constrained by a limited local urban population and lack of long-term contractual arrangements between producers and buyers.

I.13. **Opportunities** include:

- An ability to produce marketable surpluses for a wide range of crops and to tender livestock and fisheries because of good agro-ecological conditions.
- Preferential access to markets facilitated by bilateral agreements, such as US-AGOA, EU-ACP, EU EVERYTHING-BUT-ARMS, COMESA Free Trade Area and the East African Customs Union, all of which offer opportunities for exports.
- A comparatively good and improving communications infrastructure, particularly telecommunications.
- The emergence of private-sector associations that are helping to organize producers and manufacturers of exportable products.

D. Ongoing and Planned Activities or Programmes

I.14. Throughout the 1980s and 1990s, USAID and DANIDA supported a series of studies in food-grain marketing, storage and processing; the results provided key inputs in the design of the *Plan for Modernization of Agriculture* (PMA). There was also the issue of implementation and compliance with the rules and provisions of the WTO, to which Uganda is a signatory. For four years now, the ongoing *Joint Integrated Technical Assistance Project* (JITAP) has been providing assistance to Uganda in building national capacity on follow-up and implementation of the WTO agreements. While targeting international market access, the project also advises on actions that Uganda must undertake so as to address marketing constraints within the country.

I.15. Until 1998, USAID partly funded the Ministry of Tourism, Trade and Industry to run the *Market News Service* (MNS). The Service faced a number of shortcomings including: shortage of funds, delays in data communication and poor dissemination of information as the service was heavily centralized and overly ineffective (it closed in 1999). The vacuum was filled by the IITA-FOODNET *Market Information Service* (MIS), which is based in Kampala. The programme started in September 1999 with the aim of collecting, tabulating, analysing, interpreting and disseminating market data and intelligence to the farming and trading community in Uganda.

I.16. Other ongoing and planned projects in marketing include:

- **UPTOP Project.** Financed by the EC, this project is assisting the government to develop a comprehensive national trade policy. It also plans to support capacity-building activities in MTTI to negotiate international and bilateral agreements including

monitoring the impact of trade agreements on different socio-economic groups. The funding is Euro4.5 million for a 5-year period.

- **USAID U-TRADE Project.** The project aims at improving trade policy formulation and negotiation and developing a viable trade and investment strategy.
- UNOPS is supporting MTTI to establish an **Agricultural Commodity Exchange (ACE)** and a privately-run **Warehouse Receipt System (WRS)** that could serve as collateral and a basic information system for coffee production and marketing.
- The World Bank is funding a 5-year **Energy for Rural Transformation (ERT)** project which seeks to accelerate expansion of access to electricity in rural areas which, among other things, will facilitate value addition through agro-processing.
- **NAADS** has currently budget provisions for pilot trials with MIS (US\$300,000) and to mobilize farmers’ associations for collective marketing (US\$450,000).
- The World Bank, USAID and EU are jointly funding a US\$44m **infrastructure development program** targeting rehabilitation/construction of district and feeder roads. Among the benefits of the program will be improved marketing and distribution of goods and services.

II. PROJECT AREA

II.1. The project would be nationwide, covering areas where agricultural marketable surpluses exist or those with potential to grow and market new surpluses in a diversified agricultural production environment.

III. PROJECT RATIONALE

III.1. To realize its medium-term targets of an agricultural growth rate of 5%–10% annually, improve the balance of payments position and reduce absolute poverty to 10% of the population by year 2017, Uganda must increase production and productivity, induce farmers to produce increasingly for the market and increase exports. All of these targets require a strengthened and well-organized market that can effectively increase the farmers’ effective access to inputs and buy whatever surpluses the farmers produce for sale within and outside the country.

III.2. Uganda continues to run a deficit on its merchandise trade account, with the value of imports exceeding exports by a factor of more than two. For instance, in 2002, imports stood at US\$1,143m compared to US\$476m for exports of which agriculture contributed over 80%. It is clear, therefore, that for some years to come, Uganda’s capacity to balance its trade account will rest with agriculture. However, whereas the largest and rapidly widening markets for Uganda’s agricultural products are in Europe, the Middle East and North America, because of preferential trade agreements (notably the ACP Cotonou Agreement), the intensity and scope of market-access conditions relating to non-tariff barriers are widening. Fish, hides and skins and horticulture, demand for which is rapidly expanding in those high-value markets, face very exacting non-tariff barriers and the ever-increasing regulatory environment driven by governments and trade organizations in terms of conformity to product quality; harmonized pesticide usage, product registration and residue levels; food safety and phytosanitary

regulations and directives. To benefit from various international preferential trade agreements, Uganda must build its capacity in the production and marketing system to address EU non–tariff barriers.

III.3. To achieve export market success, producers and suppliers require considerable knowledge of the market place and the production and post–harvest management systems necessary to meet export demands. One of the keys for achieving a successful supply chain is a market information system that can reach out to key stakeholders. For instance, for horticultural products to reach the EU market in an acceptable state, it is vital to keep them at optimum temperatures from harvest to consumer; minimize transit time from field to aircraft or ship; and follow correct handling and storage procedures. An efficient cold chain infrastructure is vital to support the distribution and storage conditions necessary to meet new market opportunities. This prospect needs to be harnessed through increased public investment in the necessary infrastructure and an effective MIS.

III.4. There is a need for the government to review its export/trade regulations and procedures on a continuous basis to keep them in conformity with international trade regulations, agreements and facilities that benefit exporters. Trade and commercial law reforms are therefore necessary.

IV. PROJECT OBJECTIVES

IV.1. *The overall objective* is to put into place a system that can effectively and sustainably redress existing constraints so as to create an enabling environment for the marketing of agricultural outputs and related by–products locally, regionally and internationally.

IV.2. *The specific objectives* of the project would be to:

- support activities leading to the establishment of a comprehensive, reliable *Market Information Service* (MIS);
- support the strengthening of the *Commodity Exchange and Warehouse Receipt System*;
- promote produce marketing groups;
- build capacity for trade negotiations, phytosanitary and WTO regulatory compliance;
- strengthen institutional arrangements for the financing of marketing operations;
- promote export competitiveness through strategic development and value addition; and
- support the development of cold storage facilities for the marketing of horticulture (cut flowers, fresh fruits and vegetables) and fish products.

IV.3. *Expected Outputs.* The main outputs of the project would be:

- establishment of a privately operated Market Information/News Service;
- setting up a strengthened and properly functioning Commodity Exchange;
- creating and setting up a system of commodity trade financing based on inventory collateralization and a Warehouse Receipt System;
- strengthened capacity in Trade policy formulation and negotiation;

- more locations, commodities and farmers certified for organic production as one of the key measures for value addition; and
- creating cold-storage facilities to facilitate the marketing of fruits and vegetables, fish and cut-flowers.

V. PROJECT DESCRIPTION

V.1. The project, to be implemented over a period of five years, includes seven components.

Component 1: Strengthening Marketing Information Services (MIS)

V.2. The principal focus of this component is to establish a firmly institutionalized MIS that can effectively collect, tabulate, analyse, interpret and disseminate market data and intelligence to the farming and trading community within and outside Uganda. Component activities would include: reviewing experiences and lessons of past attempts in setting up MIS; developing a media strategy; assessing information needs of producers, consumers, exporters and importers; developing linkages with private sector partners to support the market information service; and final design and dissemination of market information via a combination of media channels (radio, print, SMS phones, Internet, etc.).

V.3. This component will draw upon and benefit from lessons and experiences generated by IITA-FOODNET pilot operations in terms of organization, strategy and budget. A media expert would be hired to develop a media strategy covering programming in terms of market bulletins, development of more in-depth market programmes, learning programmes, promotional activities and linkage to media houses, including linking MIS information with technologies such as mobile phones and radio networks.

Component 2: Improving the Regulatory Environment

V.4. This component would focus on setting and enforcing product standards for crops, livestock and fisheries to conform to national and international norms. It would also address constraints with regard to pesticide residue levels, hygiene, phytosanitary issues, product preservation and product packaging. Experts will be engaged to work closely with the Law Reform Commission to inventory relevant laws, assess their update requirements and draft needed amendments for legislation.

Component 3: Horticulture Export Marketing

V.5. Since some of the constraints relating to horticulture and spice production, pre-export handling and actual export would be partly addressed by activities in the MIS component of the project, this component would focus on produce harvesting, post-harvest handling/storage, grading and packing. The project would promote outgrower schemes, large farm-exporter linkages and/or partnerships; capacity-building of horticultural associations and export promotion agencies through training and financial support; capacity-building of farmers, government extension staff and exporters through training in horticulture produce harvesting, post-harvest handling, storage and grading for the market; and facilitate horticulture farmer/trader access to credit.

Component 4: Commodity Exchange and Warehouse Receipt System

V.6. This component would assist in setting up a sustainable system for commodity trade finance based on the use of warehouse receipts backed by underlying commodity stocks as collateral, the use of crop hypothecation and flexible marketing stop-orders by small buyers and traders. The project will finance the required expertise and physical infrastructure to set up the system and offer training to those operating it.

Component 5: Promoting Produce Marketing Groups

V.7. The project will mobilize farmers to form groups for marketing purposes, facilitating training of members and providing them with seed money to start engaging in agricultural marketing operations. It would also finance in-country and regional study tours to exchange knowledge and experiences with other marketing groups.

Component 6: Increasing Capacity for Trade Policy Formulation and Negotiation

V.8. This component, through training, will equip key government and private sector members with skills to formulate trade policy negotiations, understanding the WTO rules and improving the ability to negotiate trade deals.

Component 7: Improving Export Competitiveness

V.9. This component will help both the public and private sector players in identifying strategic and niche products for export, through training, demonstrations and study tours; it will also engage in value addition activities like agro-processing and product-promotion activities in potential export markets.

VI. INDICATIVE COSTS

VI.1. The project will cost about US\$13m over a 5-year implementation period. Table 3 gives the indicative estimated costs per component. About 80% of the cost (US\$10.3m) will be in local costs, and 20% (US\$2.6m) will be in foreign exchange.

Component	Cost in US\$ millions					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Market Information Service	0.703	0.703	0.683	0.683	0.683	3.455
Improving the Regulatory Environment	0.630	0.933	0.240	0.240	0.240	2.283
Horticulture Export Marketing	0.500	0.500	0.500	0.500	0.500	2.500
Commodity Exchange and WRS	0.250	0.150	0.100	0.050	0.050	0.600
Produce Marketing Groups	0.050	0.050	0.030	0.020	0.010	0.160
Trade Policy Formulation and Negotiation	0.050	0.040	0.030	0.030	0.020	0.170
Export Competitiveness	1.350	0.850	0.700	0.540	0.330	3.770
Total	3.533	3.226	2.283	2.063	1.833	12.938

Sources of cost parameters: Market Information from IITA-FOODNET Proposal to PMA/NAADS; Livestock marketing from the Livestock Development Programme Report Working Paper No. 5 on Livestock Marketing; and Export Horticulture and Spices from *Strategic Exports Programme (SEP) Formulation Report 2001*.

VII. PROPOSED SOURCES OF FUNDING

VII.1. The project will be financed through existing financing modalities for the PMA priority areas which involve GoU, financing institutions and donors, beneficiaries and the private sector. The MIS component would be financed by GoU, donors and the beneficiaries, including the private sector. The regulatory improvement activities will be principally financed by the government. The horticulture export marketing component will be financed by the private sector, the farmers and donors. The Commodity Exchange/WRS and export competitiveness components will be financed by the private sector and donors. Donors will finance the produce marketing groups and trade policy and negotiation component. Overall, GoU and the financing institutions will each finance 40% of the project (US\$5.2m each); the private sector will contribute 15% (US\$1.9m), while the beneficiaries will contribute 5% (US\$0.6m).

VIII. PROJECT BENEFITS

VIII.1. Principal benefits will accrue to farmers, traders and exporters in the form of increased incomes and business opportunities. Overall, this will contribute to poverty reduction in the rural areas where most of the farmers live. Government would benefit from a pro-active and robust policy to provide market information to producers and traders as a public good. The benefits from MIS intervention could be high: the experiences of the IITA-FOODNET project show that it is possible to generate up to US\$3m to beneficiaries from an investment of only US\$30,000, as illustrated in Table 4. This is the type of reallocation of funds/income from urban areas to rural communities which is central to the strategy on which the PMA-NAADS approach is based. Other project benefits would include the enhancement of regional and international trade through regional bodies such as the EAC, IGAD, COMESA, EU-ACP, and USA-AGOA.

1. Population (Bugiri, Busia, Jinja, Tororo, Kamuli, Paliisa, Mbale, Kapchorwa)	5.0 million
2. Average household size	5 persons
3. Total number of households	1.0 million
4. Average maize production per household	200 kg
5. Present price of maize (Ush/kg)	270
6. Assume only a 10% increase in prices due to market information (Ush)	27
7. Total increase in income in the households(27x1,000,000x200) (Ush)	5,400 million
8. Exchange rate US\$1 = Ush1,800; therefore dollar equivalent benefit (US\$)	3.0 million
9. Investment in a localized Market Information Service (US\$)	30,000
10. Gain from investment in a micro market information system	100 times
Source: FOODNET Eastern Uganda Pilot Site data	

VIII.2. Specific benefits include:

- Better informed producer communities who are empowered to make informed decisions.
- Improved livelihoods of the rural population through increased incomes.
- Improved market share (both quantity and price) for farmers, and therefore more farm-level profitability in farming.
- Increased opportunities for value-added agro-processing.

- Improved regional and international market access for Ugandan agricultural products.
- Increased foreign exchange earnings, and hence an improved balance of trade position.
- Better value for money from agricultural trade because of enhanced national capacity in trade policy formulation and negotiations.

IX. IMPLEMENTATION ARRANGEMENTS

IX.1. The public and private sectors will play different but complementary roles. While the private sector will be responsible for the production, processing, and marketing of agricultural products, the public sector will be responsible for creating an enabling environment by drawing up appropriate policies, removing barriers to trade at all levels, improving infrastructure and putting in place an appropriate legal and regulatory framework. The specific institutions and the roles they will play in project implementation are summarized in Table 5.

MAP Intervention Area	Lead Agency	Participating Partners
Market Information Service Information collection and dissemination Market intelligence and analysis Training and sensitization Standards setting/regulation	MAAIF (PMA, NAADS)	FOODNET, FEWSNET, UNFF, private sector (UGTL, MTN, CELTEL), Uganda Commodity Exchange, MTTI, UNBS, UBOS, NPA
Livestock Marketing Livestock market development Abattoir and slaughter houses Cold chain	MAAIF	MFPED, MTTI, Private sector, donors Districts
Export horticulture Fruits and vegetables Spices Research and product development Market access	MAAIF (NARO)	MTTI UEPD, Exporter Associations
Trade policy/Negotiation Trade policy formulation and research (WTO, Cotonou, NEPAD, EAC, COMESA) Representation and negotiation Market research	MTTI	PSF, UMA, MFPED, MAAIF
Group Marketing/ Farmers' Associations Group mobilization Agricultural inputs Agricultural outputs	MAAIF (NAADS)	UNFF PSF, UEPB UIA
Export Competitiveness Strategic Exports Development Value addition/ new product Development Promotion, domestic regional and International	MTTI, MFPED	MAAIF, private sector, UIRI, UNBS
Infrastructure Rural roads Rural electrification Post harvest research	MWHC, MTTI, MoLG, districts, MEMD, NARO	Private Sector, donors, UEB, NAADS
Commodity Exchange and WRS Identify commodities for organic farming Select ecologically suitable zones/districts Mobilize and train farmer groups Prepare and organize the certification process	MTTI, MFPED	MAAIF, UCA, PSF, Banks, UNBS

X. TECHNICAL ASSISTANCE REQUIREMENTS

X.1. There has been substantial technical support so far from USAID, DFID, FAO, DANIDA, UNIDO, WTO, ITC–UNCTAD and IFAD, but this assistance has not been well coordinated in terms of targeting holistic medium– to long–term solutions to MAP problems in Uganda. There are clear gaps and needs for short– and long–term technical assistance to effectively set up a sustainable MIS. Technical Assistance will be needed in the following areas:

- ICT for establishing the MIS;
- trade and market access support expertise, in particular to meet EU and WTO trade rules and regulations;
- support for Warehouse Receipt System development;
- support to NARO in export horticulture product development; and
- training in trade policy formulation and negotiations.

XI. ISSUES AND PROPOSED ACTIONS

XI.1. A number of issues that could affect project implementation and successful outcomes are discussed below.

XI.2. *Legal, Policy and Regulatory Framework*

- A law has yet to be enacted by GoU to provide legal backing to hypothecation and utilization of collateral in the Warehouse Receipt System.
- A number of Livestock marketing and disease control statutes such as the *Animal Diseases Act* (1964) and the *Cattle Grazing Act* (1964) are outdated and cannot meet the more exacting EU market requirements.
- There is no clear legal framework for the public/private sector cooperating in the implementation of development activities.

XI.3. ***Financial Sustainability.*** There is the issue of public budget ceilings and/or budget cuts, which in recent years has been a recurrent theme, and has tended to complicate the sustainability of operations of government–supported projects. This could, however, be mitigated by (a) the participation of both public and private institutions and (b) cost–sharing by the beneficiaries.

XI.4. ***Limited Capacity.*** Project implementation capacity in local governments and farmer/trade organizations is very limited and could hinder speedy project progress. This, however, could be minimized through provision of appropriate technical assistance and training.

XI.5. ***Unstable Commodity Prices.*** Large commodity price fluctuations could discourage smallholders to continue or increase production of marketable surpluses or reduce the number of exporters. Efficiency in marketing, productivity enhancing measures, the reduction of associated technical risks and improved management of price risks, which are all integral parts of the project, will be crucial in ensuring resilience to any volatility in commodity prices. The risk of high volatility in the local currency exchange rate affects commodity prices in the local currency as well as production

costs. This could hinder smooth trading, as traders would be unable to effectively plan well in advance since they would not be sufficiently confident about the future value of stocks.

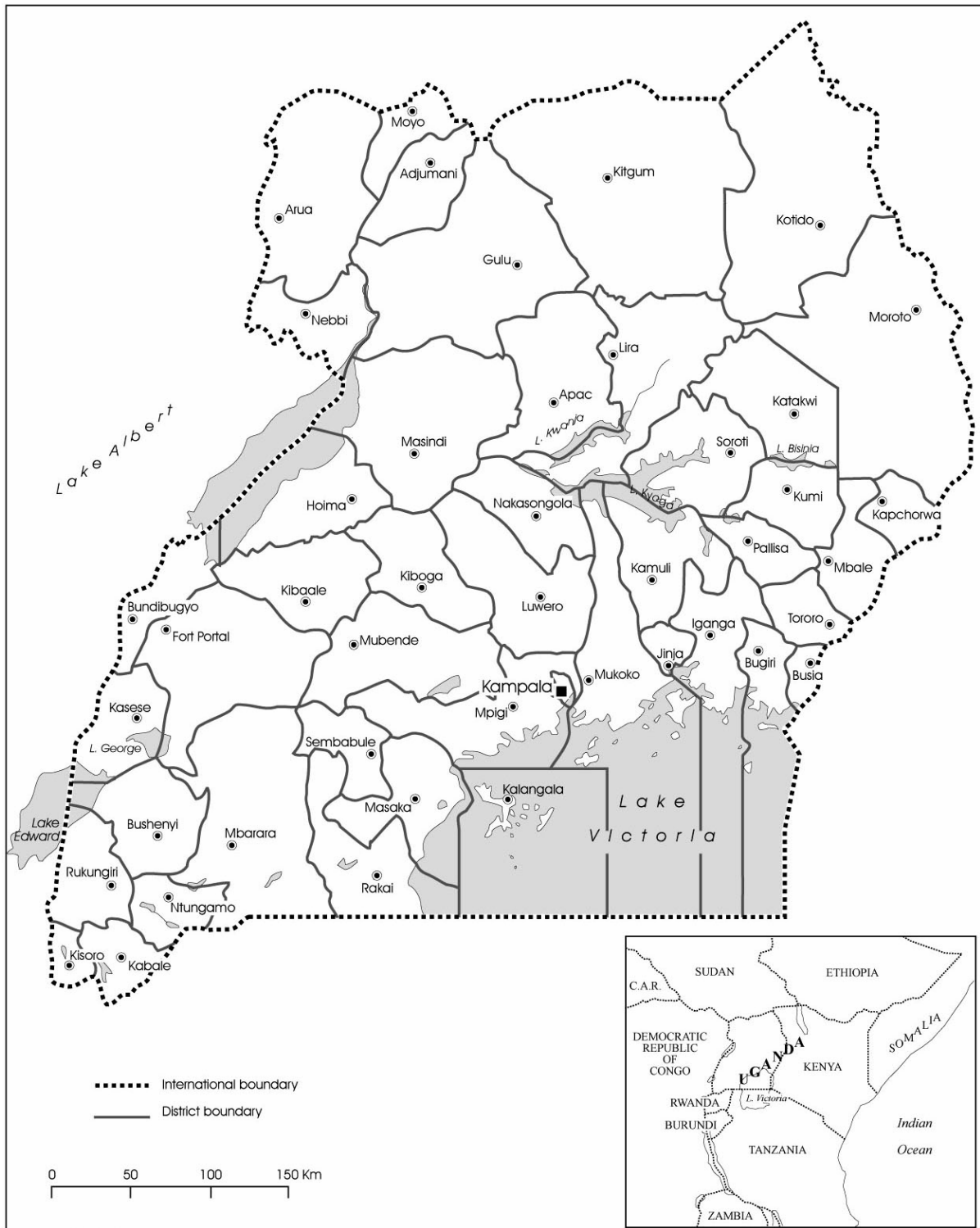
XI.6. **Civil Instability.** The ongoing civil instability in parts of northern and eastern Uganda could destroy marketable surpluses, particularly the oilseed and cotton crops grown in those areas.

XII. POSSIBLE RISKS

XII.1. Potential risks that could influence project operations and outcomes include:

- Possible failure or extended delays in attracting the private sector to participate in financing and implementing some project activities.
- Uncertainty of getting the required funding from both the fiscus and the project beneficiaries willingness to cost-share.
- Corruption could divert resources meant for the project, or could discourage potential donors and investors for the project. Uganda is still ranked among the most corrupt countries in the world, despite the best efforts by the anti-corruption agencies instituted by GoU nearly a decade ago.

Appendix: Uganda Administrative Map



TC11299-198/UGADISTRICTS