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Enabling poor rural people to overcome poverty in **Uganda**

Rural poverty in Uganda

Uganda has made enormous progress in reducing poverty, slashing the countrywide incidence from 56 per cent of the population in 1992 to 24.5 per cent in 2009. The reduction of poverty in urban areas has been especially marked. Notwithstanding these gains, however, the absolute number of poor people has increased due to population growth. And poverty remains firmly entrenched in rural areas, which are home to 87 per cent of Ugandans. About 30 per cent of all rural people – some 10 million men, women and children – still live below the national rural poverty line.

Uganda's poorest people include hundreds of thousands of subsistence farmers living in remote areas scattered throughout the country. Remoteness makes people poor inasmuch as it prevents them from benefiting from Uganda's steady economic growth and dynamic modernization.

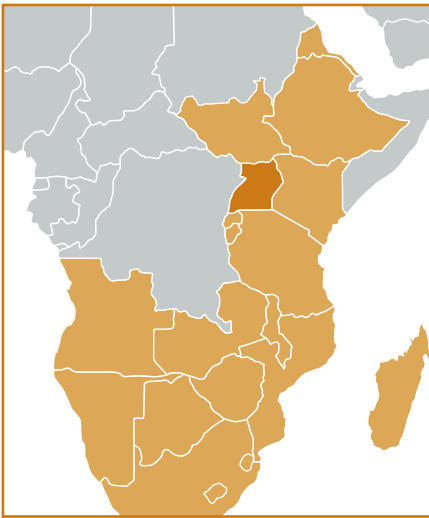
In remote rural areas, smallholder farmers do not have access to the vehicles and roads they need to transport their produce, and market linkages are weak or non-existent. These farmers lack inputs and technology to help them increase their production and reduce pests and disease. They also lack access to financial services, which would enable them to boost their incomes – both by improving and expanding their production, and by establishing small enterprises.

The poorest regions are the north and north-east of the country, where outbreaks of civil strife have disrupted farmers' lives and agricultural production. These are fragile, dry and sub-humid regions where the extreme variability of rainfall and soil fertility means that farming presents a challenge. Here, household-level production often falls short of minimum household needs, rendering families particularly vulnerable to food insecurity. Health and social issues have a significant impact on rural poverty in Uganda as well. The population of about 33 million is growing at an annual rate of 3.2 per cent. Although the country has been able to dramatically reduce the incidence of HIV/AIDS among the population, the pandemic has caused the death of large numbers of young adults and orphaned 1.2 million children.

The lack of health care and other social services puts rural women at a particular disadvantage. They work far longer hours than men and have limited access to resources and control over what they produce. Among their many other tasks, they also bear the double burden of ensuring that their households are fed adequately and caring for the sick and elderly, and for orphaned children.

In 2011, Uganda ranked 161th among 187 countries on the United Nations Development Programme's Human Development Index, in the Low Human Development category.

Eradicating rural poverty in Uganda



The Government of Uganda looks to the agricultural sector to drive growth and contribute to further reducing rural poverty. Accounting for 24 per cent of gross domestic product, the sector has potential for vibrant and diversified growth. But agricultural development in Uganda faces several challenges, foremost among them infrastructure and access to markets. Because the country is landlocked, international and regional exports and imports involve long overland hauls through neighbouring countries to and from distant seaports, while poor internal road linkages hinder domestic marketing. There is a need to improve the country's transport infrastructure, particularly rural access roads and the national road network.

The government addresses rural poverty through its National Development Plan (NDP), a comprehensive policy aimed at guiding development planning. The objectives of the policy are to:

- Give priority to the agriculture sector for increasing economic growth.
- Support private-public partnerships across a range of investment and service sectors.
- Promote efficiency gains and improve revenue generation and collection.
- Develop infrastructure.

Launched in 2009 to transform Uganda into a modern, prosperous country within 30 years, the NDP recognizes the need for a development framework that will attract private investment and promote competitiveness within a liberal and open economy. In line with NDP implementation, the government has developed a new agricultural sector policy, with planned supporting investments, as part of its Development Sector Investment Plan (DSIP). The vision of DSIP is to achieve a competitive, profitable and sustainable agricultural sector with the overall aim of transforming subsistence farming into commercial agriculture.

Other key policy and strategic documents include:

- The Local Government Sector Investment Plan, which provides a framework for guiding investments at the local level towards critical areas, such as the delivery of services, good governance and local economic development.

- The Rural Financial Services Strategy, which aims to facilitate access to financial services in rural areas, in order to encourage savings and their use as a source of investment capital for rural enterprises.

The government's "Prosperity for All" strategy document, moreover, identifies investment in rural development as key to prosperity and wealth creation.

To ensure consistency and national ownership, the government takes the lead in launching development initiatives, while development partners provide technical and financial support. The international drive for increased development effectiveness and impact has shaped the way Uganda's partners work in the country. It has also led to intensified coordination and harmonization, and to a "division of labour" among partners whereby each donor focuses on a limited number of sectors.

IFAD's strategy in Uganda

For over 30 years, IFAD has been strongly committed to rural poverty reduction in Uganda. Since 1982, the organization has contributed approximately US\$300 million in highly concessional terms to finance 14 projects and programmes with the objective of empowering poor people in the country's rural areas. It has also made six country grants totalling US\$4.2 million. IFAD is currently providing financing and technical assistance for five ongoing projects and programmes.

As part of the donor effort to improve international development effectiveness, IFAD has identified three key sectors as the focus of its investments in Uganda:

- **Improving agricultural technologies and market linkages** to help farmers move from subsistence to market-oriented production in order to increase their incomes and improve their living standards and levels of food security.

Projects and programmes: 14

Total financing: US\$1295.2 million

Total financing from IFAD: US\$296.5 million

Directly benefiting: 4.3 million households





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- **Supporting rural financial services** to encourage small-scale farmers to save part of their earnings for investments in increased productivity and in strategies for coping with risk.
- **Promoting the decentralization process** to strengthen local levels of government and improve rural economic infrastructure, with a view to promoting economic growth in rural areas.

In the context of donor harmonization, IFAD works with development partners who are active in these sectors. In the agricultural sector, IFAD is one of 15 donors who signed on to the Comprehensive African Agriculture Development Programme, and it is an active member of the Agricultural Development Partners Group. In addition, IFAD is working with the Ministry of Agriculture, Animal Industry and Fisheries to support smallholder farming through the Agricultural Technology and Agribusiness Advisory Services (ATAAS) Programme – cofinanced with the World Bank – and through a second phase of the Vegetable Oil Development Project.

Under the leadership of the Ministry of Local Government, IFAD is also supporting decentralized governance through the District Livelihoods Support Programme and the Community Agricultural Infrastructure Improvement Programme, cofinanced with the African Development Bank (AfDB). In the area of rural financial services, IFAD is working with the Ministry of Finance, Planning and Economic Development to support the rural finance sector through the Rural Financial Services Programme.

To increase its effectiveness at the field level, IFAD established a country field presence in Uganda in 2006. Thanks to this arrangement, the organization participates in donor working groups and contributes to policy dialogue in the three key sectors listed above. Since September 2007, IFAD has assumed responsibility for direct supervision and loan administration for four of the five interventions it is financing in Uganda.



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Improving agricultural technologies and market access

Agriculture is one of the mainstays of the Ugandan economy. Under the umbrella of the Ministry of Agriculture, Animal Industry and Fisheries, the IFAD-supported ATAAS Programme finances agricultural research and provides agricultural advisory services to poor farmers. It does so within the framework of DSIP, building upon the experience of the National Agricultural Advisory Services Programme. To help farmers move into commercial agricultural production, the ATAAS Programme supports increased productivity through the adoption of appropriate techniques. The programme also promotes the creation of employment and diversified production, and it works to reduce dependence on imports through competitive processing, marketing, input-supply and credit systems.

IFAD's ongoing Vegetable Oil Development Project, currently in its second phase, supports national production of edible oils. Under the project's Oil Palm Component, an innovative public-private partnership with a private-sector investor has supported the establishment of processing capacity and oil palm plantations. These plantations – including both small growers' and estate operations – create employment and increase rural incomes in the target area. Through a trust that includes smallholder farmer representatives on its board, the project provides farmers with a guaranteed market at a value tied to the world price. The project's Oil Seeds Component supports the use of improved seed varieties and strengthens linkages between farmers and local millers.

Building rural financial services

In partnership with the Ministry of Finance, Planning and Economic Development, IFAD invests in Uganda's rural sector in support of the government's Rural Financial Services Strategy. The strategic objective is to encourage small-scale farmers to save part of their earnings in order to give them some degree of security, as well as options for investing in increased productivity.



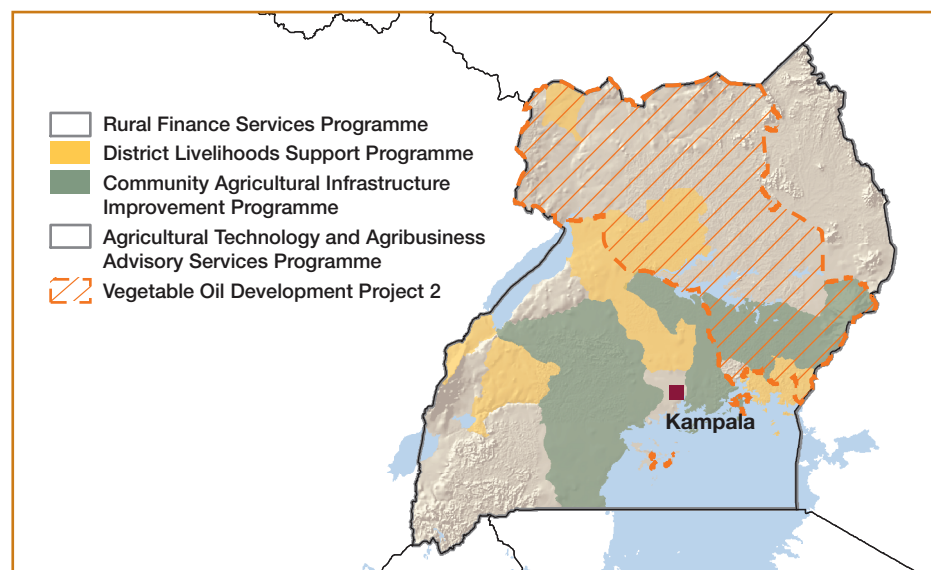
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Rural finance is a crucial component of the transition from subsistence to commercial farming. The IFAD-funded Rural Financial Services Programme works to expand rural financial services, building the capacity of local communities both to mobilize savings and provide loans on a sustainable basis. With this programme, IFAD supports rural finance outreach and sustainability through local, member-owned savings and credit cooperatives. IFAD also supports the Uganda Women's Effort to Save Orphans, an NGO that helps to establish village savings and loan associations, and encourages vulnerable groups to invest in alternative livelihood options.

Promoting the decentralization process

Since 1987, decentralization has had a prominent place in the Government of Uganda's strategy to reduce rural poverty. Decentralization is one of the key objectives of the country's sector-wide development plan. Under the leadership of the Ministry of Local Government, and in line with the policies set out in the Local Government Sector Investment Plan, IFAD has contributed to the decentralization process. Starting with its earliest operations in Uganda, IFAD has provided continuous support for decentralization in collaboration with the Belgian Survival Fund and, more recently, with AfDB. The empowerment of poor people and their local institutions through decentralization is at the forefront of IFAD's initiatives.

Ongoing programmes and projects



Vegetable Oil Development Project - Phase 2

This project aims at increasing the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers. To that end, the project is helping farmers increase their production of crushing material (both oil palm and oilseeds) and establish commercial relations to link them directly to processors.

The project is in line with the government's National Development Plan and the Comprehensive African Agriculture Development Programme. IFAD's interim evaluation of the project's first phase highlighted its success in introducing oil palm and promoting sunflower production to reduce dependency on imports. The second phase continues the partnership with Oil Palm Uganda Limited to further promote small-scale growers. As the only large public-private partnership in IFAD's portfolio, the project has demonstrated how it is possible to leverage private-sector investments through strategic use of IFAD funds.

Project activities focus on oilseed development around four hubs (Lira, Eastern Uganda, Gulu and West Nile) covering 43 districts. Oil palm activities are carried out on Bugula Island in Kalangala District (Ssesse islands) and new oil palm development on Buvuma Island in Mukono District. In the course of the project, about 3,000 smallholder farmers will directly benefit from oil palm development and 136,000 households from oilseed development.

The project is directly supervised by IFAD.

Total cost: US\$147.0 million

IFAD loan: US\$52.0 million

Cofinancing: Oil Palm Uganda Limited/OPUL (US\$70 million), Kalangala Oil Palm Growers' Trust/KOPGT (US\$4.4 million),

IFAD Grant to the Netherlands Development Organisation – SNV (US\$1 million), SNV cofinancing (US\$0.34 million)

Duration: 2010-2018

Directly benefiting: 139,000 households

Agricultural Technology and Agribusiness Advisory Services (ATAAS) Programme

Total cost: US\$665.5 million

IFAD loan: US\$14.0 million

Cofinancing: World Bank – IDA
(US\$120.0 million)

Duration: 2011-2016

Directly benefiting: 1.7 million households

The ATAAS Programme was designed to build on the accomplishments of the IFAD-cofinanced National Agricultural Advisory Services Programme (NAADS). Its objective is to increase the agricultural productivity and incomes of participating households by improving the performance of agricultural research and advisory services. At the same time, it seeks to enhance environmental sustainability and resilience to climate risks and land degradation.

The programme aims at promoting public-private partnerships in service delivery and agribusiness development, and at strengthening the institutional capacity of the National Agricultural Research Organization and the Ministry of Agriculture, Animal Industry and Fisheries. It also builds the organizational capacity of poor people, develops human and social assets, and supports economic activities. ATAAS encourages private-sector operators to play a greater role in agricultural development and poverty alleviation, which is in line with IFAD's Private-Sector Development and Partnership Strategy. Furthermore, consistent with the IFAD Climate Change Strategy, the programme is introducing technologies for sustainable land management to help farmers cope with risks associated with climate change.

In terms of development innovations, the ATAAS Programme will continue to promote the provision of advisory services on a demand-driven basis – with direct linkages to private-sector operators – as well as introduce and scale up sustainable land management practices to prevent or arrest the degradation of agricultural landscapes.

An estimated 20 per cent of Uganda's farmers have benefited from the advisory services provided under NAADS. The ATAAS Programme aims to expand outreach to 40-50 per cent of Ugandan farmers, or about 1.7 million households. It is supervised by World Bank on behalf of IFAD.



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Community Agricultural Infrastructure Improvement Programme

This programme builds on the experience gained under the completed Area-Based Agricultural Modernization Programme, and aims to reduce the isolation of poor rural communities and improve their access to markets and services. It supports the government's sectoral approach to decentralization and agriculture, and is in line with the Ministry of Local Government's Sector Investment Plan.

The programme works to improve producers' access to markets, invest in rural infrastructure to encourage competitive prices, and support the sustainable management of infrastructure. IFAD financing enables communities to take initiatives such as rehabilitating and maintaining district and community access roads, and providing electric power to market centres. It also supplements African Development Bank funding for building marketplaces and developing agroprocessing facilities.

In December 2009, the Executive Board approved a supplementary IFAD loan of US\$17 million for this programme, which is directly supervised by IFAD.

Total cost: US\$81.9 million

IFAD loans: US\$15.0 million,
US\$17.0 million

Cofinancing: African Development Bank
(US\$43.8 million)

Duration: 2008-2013

Directly benefiting: 200,000 households

District Livelihoods Support Programme

This programme builds on the achievements of the District Development Support Programme, completed in 2006, and scales up the decentralized development approach in 13 districts that encompass a population of almost 2 million living in poverty. The target group includes landless people, small-scale farmers and fishers, and, in particular, women and youth.

The programme was designed to fit within the framework of several key government policies and specifically supports the objectives of the Local Government Sector Investment Plan. To accelerate decentralization, it supports local economic development and strengthens the capacity of district governments to foster community development.

Total cost: US\$51.3million

IFAD loans: US\$27.4 million,
US\$ 18.0 million

IFAD grants: US\$ 2 million,
US\$ 0.4 million

Duration: 2007-2014

Directly benefiting: 100,000 households





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Activities focus on community mobilization, agriculture and land management, and the development of access roads and water infrastructure. IFAD's overall loan includes a supplementary loan of US\$18 million. The programme is directly supervised by IFAD.

Rural Finance Services Programme

Total cost: US\$24.5 million

IFAD loan: US\$18.4 million

Duration: 2004-2013

Directly benefiting: 26,000 households

This programme supports the efforts of the government and other development partners to build a strong, extensive rural finance system. The objective is to increase the capacity of the poorest rural people to save, acquire assets and invest in production and enterprises.

In 2006, IFAD restructured the programme in accordance with the government's new Rural Financial Services Strategy, and oriented support exclusively towards savings and credit cooperatives (SACCOs). The specific aim is to increase poor rural people's access to financial services by increasing the outreach and sustainability of selected SACCOs.

The savings component is the key to SACCO sustainability, making it possible for individuals and groups to mobilize resources for loans and investments from within the cooperatives. The programme aims at strengthening the institutional support framework of apex organizations and networks (which channel funding to multiple microfinance institutions), and at ensuring that SACCOs are linked to commercial financial institutions and regulatory and supervisory bodies.

Through the programme, IFAD supports the Uganda Cooperative Savings and Credit Union, the primary apex organization for SACCOs. IFAD assumed responsibility for direct supervision of the programme in October 2009.



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Completed operations

Vegetable Oil Development Project – Phase I

Total cost: US\$60.0 million

IFAD loan: US\$19.9 million

Duration: 1998-2011

Directly benefiting: 140,000 households

National Agricultural Advisory Services Programme

Total cost: US\$107.9 million

IFAD loan: US\$17.5 million

Duration: 2001-2010

Directly benefiting: 533,000 households

Cofinancing: Total basket funding (US\$68.86 million, including US\$ 45.0 million from World Bank – IDA and balance from Danish International Development Assistance and the European Union)

Area-Based Agricultural Modernization Programme

Total cost: US\$30.7 million

IFAD loan: US\$13.9 million

Duration: 2002-2008

Directly benefiting: 312,500 households

District Development Support Programme

Total cost: US\$21.8 million

IFAD loan: US\$12.6 million

Cofinancing: Belgian Survival Fund (US\$5.5 million)

Duration: 2000-2006

Directly benefiting: 39,750 households

Cotton Sub-sector Development Project

Total cost: US\$31.4 million

IFAD loan: US\$12.5 million

Cofinancing: World Bank – IDA (US\$14.0 million)

Duration: 1994-2001

Directly benefiting: 50,000 households

Smallholders' Cotton Rehabilitation Project

Total cost: US\$10.5 million

IFAD loan: US\$10.0 million

Duration: 1993-1996

Directly benefiting: 38,400 households

Southwest Region Agricultural Rehabilitation Project

Total cost: US\$27.1 million

Cofinancing: World Bank – IDA (US\$10.0 million)

Duration: 1988-1995

IFAD loan: US\$12.0 million

Directly benefiting: 298,000 households

Agricultural Development Project

Total cost: US\$30.5 million

IFAD loan: US\$14.5 million

Cofinancing: World Bank – IDA (US\$10.3 million)

Duration: 1986-1992

Directly benefiting: 387,000 households

Agricultural Reconstruction Programme in Northern and Eastern Uganda

Total cost: US\$21.5 million

IFAD loan: US\$19.0 million

IFAD grant: US\$1.0 million

Duration: 1982-1986

Directly benefiting: 450,000 households



Building a poverty-free world

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested almost US\$14 billion in grants and low-interest loans to developing countries through projects empowering about 400 million people to break out of poverty, thereby helping to create vibrant rural communities. IFAD is an international financial institution and a specialized UN agency based in Rome – the United Nations' food and agriculture hub. It is a unique partnership of 168 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).

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For further information on rural poverty in Uganda, visit the Rural Poverty Portal:
<http://www.ruralpovertyportal.org>



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to overcome poverty

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