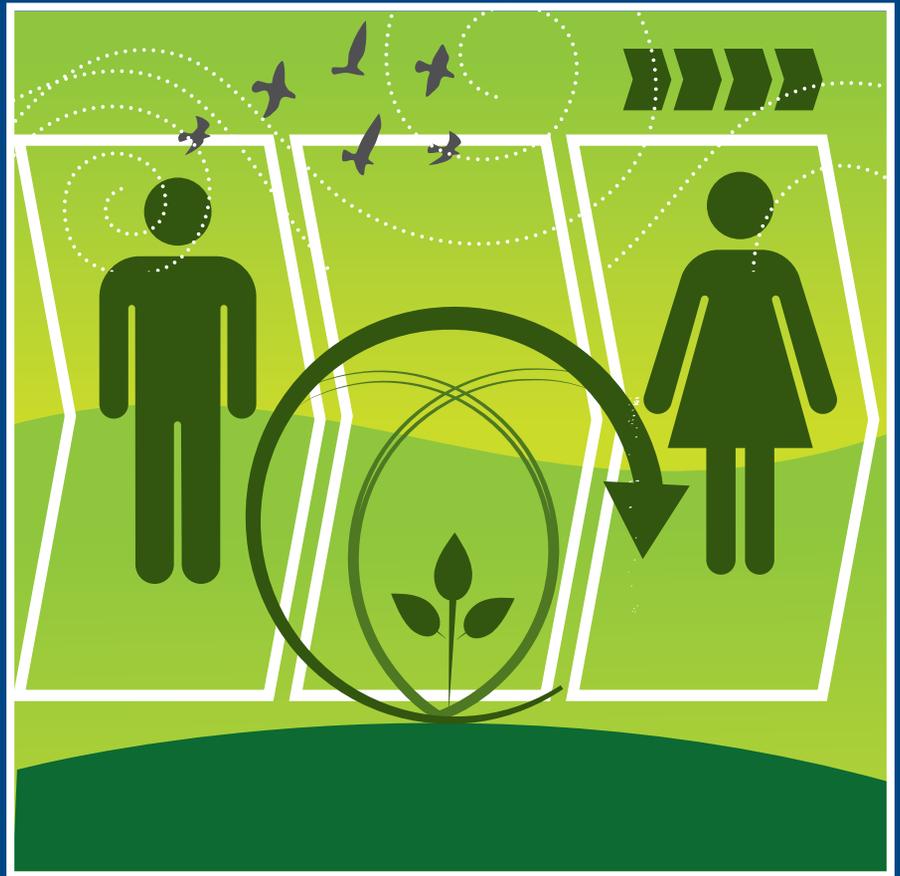


DECEMBER 2015



ENHANCING YOUTH PARTICIPATION IN AGRICULTURE IN UGANDA: POLICY PROPOSALS



Konrad
Adenau
Stiftung

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**A STUDY CONDUCTED BY THE
YOUNG LEADERS THINK TANK ON POLICY ALTERNATIVES**

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Executive Summary

This publication is a paper prepared by *the* Young Leaders Think Tank on Policy Alternatives that analyses youth participation in agriculture in Uganda. The paper was developed to study different factors in youth participation with a special focus on government policies that advance it, their limitations and possible alternative policy recommendations to complement existing ones.

The paper outlines the state of youth participation in the agriculture sector in Uganda, noting, most specifically, that while absorbing a large part of the working population, the sector is operating highly inefficiently, mostly owing to the effects of subsistence farming and engagement in the sector as a last resort or interim solution while other economic pursuits are aspired to. The result is a workforce engaged in agriculture that is lacking the vision and awareness of opportunities for entrepreneurship within the sector and, therefore, does not unlock its employment or economic growth-generating potential.

In an analysis of existing laws and policies it becomes very clear that the sector has received significant attention. However, policies are marked by a lack of either funding or coherent interconnection with the multitude of actors on the part of the government. Key challenges lie, therefore, in the harmonisation and implementation of policies.

Limitations to agricultural development driven by young people that might require more specific policy attention are summarised. These include, specifically, the condition of land ownership and security in Uganda, a lack of adequate networks and technology to effectively build a value chain for agricultural products within Uganda and stabilise the market process, and a lack of knowledge and expertise in young agricultural entrepreneurs that is apparently not being bridged by the current system of extension and training services available.

It is clear that, in order to positively impact on youth participation and the agriculture sector in general, any approach must take into consideration the many interrelationships and dynamics of the topics and address it from many directions. Therefore, in order to create a coherent picture, while not putting too much emphasis on details, this paper makes five key recommendations resulting from the overall analysis:

1. Empowering the Ministry of Agriculture to coherently streamline policy development and implementation.
2. Introducing a clear strategy for subsidies and agricultural financing.
3. Improving access to farming knowledge.
4. Promoting cooperative movements and networking platforms.
5. Supporting the adaptation of targeted technologies.

List of Abbreviations and Acronyms

ADB	African Development Bank
CDO	Cotton Development Organisation
CMB	Coffee Marketing Board
DDA	Dairy Development Authority
EAC	East African Community
ERP	Economic Recovery Programme
FAO	Food and Agriculture Organisation (FAO)
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LMB	Lint Marketing Board
MAAIF	Ministry of Agriculture, Animal Husbandry and Fisheries
MoFPED	Ministry of Finance Planning and Economic Development
NAADS	National Agricultural Advisory Service
NAGRC&DB	National Genetic Resource Centre and Data Bank
NARO	National Agricultural Research Organisation
NCDC	National Curriculum Development Centre
NDP	National Development Plan
PEAP	Poverty Eradication Action Plan
PMB	Produce Marketing Board
SDG	Sustainable Development Goals
TIN	Tax Identification Number
UCDA	Uganda Coffee Development Authority
UCDO	Uganda Cotton Development Organisation
UDB	Uganda Development Bank
UEPB	Uganda Export Promotions Board
UGX	Uganda Shilling
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce and Industry
URA	Uganda Revenue Authority

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1. Introduction

This is a policy analysis and recommendation paper of the Young Leaders Think Tank for Policy Alternatives. The *Young Leaders Think Tank for Policy Alternatives (Think Tank)* is an initiative of the Konrad-Adenauer-Stiftung to enhance youth participation in governance and policy formulation in Uganda. The Think Tank is a group of about 20 highly qualified and committed young Ugandans, who interact and work together on a regular basis to analyse policy issues and develop policy alternatives from the perspective of the young generation. The group members lead by example in the promotion of issue-based and constructive dialogue and debate, adhering to the guiding principles of tolerance and objectivity.

The Konrad Adenauer Stiftung (KAS) is a German political foundation that works worldwide in the area of civic and political education. For over 30 years, KAS has been active in development cooperation in Uganda by undertaking programmes and activities aimed to foster democracy, promote respect for human rights and support the rule of law. The activities of KAS have, in particular, involved working with Ugandan partners, including civil society organisations (CSOs), government institutions, the media and politicians in contributing to the promotion of democratic governance.

Since it was founded, the Think Tank has conducted extensive research resulting in the development of policy papers on key development topics. The issues which have been addressed include employment, education and health. The developed papers are shared with a cross-section of stakeholders where they are presented as policy alternatives from the perspectives of young people. In general, they have attracted wide-ranging interest from key players. The Think Tank has over the years met with key players in relevant policy areas in Uganda and abroad. Some of the stakeholders include the Ministry of Education and Sports, the National Planning Authority, the Parliament of Uganda and politicians and civil society actors from Germany. The meeting with the National Planning Authority, for example, gave the Think Tank a chance to contribute to the nationally launched Vision 2040 – Uganda’s development framework for the next 26 years. Furthermore, a presentation to the Uganda Law Reform Commission saw the recommendations of a Think Tank paper incorporated in the overall proposal for electoral reforms and made into core materials for the National Consultation on Free and Fair Elections in November 2014.

This paper on youth participation in the agricultural sector links to previous work the Think Tank has undertaken on the topic of youth unemployment. A paper published by the Think Tank in 2011 focuses on the general topic of unemployment and highlights areas of policy intervention, ranging from the educational reforms and internship programmes to better labour market data collection and policies supporting youth entrepreneurship. One conclusion is certainly that unemployment is a multi-faceted challenge that needs to be approached from multiple angles to enable a sustainable solution. This current

paper of the Think Tank, therefore, breaks the topic down and focuses on the specific challenges of youth unemployment relating to the agricultural sector. This sector arguably has the highest capacity for absorbing the increasing number of young people searching for employment in Uganda every year, while at the same time being a rather unpopular and underutilised resource in this respect. This paper will, therefore, specifically focus on the complex interrelation between the agricultural sector, employment and social development.

The background of this paper is the product of a working group within the Think Tank that conducted research and extensive deliberations on the topic. Furthermore, the entire Think Tank regularly offered input on the development of the paper and intensively engaged with it during a residential workshop. Finally, a round-table meeting was held with various stakeholders from the agricultural sector as well as those working on youth employment issues that made input and subjected the work of the Think Tank to a sounding board, resulting in the current version of the paper presented here.

2. Background: The State of Youth Participation in Agriculture

2.1. Introduction

This chapter will provide an analysis of the current situation and trends relating to youth unemployment and the agricultural sector in Uganda. It will capture the demographic dynamics that make youth employment a crucial topic in Uganda and highlight the current standing of the contribution of the agricultural sector to the efforts aimed at job creation for young people. Moreover, the chapter will highlight the development direction envisaged for the sector by the African Union's Agenda 2063 and within the Millennium Development Goals (MDGs).

2.2. Situation of youth employment in Uganda

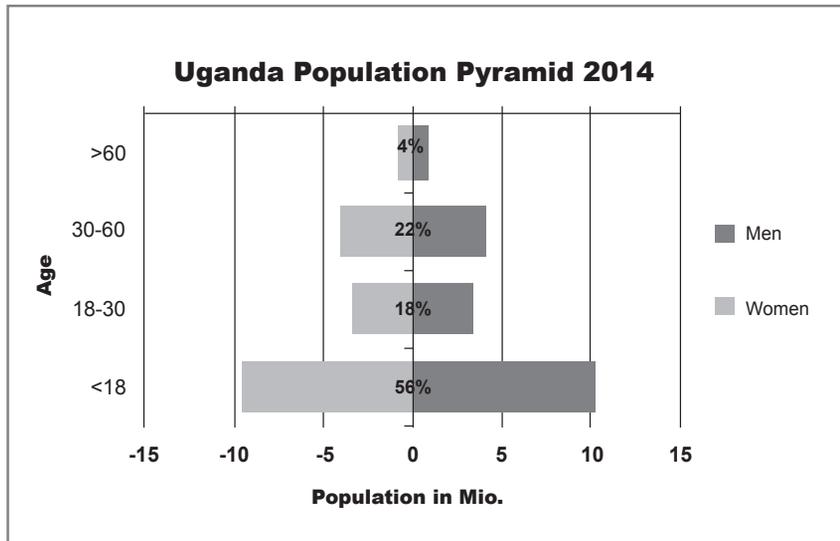
By 2050, the global population is expected to increase to 9 billion, with young people (aged 15–24) accounting for about 14 per cent of this total. While the world's youth population will grow significantly, employment and entrepreneurial opportunities for youth, especially those living in developing countries' economically stagnant rural areas, remain limited.¹ Uganda's population is generally young, with more than 50 per cent of the population being below 18 years old and about 11.2 million young adults (10-24 years). Of these, over 80 per cent live in rural areas, with females constituting the largest share.² The cohort of Ugandans between 12 and 30 years is the largest in history and is growing even bigger.³ To this end, there is a significant and growing youth surge in the demographics of Uganda. Uganda's population structure, as outlined below, clearly demonstrates the demographic pressures the country is facing today with such a large youth population and an even much larger child population moving to enlarge the youth population in the future. This clearly highlights the need to create more employment and income-generating opportunities, specifically for young people.

1 FAO, CTA and IFAD, *Youth and Agriculture; Key Challenges and Solutions*. Also available at <http://www.cta.int/en/article/2014-08-27/youth-and-agriculture-key-challenges-and-concrete-solutions.html>

2 *National Population and Housing Census 2014 – Provisional Results*, Uganda Bureau of Statistics.

3 MoFPED, 2011 Uganda's Population Stabilisation Report. Population Secretariat

Figure 1: Population pyramid of Uganda 2014



Source: National Population and Housing Census 2014 –Provisional Results, Uganda Bureau of Statistics

With a high population growth rate of 3.2 per cent per annum, Uganda is going through a young population bulge with close to 74 per cent of its population below the age of 30.⁴ The youth (18-30 years) represent approximately 18 per cent (close to 6.5 million) of the population and they comprise about 64 per cent of the unemployed persons in Uganda.⁵ According to the United Nations Statistics Division Report 2014, the rate of unemployment for young people between 15-24 years of age is 83 per cent. Further, it is suggested that only 3.2 per cent of the youth earn a wage, while 90.9 per cent are involved in the informal sector and 5.8 per cent are self-employed.⁶ This data stresses dramatically the fact that youth are the key demographic affected by unemployment and are, therefore, growing into a liability for development rather than the drivers of economic growth.

Furthermore, over 2 million youth are out of school, and the majority of these have no regular work or income, making them vulnerable to recruitment into illegal activities. It was observed that 70 per cent of young people between 12-24 years who were not in school in 2006 remained out of school in 2009, while 33 per cent of those who were in school in 2006 had dropped out in 2009. This is an alarming trend, especially with regard to the resulting lack of qualifications of even the most basic kind within the unemployed youth population. A lack of financial means to invest in education and early pregnancies were identified as

⁴ National Population and Housing Census 2014 – Provisional Results, Uganda Bureau of Statistics.

⁵ UBOS 2012. The national labour force and child activities survey 2011/12

⁶ United Nations Statistics Division Report 2014.

the major factors for dropping out of school,⁷ creating the vicious circle of young people dropping out of school owing to lack of financial resources in the household they live in to then struggle again to acquire the resources for their children due to lack of basic education.

In terms of job-seeking orientation, many youth strive for formal jobs in the wage and salaried employment sector as the ideal income-securing strategy. However, prospects of finding this kind of employment are limited as the number of people entering the labour force annually far outweighs the number of jobs generated and available in the formal wage sector.⁸ Moreover, the African Development Bank (ADB) recently estimated that over 400,000 students graduate from institutions of higher learning annually but only about 80,000 are employed in the government and private sectors.⁹ This highlights the main character of the Ugandan population as job-seeking rather than job-creating as well as the challenge this creates regarding the resulting labour market absorption capacity.

2.3. Sectoral view of unemployment challenge

Another key factor when reviewing the employment situation in Uganda is a sectoral view. This has two components: firstly the informal and formal sectors; and secondly the distribution between the traditional three economic sectors of agriculture, industry and services.

First, the structure of employment available on the Ugandan job market has to be considered. With only about 24 per cent of the population in paid employment and a slow growth rate in that sector,¹⁰ self-employment and other forms of entrepreneurial endeavours have to be considered as key factors in employment generation and economic growth. Moving towards a traditional sector analysis, the agriculture sector stands out as by far the most important in relation to employment as it involves about 69.4 per cent of the economically active population and absorbs around 40 per cent of the annual growth in labour force.¹¹ Notably, the sector does not contribute an equal share in GDP and has been experiencing much slower growth than the service sector, which represents the target of many employment initiatives. This already hints at a high level of inefficiency in the agricultural sector that will be highlighted in more detail in the section on limitations.

7 *A Lost Opportunity; Gaps Youth Policy and Programming in Uganda?* A Study by Action Aid, Uganda National NGO Forum, DRT 2012.

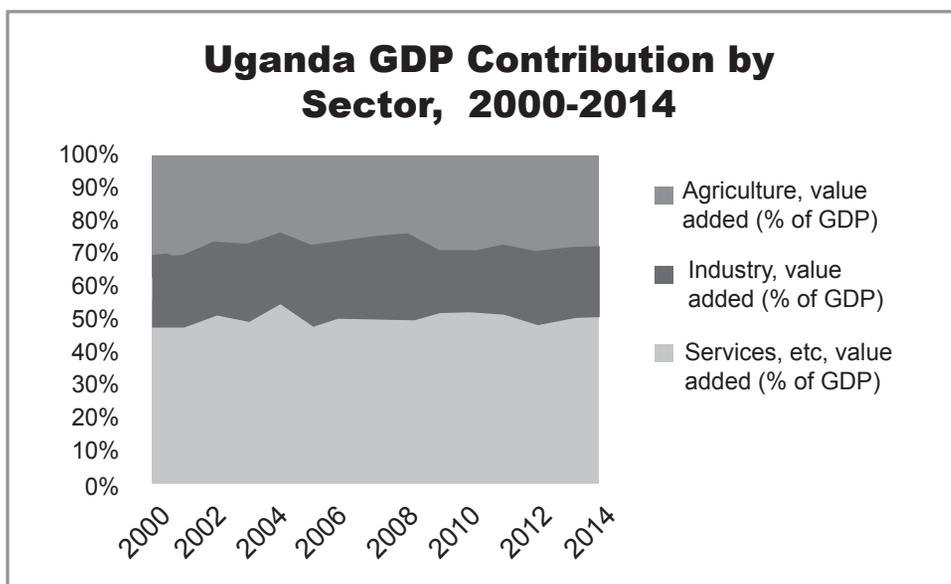
8 Ahaibwe, Mbowe and Lwanga, EPRC, June 2013.

9 'Uganda unemployed graduates held back', *The Guardian*, 2015. Also available at <http://www.theguardian.com/global-development/2014/jan/16/uganda-unemployed-graduates-held-back-skills-gap>

10 Uganda National Household Survey Report 2009/2010.

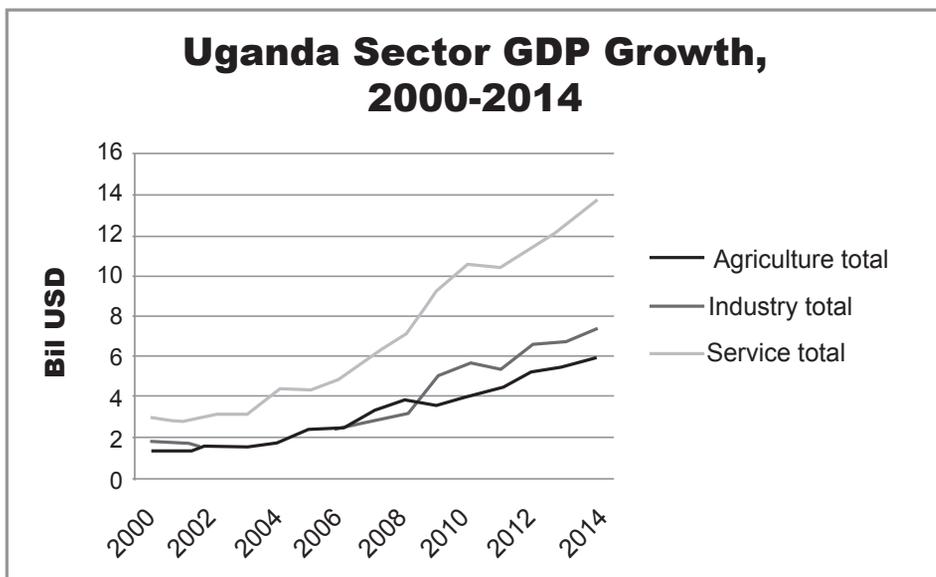
11 UBOS 2012. The national labour force and child activities survey 2011/12

Figure 2: Uganda sectoral GDP contribution 2000-2014



World Bank Data. Retrieved: <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries/UG?display=graph>

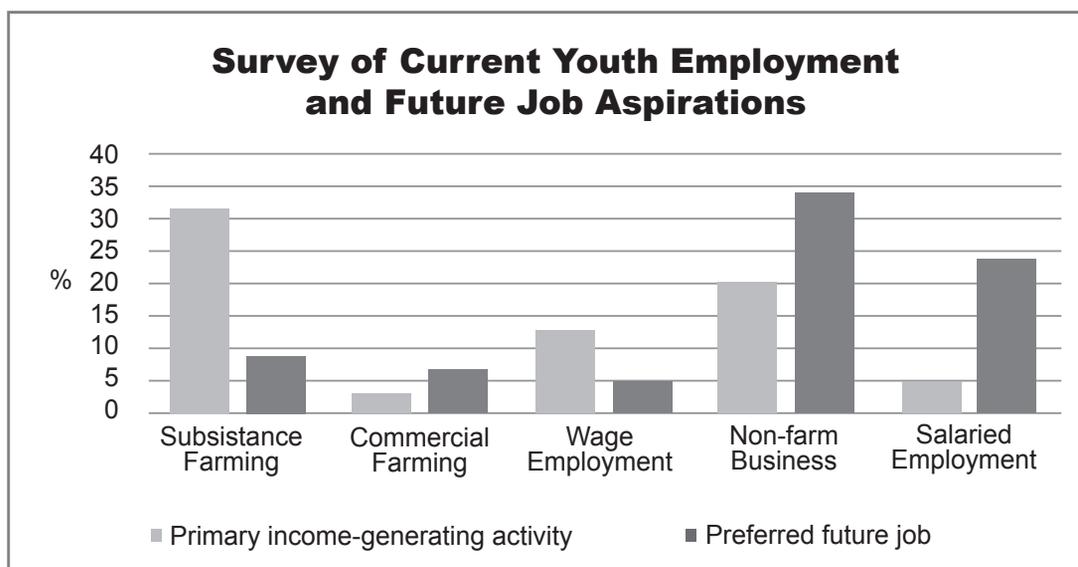
Figure 3: Uganda sectoral growth of GDP contribution 2000-2014



Source: World Bank Data. Retrieved: <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries/UG?display=graph>

Another challenge in this context is the seeming aversion to engaging in agriculture and farming activities on a commercial level. While agriculture is the main sector of absorption, only few young people demonstrate an interest in building their economic future in it (see Figure 4). This hints at a challenge in attitudes and the image of agriculture as a barrier to youth engagement in the sector that will be highlighted further in the section on limitations.

Figure 4: Current employment and future job aspirations of youth in Uganda



Source: *Problem or Promise: Harnessing Youth Potential in Uganda*, Banks and Sulaiman, 2012 <http://www.brac.net/sites/default/files/YW%202012.pdf>

The figure above, which shows that just over 30 per cent of youth are engaged in subsistence farming, demonstrates the areas of stunted economic potential of the agricultural sector. This group of young people is the specific target group analysed in this paper, as it identifies the part of the Ugandan youth population that is not contributing significantly to the economy, but have the initial agricultural background to take their activities in the sector to a more effective and profitable level of engagement. The agricultural sector in Uganda is often referred to as the one with the greatest potential to address the challenge of youth unemployment and boost economic development in a sustainable and inclusive way. Despite the large labour force available due to the youth bulge and the engagement of a majority in agricultural activities, the sector as a whole has not been developing its full potential. This is highlighted by the fact that the informal agricultural sector employs 16 times the number of people that the formal does, while producing only 4 per cent of its output.¹² One key target

¹² World Bank, *About The Second Economic Update Uganda* 2013.

of this paper will be to investigate that lack of growth in the sector and the barriers against transiting from subsistence farming to commercial agricultural pursuits.

2.4. Recent developments: Agenda 2063 and MDGs

In order to analyse the policy environment in Uganda and discuss potential changes, it is important to embed this endeavour in the larger regional and international context. In this respect, we find that the transformation of the agricultural sector towards a mechanised and productive one is one key component of the African Union's Agenda 2063. Under Aspiration 1, which envisages a prosperous Africa based on inclusive growth and sustainable development, the Agenda defines a common goal related to agriculture thus:

"Africa's agriculture will be modern and productive, using science, technology, innovation and indigenous knowledge. The hand hoe will be banished by 2025 and the sector will be modern, profitable and attractive to the continent's youths and women".¹³

Under Aspiration 6, which envisages an Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children, it states the aim that:

"Youth unemployment will be eliminated, and Africa's youth guaranteed full access to education, training, skills and technology, health services, jobs and economic opportunities, recreational and cultural activities as well as financial means and all necessary resources to allow them to realize their full potential".¹⁴

More specifically, Agenda 2063 outlines the targets for 2025 as follows:

- Expanding the introduction of modern agricultural systems, technology, practices and training, including the banishment of the hand hoe.
- Economically empowering women and youth by enhancing access to financial resources for investment.

These goals are further echoed in the Millennium Development Goals (MDGs) under Target 1B, which is 'to achieve full and productive employment and decent work for all, including women and young people'.

13 *Agenda 2063. The Africa We Want*, African Union. Retrieved from http://agenda2063.au.int/en/sites/default/files/03_Agenda2063_popular_version_ENG%2021SEP15-3.pdf

14 *Agenda 2063. The Africa We Want*, African Union. Retrieved from http://agenda2063.au.int/en/sites/default/files/03_Agenda2063_popular_version_ENG%2021SEP15-3.pdf

3. A Case for Agriculture

Different schools of thought on economic development policies build on various pillars of the economy as key factors in enabling growth and development. This ranges from agriculture to a focus on industrialisation with light industry as a stepping stone to a focus on the service sector that can take advantage of and absorb a large population within the employment age. This section will give a review of the key arguments in this debate and make a specific argument for a focus on agriculture in the context of Uganda as the most promising and suitable approach.

The role of agriculture in economic development has been a controversial issue. Early work argued that agriculture is at its core subsistence-oriented and lobbied for national development policies based on industrialisation and urban bias.¹⁵ However, a counter-argument developed that agriculture is of crucial importance in the early stages of development and has significant multiplier effects in other sectors.¹⁶ More recently, scepticism about the role of agriculture in development has returned owing to lagging growth in sub-Saharan Africa, the multi-decade decline in commodity prices, and the example of East Asia's development through manufacturing and export.

Recent research on the topic has led in several directions. The 2008 *Agriculture for Development* World Bank report argued that agriculture is an effective engine of growth, while the global food price crisis led some to speculate that developing countries might be able to export their way to wealth. However, others remain sceptical about the potential of agricultural growth to create broad-based growth, especially in Africa.¹⁷

One critique is that inequality may prevent agricultural growth from leading to poverty reduction. Some contend that agricultural development can only be led by large farms and will not create wealth for smallholders.¹⁸ Others counter that even if this is the case, the poor might benefit through employment and the growth of the agricultural export sector.¹⁹ This debate on large- vs. small-scale agricultural development will be further discussed in the debate on suitable recommendations and policy directions.

With about 5.5 million hectares of arable land, fertile soils and plenty of rainfall, Uganda's agricultural sector employs about 80 per cent of the population, but the sector's full potential is yet to be fully exploited. The few economically profitable jobs registered in

15 Lewis 1954, Lipton 1977, Krueger *et al.* 1988.

16 Johnston and Mellor 1961, Schultz 1964, Haggblade *et al.* 2007.

17 Ellis 2005, Dercon 2009.

18 Reardon and Berdegue 2002, Maxwell 2004, Collier and Dercon 2009.

19 Anriquez and Lopez 2007, Maertens and Swinnen 2009.

the agricultural sector are an indication of the inadequate support to awaken the sleeping employment giant for skilled and unskilled labour in the agricultural sector.

The International Fund for Agricultural Development (IFAD) conducted a valuable review of the literature²⁰ on agriculture's impact on economic growth, poverty reduction and job creation to empirically review those interrelationships. The authors found that agricultural growth is particularly effective in reducing poverty among the extremely poor (i.e. those making less than a dollar a day) but that it is less effective in doing so in unequal societies. Non-agricultural growth is more effective in reducing poverty among the better-off poor (those making less than two dollars a day). The authors concluded that agriculture is very important in growth and poverty reduction at early stages of development, whereas non-agricultural growth is more important as countries grow wealthier. The World Development Indicators of the World Bank present comparable data for Uganda, putting 33.24 per cent of the population as living below USD 1.90 per day and a total of 63.3 per cent under USD 3.10 per day in 2012 (adjusted from USD 1 and USD 2 since 1990 to adequately describe purchasing power). This highlights the need to engage in economic policies that ensure growth inclusive of and focused on the extremely poor to ensure social equity and sustainable economic development.

20 *The (Evolving) Role of Agriculture in Poverty Reduction—An Empirical Perspective*. Also available at <http://www.ifad.org/drd/agriculture/13.htm>

4. Review of Government Policies on Agriculture

For the last 29 years, a number of policies, strategies and programmes that support the food and agriculture sector in Uganda have been put in place, thus recognising agriculture as the backbone of the nation's economy. Overall, agriculture is at the forefront of many economic and employment policies and is, on paper, recognised as a key area of growth potential and need. However, as this chapter outlines the existing policies and their targets, the overall analysis will focus on the gaps in implementation and in the direction of policies that create the current situation of low growth in the agricultural sector.

4.1. The Economic Recovery Programme (ERP)

The first round of policies that affected the sector started in 1987 with the IMF/World Bank supported Economic Recovery Programme (ERP) (MoFPED, 2000). The ERP, which ended in 1992, had two major phases. The first phase of the ERP ushered in the liberalisation policy that led to the deregulation of exchange rate controls and the liberalisation of trade, including agricultural inputs and output.

The second phase brought in the Public Enterprise Reform and Divestiture Act of 1993 (privatisation policy) that concentrated on public sector reforms and the privatisation of state-owned enterprises such as the Coffee Marketing Board (CMB), Lint Marketing Board (LMB) and Produce Marketing Board (PMB). At the time they operated, these boards purchased and exported agricultural produce, and provided farmers with extension services and inputs on credit. Institutional reforms in this phase also led to the merging of what was then called the Ministry of Agriculture and Forestry with the Ministry of Animal Industry and Fisheries to form the present-day Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). This first policy laid out the key principles that future policies would be built on, namely liberalisation and privatisation, and demarcated a sharp turn away from the previous strongly centralised and state-owned approach.

4.2. The Poverty Eradication Action Plan (PEAP)

Weaknesses in ERP led to the development of the Poverty Eradication Action Plan (PEAP) in 1997 as the country's 10-year (1997–2007) planning framework for accelerating growth, reducing poverty and promoting sustainable development. As a poverty reduction framework, the PEAP focused mainly on areas that would enhance rural incomes, such as agriculture, rural roads, education and health. In 2010, the PEAP was replaced with the 5-year National Development Plan (NDP I) as a medium-term planning framework. One key change under the PEAP was the implementation of the Plan for Modernisation of Agriculture that created the National Agricultural Advisory Service (NAADS) in 2001 - a 25-year donor-funded extension services and input subsidy delivery programme.

4.3. National Agricultural Advisory Service (NAADS)

The NAADS programme is a key pillar of Uganda's agricultural policy and institutional context. As the focal extension service, it is at the core of discussions around capacity-building and modernisation of farming techniques in Uganda. Its management was recently placed under the military, after complaints about inefficiency and corruption became overwhelming. Despite such shortcomings in achieving its targets thus far and the questions arising in relation to the military management of the programme, it is a unique design that holds great potential to deliver effective extension services and manage agricultural inputs, once reformed into an effective institution.

4.4. The National Development Plan (NDP) I and II

The NDP I identified four different categories of sectors, namely: primary growth sectors, complementary sectors, social sectors and enabling sectors. It then classified the agricultural sector, very broadly defined as including forestry, manufacturing, tourism, mining, oil and gas, as one of the primary sectors.

The NDP I and II were designed as a five-year guiding framework for national development that formulated strategies and interventions to address the constraints in several areas, including the agriculture sector.

4.5. Agriculture on the school curriculum

In the broader field of supporting policies, the Ugandan government has made considerable investment in the development of the Agriculture curriculum, related teaching materials and teacher training, so as to improve the teaching and learning of agricultural techniques. This is supported by the publication, by the National Curriculum Development Centre (NCDC), of the Ordinary Level Agriculture Teaching Syllabus of 2008.

The central aim of the Agriculture curriculum and syllabus at the basic or secondary school levels is to train students in the basic principles of agriculture, provide avenues for the development of their skills and change the attitudes of young children towards agriculture. This is strongly derived from the reason that the future generation of farmers, value-chain actors and agriculturists will need basic scientific, technical agricultural, managerial and entrepreneurial skills to compete in the expanding agricultural and global economy.

4.6. Rice protectionism

One specific policy related to trade is the government strategy to boost local rice production, by implementing a protectionist policy of import taxes. The government currently charges up to 75 per cent tax on imported rice,²¹ thereby protecting local rice production against

21 Grain Commodities Report, 2012. Also available at http://gain.fas.usda.gov/Recent%20GAIN%20Publications/EAC%20Rice%20Import%20Tariffs%20and%20Food%20Security%20Update_Nairobi_Kenya_4-26-2012.pdf

competition from Asian rice-producing countries. This incentive to local rice producers may explain the progressive expansion of rice production in Uganda, especially during the period 2005–2010. Over this period, rice production increased by 42.5 per cent. However, while this was an important indication that government policies were more reflected on the ground than being simple liberalist slogans, the details of implementing this protectionist policy did not fully ensure its desired effect. The biggest beneficiaries of the policy turned out to be foreign-owned rice-producing companies such as Tilda Uganda, a multinational rice trading enterprise based in the UK.

Overall, the protection of the local market is, however, still a challenge in Uganda, with the long standing imperative of market liberalisation on the international level. Uganda had become one of the countries with the lowest import tariffs in the world by 2009, with an average of import tax on agricultural goods of roughly 11 per cent.²² Whether this gives Uganda a competitive advantage or presents a challenge for local production will be considered in more depth in the following sections.

4.7. Export promotion of agriculture

Another trade-related policy intervention is the policy on export taxes. In order to promote the export of agricultural products, no taxes are levied for the export of agricultural products. However, any exporter must conduct its business under a registered entity with a TIN. Uganda is a signatory to regional, unilateral and multilateral trade agreements; such arrangements provide free market access for products originating from Uganda provided certain conditions are met. One of the conditions for qualifying products is a certificate of origin, which is documentary evidence required to claim preferential treatment (reduced or zero rated) on importation. Some of the destinations with free market access include: Kenya, Rwanda, Tanzania, Burundi, Angola, Burundi, the Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, the Seychelles, Sudan, Swaziland, Japan, USA, Canada, Australia, Denmark, France, Finland, Germany, Greece, Hungary, Ireland, Italy, Belgium, Sweden, Poland, New Zealand, Luxembourg, Norway, Switzerland, Austria, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Italy, Latvia, Lithuania, Malta, the Netherlands, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, the United Kingdom, China, India, Morocco and South Korea. A certificate of origin as issued by the Uganda Export Promotions Board (UEPB) costs UGX 5,000 and when issued by the Uganda National Chamber of Commerce and Industry (UNCCI) costs UGX 10,000. This is a deliberate move aimed at making it affordable for actors interested in agricultural export.

However, this list, especially with regard to developed countries, has to be considered with caution. While direct trade barriers such as taxes and tariffs might even be gradually abolished to enable access to developed-country markets, they are in many cases only being replaced

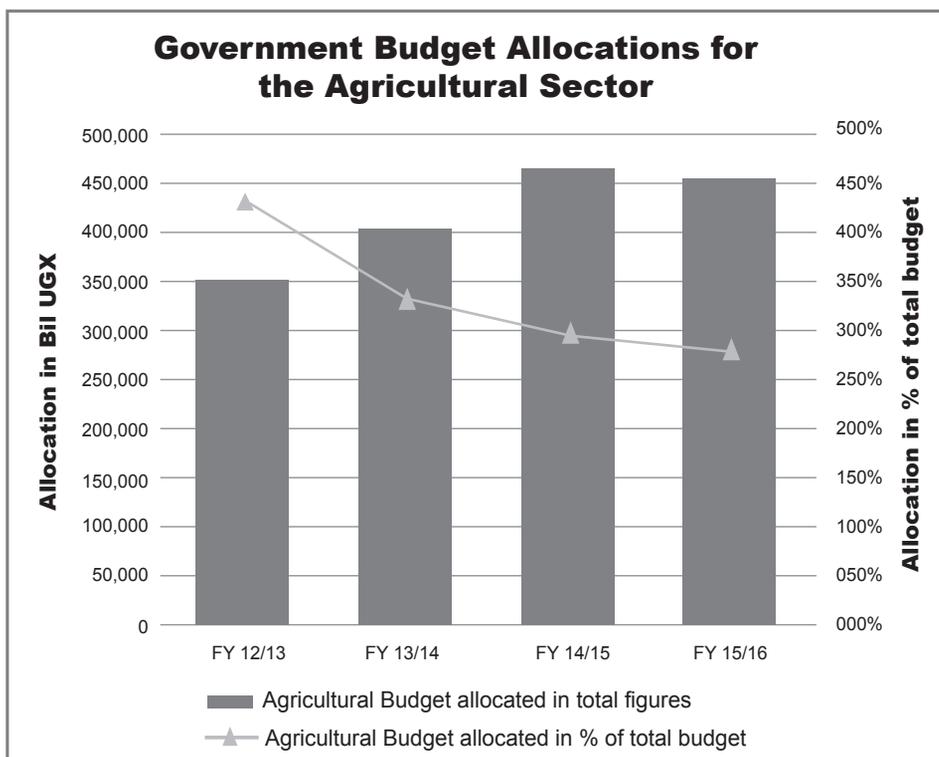
²² Mission Report for Uganda CONSENT, FIAN (2008): *The right to food of milk and maize farmers –report of an investigative mission to Uganda.*

by indirect barriers related to standards and complex certification requirements. Therefore, certification and adherence to global standards in, especially, food crop production are key areas to be considered next in the promotion of Ugandan exports internationally.

4.8. Public expenditure on agriculture

Public expenditures are an important policy instrument in supporting agricultural sector development. The sector has been allocated a slowly increasing total budget amount over the years, even though there have been occasional instances of a slightly declining total budget allocation in FY 2012/13 and, recently, in FY 2015/16. This demonstrates the gap between government focus on agriculture in policies and statements and the realisation of such a focus in monetary terms.

Figure 5: Government budget allocation for the agriculture sector FY 2012/13- FY 2015/16



Source: Uganda Budget Information, Ministry of Finance Planning and Economic Development. Retrieved on 10 December 2015 from <http://budget.go.ug/budget/sector-budget-docs>

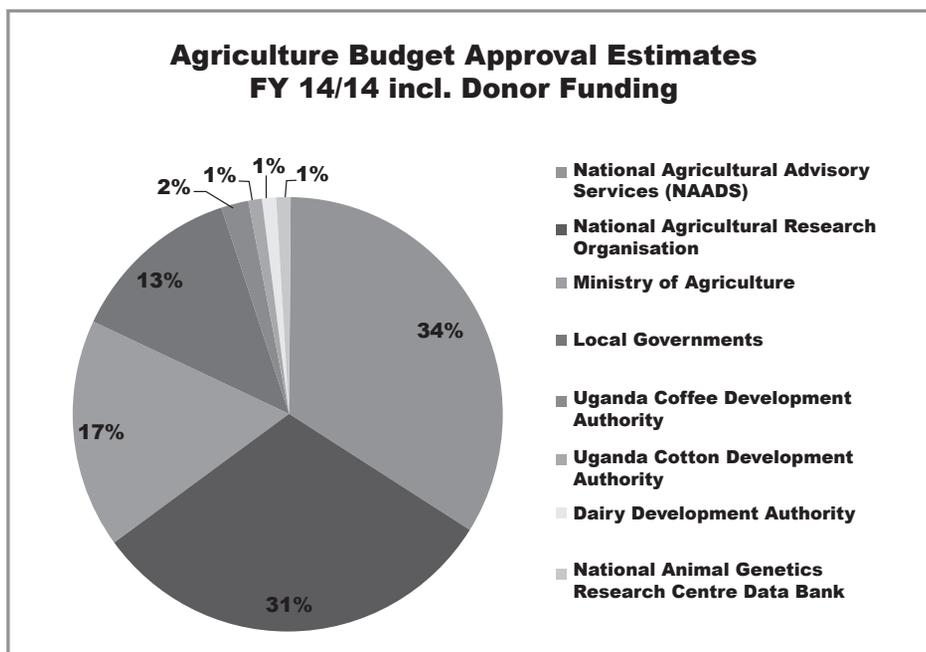
The budget FY 2014/15 allocated a relative share of only 3 per cent of the overall national budget to agriculture, compared to over 4 per cent in FY 2012/13, highlighting even more

severely the limited resource attention the sector is given by the government. Moreover, it deviated dramatically from the 10 per cent budget allocation to agriculture committed to in the 2003 Maputo Declaration as part of a deliberate policy to promote agriculture.

The government partially justifies this very low level of commitment by pointing towards investments in related sectors and the support it gives sectors such as infrastructure, education, health and security. These projects that are at the forefront of national development goals receive some of the largest chunks of the budget. However, total reliance on improved education and transportation as a means of directly supporting agriculture might be considered unrealistic. Especially the relationship between security spending and enabling agriculture points towards a very broad view of interrelatedness.

Finally, within the agriculture budget it is important to note that the MAAIF is, at least based on funding, not the key agency in relation to agricultural policy implementation. The largest share of the agriculture budget is channelled into the NAADS programme and the National Agricultural Research Organisation (NARO) (with the latter being 75 per cent funded by donor contributions). It is, therefore, very important to consider this relationship regarding funds when proceeding to a deeper analysis of key players in the agricultural sector.

Figure 6: Agriculture budget estimates by recipient agency FY 2014/15



Source: Sector Budget Framework Papers, Uganda Budget Information, Ministry of Finance Planning and Economic Development. Retrieved on 10 December 2015 from <http://budget.go.ug/budget/sector-budget-docs>

4.9. Rural road network infrastructure development

The government realised that transportation costs represent significant marketing costs, given the poor transportation infrastructure and high fuel price in Uganda. Transportation costs are highly related to the cost of fuel. Therefore, taxes on fuel play a role in commodity transportation and marketing costs that are directly related to the extent of incentives perceived by farmers. In an effort to address this, support expenditure to agriculture has been allocating up to 31 per cent of the agriculture support spending between 2006 and 2011 to improving the rural road network. This is intended to facilitate the transportation of agricultural products closer to the markets, thus allowing farmers a higher return on investment.

The following statistics point up the urgency to undertake measures to mitigate those extensive costs. According to statements by the former Uganda Revenue Authority (URA) Secretary General Allen Kagina, the cost of transporting a 40 ft container from New York to Mombasa (167,094km) is USD 4,000. Transporting the same container from Mombasa to Kampala (1,170 km) is also USD 4,000. As a matter of fact, East Africa has the highest surface transit costs in the world.²³ Therefore, to enable local producers to connect to the global value chain without significant disadvantages, investment in infrastructure, while not being an automatic mechanism, is still a key issue to be tackled before Ugandan agriculture can grow to a globally competitive level.

4.10. Land policy reforms

Land access and ownership regulations are key factors impacting on agricultural productivity. In Uganda the law recognises four separate types of land ownership, namely customary, mailo, freehold and leasehold. This means that the rights of both owners and long-term occupants are considered. In particular, the Land Act recognises the rights of sitting land tenants of 12 years or more. The act also set an annual land rent – obusulu – at UGX 11,000. Although it was expected that the act, through guaranteeing the rights of land tenants, would spur investment on the land, some reports indicated that the act led to hostile relationships between landlords and tenants.²⁴ The land policy, also with respect to equal access to land for men and women, remains a key concern, with land demarcation and registration efforts being a key move of the government to clarify the many outstanding disputes.

23 *The African Development Bank: A Partner of Choice for the Eastern Africa We Want 2014*. Also available at http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB_Partner_of_Choice_for_East_Africa_-_EARC_Report_2014.pdf

24 *Hunt, 2004*.

4.11. Agriculture credit facilities

In an attempt to provide easy access to capital, the government mandated the Uganda Development Bank (UDB) to focus its financing on three key economic sectors: manufacturing, infrastructure, and agriculture. While some of the lending conditions may be stringent, borrowers who meet the criteria are able to access credit to enable agricultural production. Some key challenges, however, remain, as lending conditions indeed exclude the larger part of the population that is targeted to become absorbed in a more productive agriculture sector. Moreover, lending for agriculture at a small-scale level of production requires highly specialised financing tools that cross over into outright business support, which is a service many banks are not able to offer. Finally, owing to the small size of the financial sector in Uganda and the long-term/low-return nature of agricultural loans that truly have a positive impact on development, banks would need more secure sources of income to balance the risk within the agricultural loan sector such as real estate. However, they are currently prohibited from securing such sources as they are strictly bound to a mandate of offering purely financial services.

5. Limitations to Participation in Agriculture

The above outline of key policy fields and other factors that impact on the development of the agricultural sector significantly has already pointed out a variety of challenges that exist within the agricultural policy environment. The following chapter will further take on six key challenges to examine them more closely and then finally create the basis for sound recommendations. These key challenge areas are: policy coherence; skills and education for modernised agriculture; value-chain development; motivation of young people to join agriculture; access to land; and gender equality in agriculture.

5.1. Policy coherence and implementation

One key challenge arising on the policy level from the previous chapter is the multiplicity of policies and plans that have overlapping mandates without a central coordinating authority. Especially when considering the system of the multiple semi-autonomous agencies that exist parallel to the MAAIF, such as NAADS, the Dairy Development Authority (DDA), NARO, the Uganda Cotton Development Organisation (UCDO) and the Uganda Coffee Development Authority (UCDA). This status of semi-autonomy, when considering the large budget allocations made directly to NAADS and NARO, brings into question the coherence of those agencies and the authority of the MAAIF to orchestrate the agricultural institutional field. Moreover, the recent shift of the management of the NAADS programme to the military and the accompanying loss of transparency place considerable hurdles in the path of a harmonised effort towards agricultural sector support. One clear indicator of a need for more harmonisation is the budget breakdown itself, as next to the NAADS programme, with its considerable resources, some expenditures to the local governments are put under the heading of extension services.²⁵

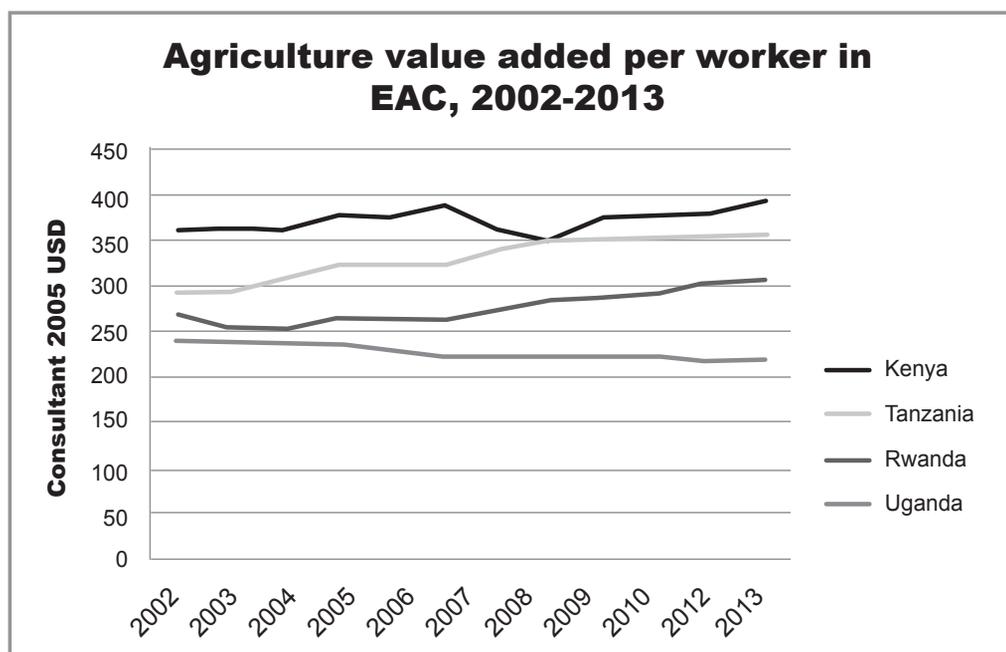
5.2. Skills and education for modernised agriculture

In Uganda education is structured around formal instruction which brings out graduates who are more inclined to formal employment. As a result, the youth view jobs in the formal wage sector as the more secure and the best alternative. While increasingly specific training focused on agriculture and entrepreneurship is being offered at secondary school level, teaching tends to be highly theoretical and barely takes into account the realities and challenges of small-scale farming in rural Uganda. The resulting turning away from agriculture due to lack of skills or the idea of 'higher aspirations' is also supported by general societal expectations that education presents a tool to enable one's movement away

²⁵ Sector Budget Framework Paper FY 2014/15 Annex 3, Uganda Budget Information, Ministry of Finance Planning and Economic Development. Also available at <http://budget.go.ug/budget/sector-budget-docs>

from agricultural pursuits into the much more highly regarded formal wage employment.²⁶ The result is the predominance of a highly unskilled labour force in agriculture that works ineffectively. This is demonstrated to be a severe impediment to Ugandan agriculture as even in a regional comparison, the value added per worker in Uganda is far below that in other EAC member states (see Figure 7).

Figure 7: Value added per worker in the agricultural aectors of EAC states, 2002-2013



Source: UN Data. Available at <http://data.worldbank.org/indicator/EA.PRD.AGRI.KD>

As such, compared to youth with no formal education, those who have studied up to some level of secondary education are less likely to get involved in agriculture. The probability of taking up agriculture reduces with the level of education attained. For example, while the attainment of primary education reduced the probability of agriculture uptake by 3.2 per cent (not significant), the attainment of at least secondary education significantly reduced the same probability by 20 per cent.²⁷ Education increases the marketability of youth and they are more likely to get employed in other sectors. This implies that agriculture predominantly is and will remain the preserve of the lowly educated youth. This is not surprising, given the fact that agriculture in its current form has more of a subsistence

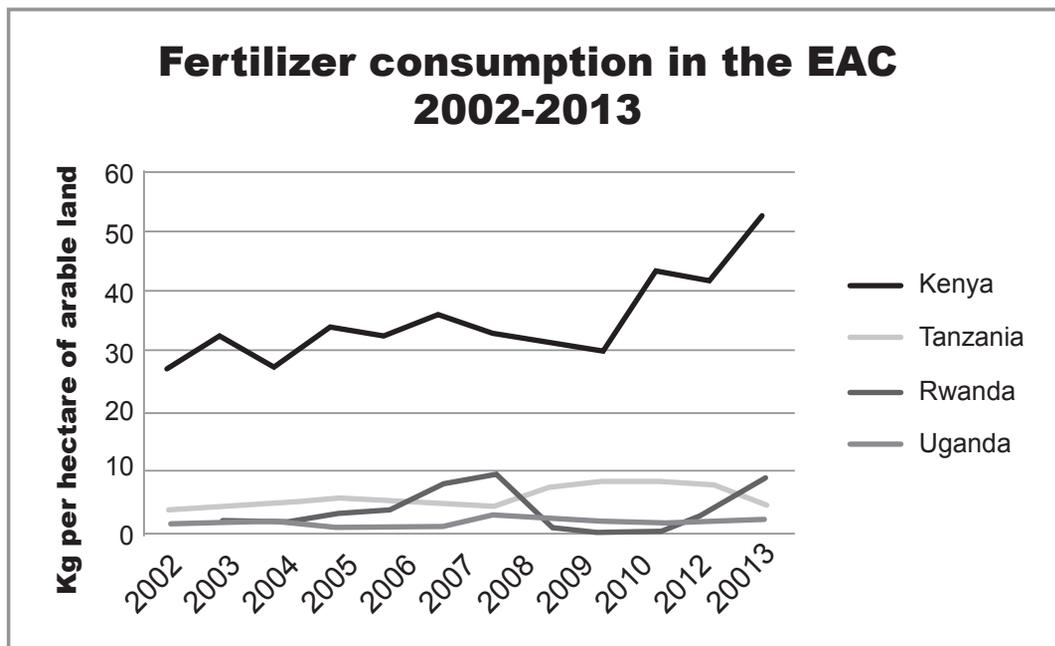
²⁶ Bugare and Zake, 2015, pg.11.

²⁷ EPRC, *Youth Engagement in Agriculture in Uganda: Challenges and Prospects*, Gemma Ahaiwe Swaibu Mbowa and Musa Mayanja Lwanga June 2013. Also available at <http://ageconsearch.umn.edu/bitstream/159673/2/series106.pdf>

nature with very limited use of technology and may not necessarily require highly educated personnel, while at the same time being held at that subsistence level owing to the low skilled labour that does not enable the mechanisation of the sector.

Key areas of improvement with the perspective on agricultural education are both theoretical knowledge and the practical ability to apply modern agricultural techniques and the basic business skills that enable cost calculations and business cycle planning for an agricultural entrepreneur. As an example of the skills gap, fertiliser usage in the country is the lowest in the region. This highlights some of the ineffective farming practices that prevent young people from identifying appropriate success stories within the sector and producing crops at competitive prices.

Figure 8: Intensity of fertiliser use in East Africa (kg/ha) of arable land 2002-2013



Source: UN Data: <http://data.worldbank.org/indicator/AG.CON.FERT.ZS>

Lack of access to knowledge is further illustrated by the limited use of technology in farming practices. However only a few studies have examined the reasons for limited adoption of agriculture technologies in Uganda due to a lack of suitable data that identifies which particular households adopt agricultural technologies and how adoption changes over time.²⁸ With regard to business skills and knowledge, even fundamental awareness of overhead calculations and financial planning throughout the year pose challenges to many Ugandan

²⁸ Constraints of agricultural technology adoption, 2010, Ibrahim Kasirye.

small-scale farmers. This has the devastating effect that farmers are largely unaware of the cost of their products, putting them at a disadvantage in price negotiations and further leading to many business start-ups failing to sustain themselves. A ripple effect of this is a lack of best-practice examples or relatable role models at the local level, as truly effective and successful farming is mostly happening on a very large scale with removed ownership and few roots within the local population. Finally, this may also be viewed as direct causality since the high dependence ratio in Uganda, at 103, being the second highest in the world,²⁹ poses severe challenges to young business owners, who are pushed into bankruptcy by pressures due to family dependants' education, health and other needs.

5.3. Value-chain development

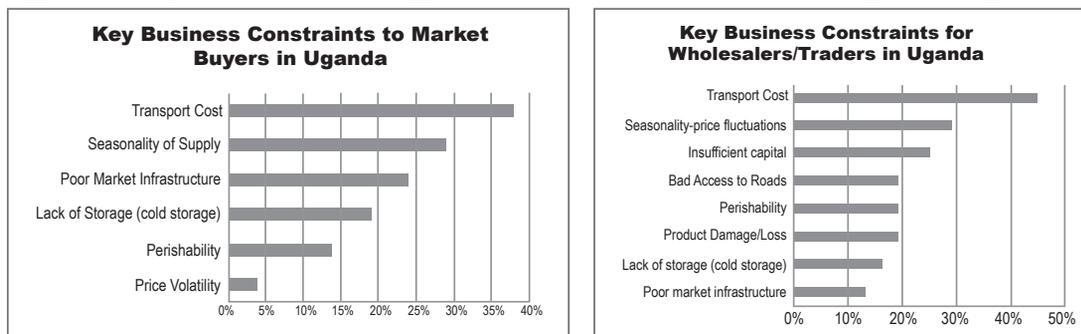
One topic in the debate on boosting Uganda's agricultural sector is that of value-chain integration. Uganda's main exports in the sector are raw products without value addition, and even the need for internal consumption of value-added agricultural products is met by external imports rather than the national market. The development of secondary agricultural production that builds a stronger demand for primary products and expands the sector employment and general absorption capacities are a key step that is rarely focused on in national policies, which mostly support primary production. A demand-led approach with a focus on adding value to agricultural outputs and, therefore, creating more sophisticated range of secondary agricultural products on the national market and also more predictable demand for primary products in this regard, promises more extensive growth as well as economic development in more differentiated agricultural sectors.

Another aspect is that, as agriculture in Uganda is dominated by smallholder farmers with limited land areas, the quantities marketed by individual producers tend to be small. For marketing to traders, this requires some stage of collection, assembly and packaging into larger volumes. This function is usually undertaken by rural traders in the primary village markets. Even for commodities such as cotton, tea and rice, the primary markets include rural traders and processor agents. One challenge with this system is that the many people involved in transporting and bundling agricultural products into marketable amounts significantly eat into the profit of the initial producer. One example of the value chain of tomatoes in Uganda marks an end-price share of the producer of only 40-48 per cent, depending on supply volumes.³⁰ This trend might call for larger portions of land being under the control of one producer. However, such a policy would threaten the livelihoods of the extremely poor. Current moves to revive the establishment of cooperatives that empower smallholder farmers to act collectively and gain bargaining power seem to be one of the most promising approaches to the challenge.

29 World Bank Statistics 2014. Available at <http://data.worldbank.org/indicator/SP.POP.DPND>

30 *The Fresh Fruit and Vegetable Markets of East Africa: An Assessment of Regional Value Chain Actors, Activities and Constraints In Kenya, Tanzania and Uganda* – USAID.

Figure 9: Key business challenges to wholesalers and market buyers in Uganda



Source: *The Fresh Fruit and Vegetable Markets of East Africa: An Assessment of Regional Value Chain Actors, Activities and Constraints In Kenya, Tanzania And Uganda – USAID*

Beyond the core challenge of transport cost identified by Ugandan traders and market buyers alike, the other key constraints can be summarised under the topic of storage and cold storage (affecting perishability and seasonality of supply and prices). This lack of facilities for storage has a great impact on the supply capabilities of Ugandan producers and their dependence on seasonally fluctuating market prices.

5.4. Motivation of young people to join agriculture

Compared to the rural youth, the urban youth are less likely to undertake agricultural activities. For example, in comparison to the rural youth, the probability of the urban youth taking up agriculture reduces by about 40 per cent. This is not surprising, given the fact that the youth in the urban areas are exposed to a range of other opportunities in the service and industrial sectors which are, to a large extent, urban-based. From a regional perspective, the youth in the northern, eastern and western regions are likely to engage in agricultural activities compared to their counterparts in the central region, and the probability is highest in the western region.

The youth (18-30 years) are divided into two cohorts – those aged 18-23 years and those aged 24-30 years – to capture life cycle effects. In comparison to the 18-23 years cohort, those in the 24-30 years cohort are less likely to undertake agriculture. Occupational mobility is generally higher among this cohort since most youth tend to complete their education at this age and are thus more mobile, and more sensitive to farm and non-farm earning differentials and farm prices compared to the younger farmers aged 18-23 years. On another note, an increase in the proportion of adults in the households where the youth are residing (i.e. persons aged at least 14 years) reduces youth likelihood of undertaking agriculture. This could be explained by the fact that in a typical rural setting, most youth tend to inherit agriculture-related assets (e.g. land) from their parents. As the proportion of adults increases, assets like land are divided amongst the many family members and the

resulting small farm sizes may not be viable, and hence the reduction in the probability of undertaking agriculture. Finally, a unit increase in household size increases the probability of participating in agriculture by about 5.8 per cent. Households with bigger family sizes have higher food security needs to overcome and more mouths to feed. The positive relationship with participation could be explained by the need to meet the enormous family and food security needs.

5.5. Access to land

Uganda has a total area of 241,550.7 km², of which open water and swamps cover 41,743.2 km² and land covers the remaining 199,807.4 km². Land for cultivation, pastures or both constitutes 75 per cent of the total area. The remaining 25 per cent is constituted by lakes, swamps and forestry zones. Of the 17 million hectares available as arable land, only about 5 million hectares are currently under cultivation, which constitutes less than 30 per cent of total arable land, leaving the other 70 per cent of arable land vacant. Although the above indicates a very good scope for the expansion of acreage under cultivation, land is increasingly becoming a constraint in some parts of the country, particularly in the Kigezi area and southern and eastern regions, where population densities are high. Land is fairly evenly distributed throughout the country and the average landholding is 2.2 ha.

In addition to this, a recent study by the Uganda National Bureau of Standards (UNBS) indicated that less than 50 per cent of Ugandans have access to land (not ownership). This creates structural limitations to agricultural participation. In resonance with this, the question of land access to women requires an immediate government, legislative and policy response. Women in Uganda provide 77 per cent of agricultural labour yet, in contrast, are marginalised with regard to land ownership. Additionally, the vast majority of Uganda's young farmers work on tiny plots of land, often under uncertain tenure arrangements. They cannot take advantage of economies of scale (where they exist), modern agricultural inputs, and mechanisation. Poor rural infrastructure (transport, electricity and irrigation) frustrates farmers' efforts to obtain affordable inputs such as seed and fertiliser, market their output profitably, or harness new land for cultivation.

In conclusion, the youth are disenfranchised in the ownership and management of critical assets in agricultural production, especially land. Land ownership and management, particularly agricultural land, is an important asset in the rural setting. It plays a special role in the daily lives and the general social structure of the majority of the households. Land serves as more than just a productive asset and is often used as preferred collateral in the credit market. Land tenure issues continue to impede many youth from engaging in agriculture, with the majority of youth using land without exclusive ownership rights. This not only limits their investment on the land but also their access to loans secured against land title deeds. The inability by the youth to strengthen their investment position in the agricultural production processes is a catalyst to the push factors of the youth out of agriculture.

5.6. Gender inequality

In its *State of Food and Agriculture Report*, the Food and Agriculture Organisation (FAO) states:

“If women had the same access to productive resources as men, they could increase yields on their farms by 20 to 30 per cent. This could raise total agricultural output in developing countries by 2.5 to 4 per cent, potentially reducing the number of hungry people in the world by 12 to 17 per cent”.

The report shows the gender gaps in accessing agricultural resources such as land, livestock, farm labour, education, extension services, credit, fertilisers and mechanical equipment. According to the FAO, the agriculture sector is underperforming in many developing countries, in part because of gender inequality. Closing the gender gap would generate significant gains for agriculture and for society. As a result youth participation, especially from girls, is limited.

6. Recommendations

A look at existing government policies to promote agriculture as well as the existing challenges reveals that the government has extensively applied a range of policies to promote the sector. The following is, therefore, a mixture of additions to policy directions, emphasis on policy areas that are not yet effectively implemented and some key directions not adequately captured under the current policy regime.

6.1. Empowering the Ministry of Agriculture to coherently streamline policy development and implementation

The duplication of government roles and activities under agencies such as the MAAIF, the Ministry of Water and Environment, NAADS, Operation Wealth Creation and the Youth Livelihood Programme, has led to a tedious process of policy coordination for a series of policies that could ideally work together to improve agriculture as an economic opportunity for young people. The coherent coordination of government policies, such as NAADS, Operation Wealth Creation and the Youth Livelihood Programme, could easily lead to increased participation for the youth in agriculture.

Whereas the MAAIF has specialised units and agencies that implement intensive technical and advisory aspects of its broad mandate, they function as semi-autonomous agencies under MAAIF's line of supervision. These agencies include the following: the Cotton Development Organisation (CDO), NAADS, NARO, the National Genetic Resource Centre and Data Bank (NAGRC&DB), UCDA and DDA. The agencies are not effectively coordinated

and the return to a standard key agency, such as the ministry, having the mandate and manpower to streamline all agriculture-related policy implementation efforts, would be a step towards more effective work on the sector's policy environment.

Such improvements in making the policy process more coherent would also enable the ministry, as the overseeing agency, to make targeted efforts to fast-track key policies, such as the National Seed Policy that remains unfinished despite its relevance to the effectiveness of the agriculture sector.

6.2. Introducing a clear strategy for subsidies and agricultural financing

In order to address the challenge of access to finance, the government needs to take a lead role in coordinating policies that increase access to finance for agriculture, through public-private partnerships in the areas of bank loans and insurance, for example. An agriculture financing policy that supports all capable agricultural entrepreneurs, that goes beyond limited-term projects by government for certain target groups, is needed to make financing and insurance widely available.

Furthermore, in financing agriculture, there is need for a streamlined policy on agricultural subsidies that are effectively marketed to relevant agricultural entrepreneurs and transparently applied. This subsidy policy should take into consideration the large plans for Ugandan trade as well as the political import-export effects of subsidies and identify key crops to be effectively marketed and boosted through this provision.

6.3. Improving access to farming knowledge

Like most enterprises, even after providing access to capital for agriculture, adequate information on the best farming practices is critical for successful commercial agriculture. Agricultural extension services, such as NAADS, should be made more effective, especially beyond the administration of government projects, to effectively undertake capacity-building and training. New approaches should be piloted to disseminate information with an eye on the young demographic, such as using posters and related communication materials to make farming information easily understood and available at locations commonly frequented by young people. Another approach that should be scaled up is the development of demonstration and model farms across the country. With extension workers being scarce, such locations for learning in a practical manner and from local examples would bridge that gap. Finally, extension services should be reviewed and potentially extended to specifically support the capacity of agricultural entrepreneurs to share and access accurate and timely market information.

6.4. Promoting cooperative movements and networking platforms

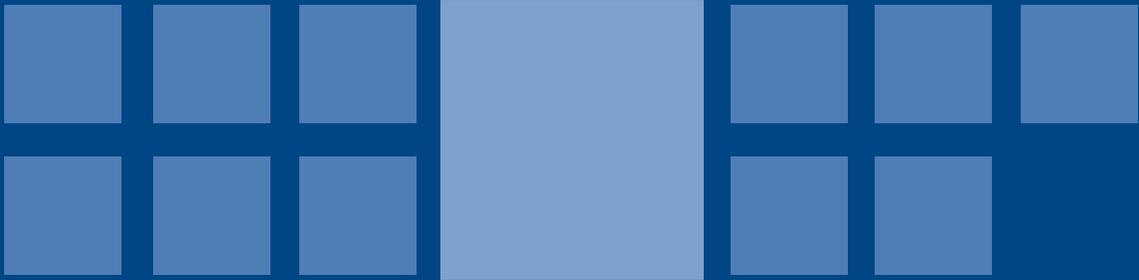
In order to empower Ugandan agricultural entrepreneurs, it is important to strengthen networks and cooperation. One strategy that will empower local producers is the revival of the cooperative system. Effective cooperatives cannot only substitute extension services in the long run and enable block farming, but also create bargaining power for producers and increase the joint capacity to invest and adopt new technologies.

Beyond this, there should be a push to improve information access and communication through innovative initiatives, such as Harvest Money and *Yiya Sente*, as these networking platforms have encouraged young people to take up agriculture. This is of key importance as market access, information and linkages are key challenges to local producers and result in highly unfavourable bargaining outcomes for them.

6.5. Supporting the adoption of targeted technologies

In terms of technology there are many areas to focus on. However, there are also clear priority areas. First, there should be clear policies encouraging and easing the import of agricultural machinery to make the needed technological supplies more easily available to farmers.

Second, one key technology that is missing in Ugandan agriculture is storage facilities and techniques, especially cold ones. This significantly limits the distances and time that perishable products can realistically be traded in and puts producers at high risk of post-harvest losses. Moreover, the lack of storage facilities across Uganda makes for a highly volatile market with strongly fluctuating prices. This situation would be evened out and the agricultural business made better and predictable if adequate storage facilities were in place to spread supply over time and not have it very concentrated during the harvest season.



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