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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 84 per cent of Ugandans. About 27 per cent of all rural people – some 8 million men, women and children – still live below the national rural poverty line.

Uganda's poorest people include hundreds of thousands of smallholder 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 areas of the country are in the north, where poverty incidence is consistently above 40 per cent and exceeds 60 per cent in many districts – and where outbreaks of civil strife have disrupted farmers' lives and agricultural production. The greatest number of poor people is found in the east, where the population density in poor areas is 8 to 10 times higher than in the north, although poverty incidence is generally lower, at 30 to 40 per cent.

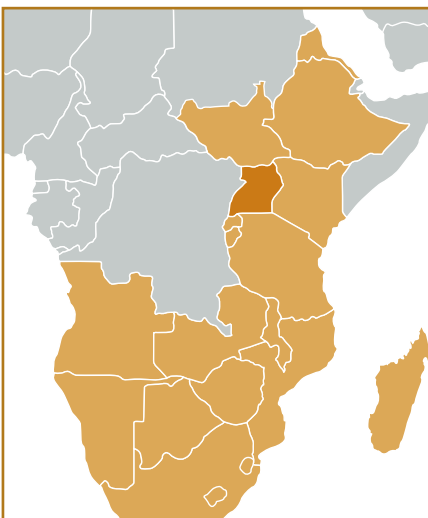
The vast majority of Uganda's poor rural people live in fragile, dry and sub-humid regions where the variability of rainfall and soil fertility means that farming presents a challenge. Household-level production often falls short of minimum household needs, rendering families particularly vulnerable to food insecurity. This problem is exacerbated by climate change and a resulting increase in the variability and amount of rainfall, as well as extreme climate events. Uganda is considered one of the world's most vulnerable and least climate-resilient countries. Changing climate patterns, such as increased droughts, floods and variable precipitation cycles, have a serious impact upon water and other natural resources, agricultural production and rural livelihoods.

Health and social issues significantly affect rural poverty in Uganda as well. The population of about 36 million is growing at an annual rate of 3.4 per cent. Although the country has dramatically reduced the incidence of HIV/AIDS since the 1990s, prevalence rates have begun rising again in recent years. The pandemic has caused the death of large numbers of young adults and orphaned up to 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, have limited access to resources and lack control over what they produce. Among their many other tasks, they also bear the double burden of ensuring that their households are adequately fed and caring for the sick, the elderly, and for orphaned children.

In 2012, Uganda ranked 161st 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. Employing as much as 75 per cent of the total labour force, the sector has potential for vibrant and diversified growth. But agricultural development faces several challenges, foremost among them infrastructure and access to markets. Because Uganda 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 agricultural 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. The government has developed a new agricultural sector policy, with plans for supporting investments, as part of its Development Sector Investment Plan. The plan's vision is to achieve a competitive, profitable and sustainable agricultural sector with the overall aim of transforming subsistence farming into commercial agriculture.

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 loans on highly concessional terms to finance 14 programmes and projects with the objective of empowering poor people and improving food security in the country's rural areas. It has also made US\$21 million in grants. IFAD is currently providing financing and technical assistance for five ongoing operations.

As part of the donor effort to improve international development effectiveness, IFAD has identified three strategic objectives for its investments in Uganda:

- Sustainably increasing the production, productivity and climate resilience of smallholder agriculture

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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- Enhancing the integration of smallholders into markets, with a focus on consolidating and scaling up investment in the vegetable oil subsector
- Expanding the rural population's access to, and use of, financial services, with emphasis on community-based financial institutions.

In the context of donor harmonization, IFAD works with development partners that are active in these sectors. In the agricultural sector, IFAD is one of 15 donors that 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 supporting decentralized governance through the District Livelihoods Support Programme (DLSP) and the Community Agricultural Infrastructure Improvement Programme, cofinanced with the African Development Bank. 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 key sectors, including the following.



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Improving smallholder agriculture

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 the government's Development Sector Investment Plan, building upon the experience of the now completed 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 works to reduce dependence on imports through competitive processing, marketing, input supply and credit systems.

Integrating smallholders into markets

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 – generate 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.



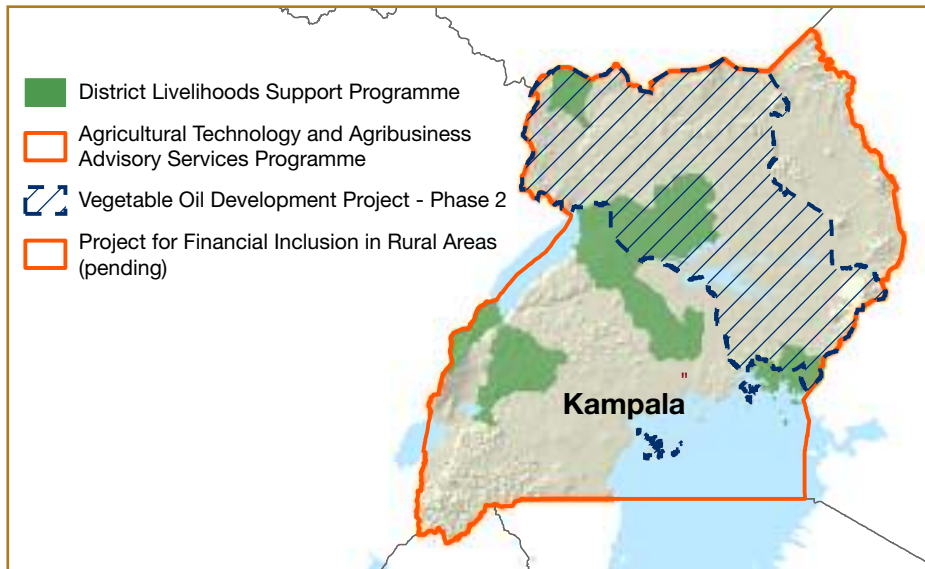
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At the same time, IFAD contributes to rural development and market access in Uganda by supporting key economic infrastructure and empowering poor people and their local institutions. It does so under the leadership of the Ministry of Local Government, through the recently completed Community Agricultural Infrastructure Improvement Programme and the ongoing DLSP.

Building community-based rural financial services

In partnership with the Ministry of Finance, Planning and Economic Development, IFAD invests in ensuring financial inclusion for the poorest segments of the rural population. Rural finance is a crucial component of the transition from subsistence to commercial farming. The recently completed Rural Financial Services Programme worked to expand rural financial services, building the capacity of local communities to both mobilize savings and provide loans on a sustainable basis. Through the programme, IFAD has supported rural finance outreach and sustainability through local, member-owned savings and credit cooperatives.

The new Project for Financial Inclusion in Rural Areas is currently in the last stages of the parliamentary approval process. It will continue this work and invest in other community-based mechanisms to ensure financial inclusion.



Pending parliamentary approval

Project for Financial Inclusion in Rural Areas (PROFIRA)

The goal of this project is to sustainably increase access to, and use of, financial services by the rural population in the target area. Specifically, it will focus on:

- Rural women, men and young people who earn income but do not have access to financial services
- Members of mature community-based savings and credit cooperatives (SACCOs) who have successfully saved and borrowed within their groups for at least three years but do not use formal financial institutions
- Women and men who belong to rural savings and credit cooperatives that are not yet operationally self-sustaining but have the potential to become sustainable.

Total cost: US\$35.3 million
Approved IFAD loan: US\$29.0 million
Duration: 2014-2020
Directly benefiting: 576,000 households

IFAD has developed a close partnership with the Government of Uganda thanks to its involvement in the rural financial sector under the Rural Financial Services Programme, now completed. PROFIRA will build on lessons learned under that programme, consolidating the gains made and supporting selected SACCOs in achieving sustainability. It will also scale up community-based savings and credit groups to ensure inclusion of communities that are currently not served by financial service providers.

Ongoing programmes and projects

Vegetable Oil Development Project - Phase 2

This project aims at increasing the domestic production of vegetable oil and its byproducts, 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

Total cost: US\$146.2 million
Approved 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

phase continues the partnership with Oil Palm Uganda Limited to further promote small-scale growers. 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 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.

Agricultural Technology and Agribusiness Advisory Services (ATAAS) Programme

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

Total cost: US\$665.5 million

Approved IFAD loan: US\$14.0 million

Cofinancing: World Bank/IDA (US\$120.0 million), Danish International Development Association (US\$7.0 million), European Union (US\$20.0 million), Global Environmental Facility (US\$7.2 million)

Duration: 2011-2016

Directly benefiting: 1.7 million households



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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 the World Bank on behalf of IFAD.

District Livelihoods Support Programme (DLSP)

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.

DLSP 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.

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.

Total cost: US\$50.9million

**Approved 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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Completed operations

Community Agricultural Infrastructure Improvement Programme

Total cost: US\$81.9 million

Approved 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

Rural Finance Services Programme

Total cost: US\$24.5 million

Approved IFAD loan: US\$18.4 million

Duration: 2004-2013

Directly benefiting: 26,000 households

Vegetable Oil Development Project – Phase I

Total cost: US\$60.0 million

Approved 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

Approved IFAD loan: US\$17.5 million

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 European Union)

Duration: 2001-2010

Directly benefiting: 533,000 households

Area-Based Agricultural Modernization Programme

Total cost: US\$16.1 million

Approved IFAD loan: US\$13.9 million

Duration: 2002-2008

Directly benefiting: 312,500 households

District Development Support Programme

Total cost: US\$21.8 million

Approved IFAD loan: US\$12.6 million

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

Duration: 2000-2006

Directly benefiting: 39,750 households



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Cotton Sub-sector Development Project

Total cost: US\$31.4 million
 Approved 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
 Approved IFAD loan: US\$10.0 million
 Duration: 1993-1996
 Directly benefiting: 38,400 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

Southwest Region Agricultural Rehabilitation Project

Total cost: US\$27.1 million
 Approved IFAD loan: US\$12.0 million
 Cofinancing: World Bank/IDA (US\$10.0 million)
 Duration: 1988-1995
 Directly benefiting: 298,000 households

Agricultural Development Project

Total cost: US\$30.5 million
 Approved IFAD loan: US\$14.5 million
 Cofinancing: World Bank/IDA (US\$9.4 million)
 Duration: 1986-1992
 Directly benefiting: 387,000 households

Agricultural Reconstruction Programme in Northern and Eastern Uganda

Total cost: US\$21.5 million
 Approved IFAD loan: US\$19.0 million
 IFAD grant: US\$1.0 million
 Duration: 1982-1986
 Directly benefiting: 450,000 households



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

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 over US\$15 billion in grants and low-interest loans to developing countries through projects empowering more than 410 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 172 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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