

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA4009

Project Name	Agriculture Cluster Development Project (P145037)
Region	AFRICA
Country	Uganda
Sector(s)	Crops (50%), Irrigation and drainage (5%), Agro-industry, marketing, and trade (40%), General agriculture, fishing and forestry sector (5%)
Theme(s)	Trade facilitation and market access (30%), Rural policies and institutions (30%), Rural services and infrastructure (30%), Other rural development (10%)
Lending Instrument	Investment Project Financing
Project ID	P145037
Borrower(s)	Ministry of Finance (Republic of Uganda)
Implementing Agency	Ministry of Agriculture Animal Husbandry and Fisheries
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	04-Feb-2015
Date PID Approved/Disclosed	18-Feb-2015
Estimated Date of Appraisal Completion	23-Feb-2015
Estimated Date of Board Approval	07-Apr-2015
Decision	

I. Project Context

Country Context

Uganda has a record of prudent macroeconomic management and structural reform over the past two decades. This has helped Uganda to achieve an impressive record of economic growth over the past 15 years. In the past several years, however, economic growth has slowed. From 9.3 percent per annum in the period from 2001 to 2008, growth fell to 6.6 percent per year from 2009 to 2011, and to 4.5 percent per year since. The impact of this growth has been quite evident – this even though it has been tempered somewhat in terms of per capita income by the very high rate of population growth. Uganda's population has been estimated to be 37 million (2014) and is growing at roughly 3.3 percent per year, one of the world's highest rates of population growth. Uganda may reach at least two of the eight Millennium Development Goals (MDG) by 2015 — it is close to halving poverty and addressing gender inequality, and has made progress towards meeting each of the others. The economy is widely anticipated to experience a significant bump-up in GDP once recently discovered oil reserves begin to be sold (full-scale production is expected to begin in 2016 at the earliest).

Uganda's National Development Plan (NDP) (2010/11-2014/15) aims at creating employment and raising per capita income levels, among other objectives. Its central theme is "growth, employment and socio-economic transformation for prosperity". An overarching challenge is to improve governance and value for money in the use of public resources, thereby enhancing public service delivery and infrastructure investments. For the next few years, Uganda also aims to address infrastructure bottlenecks, increase agricultural productivity and value addition, reintegrate northern Uganda, manage urbanization, provide new opportunities to deal with a growing challenge of youth unemployment, and strengthen its human capital base, all in order to sustain high growth and to transform the economy. Agriculture is one of the five priorities of the National Development Plan. The agriculture chapter of the NDP is aligned with the Agriculture Sector Development Strategy and Investment Plan (DSIP) which is the basis of this proposed project.

Sectoral and institutional Context

Agriculture is the largest single economic sector in Uganda but lags far behind the rest of the economy in terms of productivity. Agriculture accounts for 70 percent of the country's employment (the majority of these toiling on smallholder farmers) while generating only 25% of national GDP. Raising agricultural productivity would contribute significantly to poverty reduction as well as to economic growth and more equitably shared prosperity for the economy as a whole – particularly if export markets for Uganda's agricultural produce were further developed. Agriculture accounts for just over half of Uganda's export earnings. Increased agricultural production combined with increased exports to markets in the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) is quite feasible and represents a very compelling growth path for Uganda. Compared to other countries in the region, it is widely acknowledged that Uganda has a comparative advantage in producing staple food crops. While Uganda's scope for extending land under production is limited, through intensification Uganda has a great potential to contribute to the regional food security by increasing exports to COMESA market, currently representing one third of Uganda's total exports.

Ugandan agriculture has grown at an annual rate of 2.9 percent in the period since 2000 and at closer to 2 percent per year over the last five years, lagging well behind overall annual growth in the economy (7.8%) and also behind the annual population growth rate (3.4 %) over the same period. It has also lagged behind the 6 percent per annum growth target for agriculture called for by the Comprehensive Africa Agriculture Development Program (CAADP) and Uganda's own NDP. This recent slow growth notwithstanding, Uganda is widely considered as one of the countries with the highest agricultural potential in East Africa, and there is a real opportunity for rapid growth in the sector.

Uganda's agricultural productivity is relatively low in comparison to neighboring countries and is far below its own potential. This is due to low input use, poor agricultural infrastructure, weak market linkages, and very low on-farm mechanization even when compared to other sub-Saharan African countries. Uganda has hardly applied any of the green revolution technologies such as fertilizers, improved seed, mechanization and irrigation. The country has the lowest utilization of inorganic fertilizers in Africa, at only 1.0 kg per hectare ; only 13 percent of the cropped area was planted with commercial or improved seeds in 2008/9, compared to 22 percent for Sub-Saharan Africa and 80 percent in Asia ; it has 2,500 tractors today compared to 4,200 tractors 30 years ago, and animal traction remains restricted in only a few parts of the country. Despite abundant rainfall

and vast rivers and lakes, farmers are unable to manage and utilize available water resources for agriculture due to poor irrigation infrastructure and poor water management. However, Uganda already uses 80 percent of its arable land, and further expansion of agricultural production onto new lands will be very limited. While this is a constraint, there yet remains significant scope for raising agricultural production. It is estimated that, even without expansion onto currently unused lands, Uganda could more than double current agricultural production through the adoption of yield enhancing technologies that are already available.

EAC and COMESA markets offer opportunities for Ugandan farm exports. If Uganda were able to increase production, improve the quality of shipments, lower the transactions costs of moving commodities to and across the border, and establish reliable linkages between Ugandan producers and prospective purchasers in the EAC and COMESA markets, Ugandan exports of agricultural commodities (particularly those supported under the proposed project) could be substantially expanded. In the case of maize, for example, Uganda services less than 20 percent of the agricultural market needs of Kenya and South Sudan. Maize imports for Kenya and Tanzania valued about US\$133 million per year of which Uganda exported US\$26 million in 2011. The opportunities are substantial for Uganda to expand export revenues in these markets and, correspondingly, to increase farm-level incomes related to these commodities.

Uganda adopted an Agricultural Sector Development Strategy and Investment Plan (DSIP) and a CAADP compact in 2010. These documents provided direction and the framework for action which needed to be complemented by more detailed implementation plans. To date, only two sub-programs out of 22 have been operationalized through the Agricultural Technology and Agribusiness Advisory Services (ATAAS) Project, involving the National Agricultural Research Organization (NARO) and the National Agricultural Advisory Services (NAADS).

With the Technical Assistance of the World Bank (P124856), the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) has recently completed a comprehensive plan to operationalize the Agricultural Sector DSIP, with the establishment 12 Ministerial Task Teams, and through systematic consultative workshops involving more than one thousand stakeholders. The resulting Action Plan was launched in November, 2012 by the Vice-President of the Republic of Uganda during the 2012 Joint Agricultural Sector Review meeting. These plans now form the basis for the ACDP project. Action Plans for DSIP Operationalization form a good foundation in reaching the governmental priority of increasing national food security as well as agricultural exports to the East Africa and COMESA markets. MAAIF and the Ministry of Finance, Planning and Economic Development (MFPED) see this as a strategic intervention for macro-economic growth, enhanced balance of trade, employment creation and increased household revenues for smallholder farmers.

II. Proposed Development Objectives

The Project Development Objective is to raise on-farm productivity, production and marketable surpluses of selected agricultural commodities in specified geographic clusters.

III. Project Description

Component Name

1. Support for Intensification of On-Farm Production

Comments (optional)

The objective of Component 1 is to support the intensification of on-farm production of five priority commodities (maize, cassava, beans, rice, and coffee). These commodities would be provided to

some 450,000 selected farm households located in 12 geographic areas/clusters chosen because of their high production potential for two or more of the specified five commodities.

Component Name

2. Preparation for Agricultural Water Management Investment

Comments (optional)

Component Name

3. Market Linkages, Post-harvest Handling, Storage and Value Addition

Comments (optional)

Component 3 will enable the increased production stimulated by the e voucher scheme in component 1 to find profitable market opportunity. To avoid over complication and to learn by doing, the initial focus will be on rolling out the program in a few clusters and focusing on one product and in a limited range of interventions. At midterm review and dependent on the responsiveness of the individual clusters, additional interventions and product will be introduced. The roll up of the program will be undertaken by a spearhead team from the project who will draw together the stakeholders at the different links of the value chain within the cluster, enable them to articulate the key constraints and opportunities within the individual clusters.

Component Name

4. Project Management and Capacity Building for Policy, Regulatory and ICT Functions of MAAIF

Comments (optional)

The aim of this component is to: (i) ensure project management and coordination; and (ii) improve on the existing policies and other regulations of direct relevance to this project and to ensure stakeholder coordination at national and cluster level.

IV. Financing (in USD Million)

Total Project Cost:	248.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			150.00
LOCAL BENEFICIARIES			98.00
Total			248.00

V. Implementation

Planning, preparation monitoring and reporting will be done by the PIU at MAAIF. The PIU will need to work closely with participating local governments on all of these aspects of project management. Actual implementation of most of the services and activities will be outsourced. This can be done in a number of ways, through: Competitive bidding and PPP's; through partnership agreements with the private sector and farmers' apex organizations; through MoUs with public services. Input supply, marketing and agro-processing services will be largely provided by the private sector institutions as well as farmers' organizations and cooperatives. The project will seek to strengthen their respective capacities and effectiveness. The Government will through improved policy framework (e.g. clearer and more conducive rules and regulation coupled with appropriate

enforcement) provide an enabling environment, as well as appropriate incentives to attract investment.

Component 1. Support for Agricultural Production. For Subcomponent 1.1 - availability of seeds and planting materials falls within the mandate of MAAIF's Directorate of Crop Resources (DCR). It will be coordinated by the Department of Crop Production (DCP). Production of seeds national seed producers will be contracted through a competitive bidding process. ACDP will support the production of planting material at sub-county level through contracting existing private nurseries. For Subcomponent 1.2 - access to and use of quality inputs (seeds and fertilizers) will be coordinated by DCP in close cooperation with retailers at town and village level. Software development and management for the voucher scheme will be outsourced. For Subcomponent 1.3 - integrated pest and disease control/management will be implemented through MAAIF's Department of Crop Protection. For Subcomponent 1.4 - training will be provided to targeted farmers organizations and retailers within the project area through a training of trainers (ToT) scheme. Development and implementation of ToT courses will be outsourced through competitive bidding processes with MAAIF providing technical backstopping. Implementation of the ICT backbone for Subcomponent 1.5 will be the responsibility of MAAIF (specific unit within MAAIF to be determined at appraisal). Implementation of the ICT agricultural information system at District, community, and farm level will be the responsibility of service providers to be contracted. Component 1 is complementary with ATAAS and requires consultation and collaboration with NAADS and NARO on programming and implementation of activities, in particular those at district level.

The overall coordination of Component 2 will be ensured by MAAIF through the Irrigation Unit within Department of Farm Development (DFD). DFD will coordinate subcomponent 2.1 irrigation and drainage infrastructure development in collaboration with MWT for access roads. For operation and maintenance of irrigation schemes subcomponent 2.2, it is expected that contracts will be signed by MAAIF, water user groups and Districts subject to the provisions of the amended National Water Policy (July 2013). Such contracts are expected to stipulate mutual commitments and responsibilities. For subcomponent 2.3 integrated soil and water conservation/management for irrigation areas and associated buffer zones cooperation agreements will be set up with MWE for water use and NEMA for environmental assessment. The Nile basin members will be informed by Government in case of water withdrawals over and above evapotranspiration from existing/non irrigated wetlands within the Kyoga sub-basin of the Nile.

Component 3 will be implemented by a broad range of public and private sector stakeholders. For Subcomponent 3.1 - national level agribusiness and marketing support will predominantly be implemented through studies and training contracted by the PIU. Uganda Co-operative Alliance (UCA) would be contracted at national level for institutional capacity building of farmers' organizations and their apexes, backstopping. Training of value chain actors in local and regional marketing will be coordinated by DCT. For Subcomponent 3.2 - market access roads and market infrastructure at community level, decision making will be facilitated by the CMSP as a participatory value chain driven priority setting exercise at cluster level. Implementation will be coordinated by the involved districts. Activity 3.3. and 3.4 will be introduced after the mid-term review subject to satisfactory project delivery to that date. For Subcomponent 3.3 - ACE-level warehousing, value addition and marketing will also be implemented through a competitive matching grant scheme governed by the CMSP. ACE's and the private sector will be eligible to compete for this work. Specialized private-sector consultants would be recruited for warehouse

management, collateral management and quality audits of storage and cereals, etc. For Subcomponent 3.4 - farm- and community-level post-harvest handling and storage will be implemented through a competitive matching grant scheme governed by the CMSP. Farmer/producer organisations will be eligible to compete for this.

Component 4. Project management will be the responsibility of MAAIF and will be carried out by the PIU in collaboration with all parties involved in the execution of the project, especially local authorities. For Subcomponent 4.1 - project management and coordination operates at three different levels, district, cluster and national. At district level, local authorities will manage project activities through the DCT. They will also collect information and report to MAAIF. At cluster level, the CMSP will be responsible for implementation and reporting, and at national level the PIU will be responsible. The Department of Planning and M&E in MAAIF, in conjunction with the PIU, will be responsible for consolidation of an annual work plan and budget for ACDP as well as M&E. National stakeholder events will be organized by the Private Sector Foundation in collaboration with the PIU. Substantial awareness and sensitization will be needed at all levels and MAAIF will need to allocate sufficient resources to this end. If possible this work should start prior to project start. For Subcomponent 4.2 – management of ACDP activities related to input & output regulatory functions and standards will be the responsibility of NCP/DCR working in close collaboration with the National Commodity Platforms.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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