PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC1075

Project Name	Agriculture Cluster Development Project (P145037)
Region	AFRICA
Country	Uganda
Sector(s)	Crops (25%), Irrigation and drainage (25%), Agro-industry, marketing, and trade (25%), Public administration- Agriculture, fishing a nd forestry (15%), General agriculture, fishing and forestry sector (10%)
Theme(s)	Rural policies and institutions (20%), Rural markets (20%), Global food crisis response (20%), Rural services and infrastructure (20 %), Other rural development (20%)
Lending Instrument	Specific Investment Loan
Project ID	P145037
Borrower(s)	Ministry of Finance, Planning and Economic Development
Implementing Agency	Ministry of Agriculture, Animal Industry and Fisheries
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	20-Jun-2013
Date PID Approved/ Disclosed	31-Jul-2013
Estimated Date of Appraisal Completion	30-Nov-2013
Estimated Date of Board Approval	27-Feb-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Uganda has a record of prudent macroeconomic management and structural reform.Uganda’s population in 2012 is estimated at 33.7 million and growing at 3.5% annually. Despite having one of the world’s highest rates of population growth, Uganda has an impressive record of economic growth. However, in recent years the rate of growth has slowed down and has been characterized by increased volatility. From an average of 9.3 per annum in the period from FY01 to FY08, the rate of growth declined to 7.2 percent in FY09 and to 5.9 percent in FY10. There was a short-lived recovery in FY11, with the rate increasing to 6.7 percent, before falling again to 3.4 percent in FY12. Developments in first half of FY13 suggest that the rate of growth will remain around 4.5 percent . Oil production will change Uganda’s economic outlook, but full-scale production is unlikely to begin before 2016. Uganda may reach at least two of the eight Millennium Development Goals (MDG) by 2015—the country is close to halving poverty and addressing gender inequality, and has made progress towards many others.

Uganda aims to address infrastructure bottlenecks, increase agricultural productivity and value addition, reintegrate northern Uganda, manage urbanization, and strengthen its human capital base in order to sustain high growth and to transform the economy. A rapidly growing population creates challenges for employment, especially for the youth and service delivery. An overarching challenge is to improve governance and value for money, thereby enhancing service delivery and infrastructure investments.

Uganda's National Development Plan (NDP) (2010/11-2014/15) aims at creating employment, and raising average per capita income levels among other objectives. Accordingly, the theme is "growth, employment and socio-economic transformation for prosperity". Agriculture is among the top five priorities in the NDP. The agriculture chapter of the NDP is aligned with the Agriculture Sector Development Strategy and Investment Plan (DSIP) which is the basis of this project.

Agriculture is a key sector and a top priority for the government. As the largest sector in Uganda, agriculture accounts for 66 percent of the country's employment, the majority being smallholder farmers, and about 53 percent of Uganda's export earnings (the largest source) over a five-year period, 2007-2011.

Increased agricultural production as well as exports to East African and the Common Market for Eastern and Southern Africa (COMESA) markets can greatly improve Uganda's food security and macro-economic stability. Compared to other countries in the region, Uganda has a comparative advantage in producing most of the food items despite its low use of inputs. Through intensification, Uganda has a great potential to increase its own food security and to contribute to the regional food security by increasing exports to the COMESA region, currently representing 34 percent of Uganda's total exports

Sectoral and Institutional Context

Agricultural growth has been sluggish at 2 percent over the last five years, lagging behind the population growth rate currently at 3.2 percent. This is in spite of the fact that Uganda is seen as one of the countries with the highest agricultural potential in East Africa. The agricultural growth is still far below the 6% set in the Comprehensive Africa Agriculture Development Program (CAADP) Compact and the NDP.

Uganda can easily double its current agricultural production through yield enhancing technologies without increasing the acreage. Uganda's agricultural productivity remains very low, due to low input use, poor agricultural infrastructure and inadequate mechanization even when compared to other sub-Saharan African countries. Uganda has hardly applied any of the "green revolution technologies" such as use of fertilizers, improved seed, mechanization and irrigation. Uganda has the lowest utilization of inorganic fertilizers in Africa, at only 1.0 kg per hectare (Africa average is 9.0 kg per ha); only 13% of the cropped area was planted with commercial (improved) seeds in 2008/9 as compared to 22 % for Sub-Saharan and 80% in Asia ; has fewer tractors today (2,500 tractors) than it had 30 years ago (4,200 tractors) and animal traction remains restricted in only a few parts of the country; and despite abundant rainfall and vast water bodies (rivers and lakes), farmers are unable to manage and utilize the water resources for agricultural production due to poor irrigation infrastructure and poor water management. Uganda already uses 80% of its arable land.

The East African and COMESA regional markets offer greater opportunities for Uganda to exploit its agricultural potential. In the case of maize, Uganda services less than 20% of the agricultural market needs of Kenya and South Sudan and can obviously do much better taking into account its comparative advantage. The average value of maize imports for Kenya and Tanzania is about US $133 million per year of which Uganda exported US$26 million in 2011.

Uganda prepared and adopted its Agricultural Sector Development Strategy and Investment Plan (DSIP) and its CAADP compact in 2010, mainly as a framework requiring detailed implementation plans for operationalization. To-date, only two sub-programs out of 22 are 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 this project.

Action Plans for DSIP Operationalization form a good foundation in reaching the governmental priority of increasing national and regional 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) are targeting increase of agricultural exports to the East African Market and COMESA as strategic intervention for macro-economic stability. It is envisaged that this will enhance the balance of trade, create employment and increase household incomes of the smallholder farmers.

Relationship to CAS

The proposed project contributes to CAS outcome 1.3 of increased productivity and commercialization of agriculture. In addition, the project also contributes to CAS outcome 1.4 of increased efficiency and sustainability of natural resource management through harnessing water for agricultural production and promoting practices for sustainable productivity.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The PDO is to raise the quantity and quality of agricultural productivity and production to meet both unmet domestic demand and to expand exports to the EAC and COMESA. This will be achieved through increased productivity, value addition and export rates of selected commodities, namely maize, beans, rice and cassava. This is in line with the government objective of focusing on increasing food exports to East Africa, rather than focusing on exclusively on those commodities which cannot simultaneously contribute to national food security, such as tea and coffee. Selected commodities are those that figure highest in Government’s own strategy and are the major internationally traded food crops grown by Uganda. While bananas are one of the most important food crop for Uganda, its consumption is mostly domestic.

Key Results (From PCN)

Progress towards this objective will be measured by the following key results/performance indicators:

- Production and productivity levels of selected commodities (maize, rice, beans and cassava) in the targeted clusters;
- Percentage of selected value chain produce traded and exported through the formal channels

III. Preliminary Description

Concept Description

Twelve (12) production clusters will be established for selected strategic commodities as growth poles within targeted agro-ecological zones. The cluster approach enhances delivery of essential services, exploitation of economies of scale, development of required infrastructure, bulking of produce, agro-processing and reduction of transaction costs. A commodity cluster will be a coherent area comprising of 2-3 districts. The project will target maize, beans, rice and cassava as strategic commodities for consumption and for export to the regional markets.

Through a value-chain approach, the project will support access to and utilization of yield enhancing technologies (improved seeds, fertilizers, mechanization and water for agricultural production) as well as infrastructure for marketing and value addition. Regulations and standards will have to be developed and enforced for an effective participation of the private sector and for meeting market requirements. A policy environment, conducive for enabling private sector investment including opportunities for Public-Private Partnerships (PPPs) is essential for the success of the project.

The project will comprise of the following components:

Component 1: Irrigation and Infrastructure (US$82 million, IDA funding: US$82 million). The objective of this component is to better manage the water resources for increased productivity of the selected commodities within the clusters and for increased access to farms through feeder roads.
Irrigation (US$50 million): Five irrigation schemes will be developed, totaling 5000 hectares, including the road network and other amenities required for the irrigation infrastructure. This investment will triple the current hectares of land under irrigation in Uganda, which is currently at 2225 hectares. Development of these schemes will mainly entail excavation of valley tanks and ponds for water harvesting and storage for supplementary irrigation. It will also involve construction of distribution channels in the new schemes. For the existing schemes, the project will entail expansion of the main and distribution channels.
Sustainable mechanization (US$5 million): The project would support the increase in the use of labor-saving technologies, including appropriate mechanization of production (conservation farming), value addition and other farm management related operations.
Feeder roads (US$27 million): The project will provide investment for 3600 km of farm access and feeder roads to specific production clusters, being 100 km per district, including provisions for culverts and small bridges.

Component 2: Access to inputs: Quality seeds, planting materials and fertilizers (US$28 million;

IDA funding: US$28million). The objective of this component is to increase access to and utilization of improved seeds and fertilizers for increased sustainable productivity and production of the selected commodities.
Public regulatory functions and enabling environment: Strengthening the policy environment and public regulatory functions and standards for: (i) seeds and planting materials; (ii) fertilizer and other agricultural inputs; and (iii) sustainable and safe labor saving technologies including strategy for sustainable farm mechanization and agricultural engineering.
With regard to seeds and planting material, the project will work with other development partners to support the development of Uganda's seed industry..
With regard to fertilizer, the project will promote integrated soil fertility management, including the use of organic and inorganic fertilizers at reduced costs. Key interventions will include: (i) increasing offer of input supply through public-private partnerships promoting bulk procurement, exchange risk management and strengthening the technical and business capac ities of the agro-dealer network; and (ii) increasing farmers demand for inputs. Most farmers, regardless of scale, are currently on open pollinated varieties (OPV) and cultivate under rain-fed agriculture without fertilizers.

Component 3: Market Linkages, Post-harvest Loss Reduction, and Agro-processing (US$30 million, IDA funding: US$30 million). The objective of this component is to ensure the necessary linkages in the upstream and downstream of production for increasing the value, quality and quantity of agricultural products sold in the regional markets.
Strengthened market linkages and value addition will be promoted by building forward and backward linkages in the respective value chains, coupled with the necessary investment in facilities, including marketing and agro-processing facilities, cluster coordination and information systems. Key interventions for improved market linkages will include: (i) Creation of a network of warehouses and feeder stores within the clusters, in support to Uganda Commodity Exchange operations. These will include commodity exchanges in 9 clusters (for maize and beans clusters), each with a capacity of 5000 metric tons, with handling, cleaning, drying, grading and trading facilities; 27 feeder warehouses to be co-funded through provision of buildings and run by cooperative societies. (ii) Cassava processing facilities: 50 primary cooperative societies will be provided with the required set of mechanical chipper, grater, press, flash drier and a hammer mill for producing high quality cassava for consumption and for satisfying the existing high industrial demand, as well as technical support and quality inspection and assurance.

Component 4: Stakeholder Coordination and Project Management (US$10 million, IDA funding: US$10 million). The objective of this component is to: (i) improve on the existing policies and regulations of direct relevance to this project; and (ii) ensure project management and coordination.
Industry and sector coordination: The project will aim to establish an active coordination in the inputs and marketing sectors, among key stakeholders (farmers' groups and organizations, input companies, input wholesalers and retailers, processors and traders, commercial banks, other private sector bodies, central government, local government, parastatals and development partners intervening in the sector) especially at the district and cluster levels. This coordination will be critical for the success of the project.

Project management and coordination will include the following functions: (i) Project administration and coordination; (ii) Procurement; (iii) Financial management; (iv) Monitoring and evaluation; and (v) Governance and Anti-Corruption (GAC) action plan. Implementation will involve a mixture of modalities depending on mandate, including PPPs where appropriate.

Project cost and financing: The overall public sector cost of the project is estimated at US$150 million to be funded from IDA finance.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	150.00	Total Bank Financing:	150.00
Total Cofinancing:		Financing Gap:	0.00

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	150.00
Total	150.00

VI. Contact point

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