

Diagnostic Facility for Shared Growth (DFSG) Fourth Call

Uganda: Agricultural Transformation for Inclusive Growth

1. Consistency with DFSG objectives:

The proposed work “Agricultural Transformation for Inclusive growth” is one of the components of an AFTP2-led ESW on “Uganda: Making Growth More Inclusive” which seeks to provide insights on an appropriate response to concerns over the slow pace of structural transformation and inclusiveness of growth. The key objective of this component of the proposed analytical work is to provide a better understanding of the agricultural sector and how it could transform to make growth higher and more inclusive. The work seeks to analyze the trends and spatial differences in the agricultural production and productivity structure, natural endowments, access to markets and utilization of potential, on one hand. On the other, it intends to assess plausible paths of transformation of the sector for a more inclusive growth process, including the focus of GOU’s policy on large scale versus small holder agriculture as the preferred mode for commercialization of agriculture in Uganda. To inform the overall economic transformation and integration strategy of the country, this analysis will particularly make a systematic inquiry to (a) identify the factors required to accelerate structural transformation in this sector; (b) provide better understanding of how the product markets and factor markets (land, capital and labor) function and evolve, in terms of fluidity - of the costs of transactions; and (c) identify the agricultural investments in the North, the poorest region of the country and now recovering from civil conflict, to maximize growth and poverty reduction.

The overall objective of the proposed analytical work is directly linked to the objective of the DFSG of improving understanding of broad-based growth and supporting our clients to formulate policies that generate broad-based growth across sectors, and inclusive of the large part of a country’s labor force. Understanding the performance of agricultural sector in Uganda is critical in informing the constraints to inclusiveness of overall growth in the country. This is because, agriculture still employs over 75% of the labor force, is a base for industrialization if Uganda is to build its industries following its comparative advantage in agriculture, and so far remains the main source for Uganda’s exports.

2. Technical soundness and originality:

Methodology - The analytical work builds on the WDR 2009 on Reshaping Economic Geography as the overall framework to examine the sectoral and spatial transformations needed to promote integration and growth. Nonetheless, in-depth analysis of the agricultural sector will take into account insights provided by the WDR 2008 Agriculture for Development. To better understand performance of the agricultural sector, including plausible path of transformation, and the rigidities in the factor markets with the sector, this analysis will employ a combination of a CGE model as well as farm-level and value chain analyses for selected products. Spatial analysis of crop production and productivity to analyze spatial differences in natural endowments, market

access and exploitation of potential will inform the key question of the constraints prohibiting mobility of factors of production (land, labor and capital), and the products.

Data - The analysis intends to use a range of micro data, key being the Agricultural Census, and Livestock Census (2009), which is the first comprehensive source of data for sector since the early 1960s. In addition, a series of Household Surveys (1992/3-2005/6) and the National Service Delivery Surveys (2004 and 2008), and various data sets that have been generated by researchers including IFPRI, EPRC, and a rural data generating firm Uganda Applab, will be used. Spatial analysis will draw on GIS data on agro-ecological zones and crop production potentials by Food and Agriculture Organization (FAO) and the International Institute for Applied Systems Analysis (IASSA), GIS data on crop production from the IFPRI spatial crop allocation model (SPAM), the UNEP data on road infrastructure, the National Agriculture Advisory Services (NAADS) and the REPEAT panel survey data.

All data is available, except for the agricultural census, which UBOS says promises will be completed and available by March 2010.

3. Relevance to country priorities:

The analytical work is part of an ESW on shared growth in Uganda, which in part of the 2010-2011 work program. While the work responds to governments concerns for slow pace of structural adjustments and inclusiveness of growth in the country, it is identified as one of the key AAAs to inform the CAS implementation as it improves clarity on the agricultural sector, which is one of the pillars of the CAS.

Government of Uganda is completing its National Development Plan 2010/11-2014/15 (NDP), which is to form the new PRSP. This work will inform its implementation, but a specific objective is to inform the midterm review process of the NDP, expected mid-2012.

The new NDP comes at the height of concerns about low level of structural transformation and inequality of income & living standards amidst Uganda's relatively high growth rates. In recent past, government has adopted new agricultural policies and programs to raise the incomes of the households, raise agricultural productivity through provision of inputs, promote industrialization through agro-processing and value addition, and absorb the fast growing labor force. Yet, the appropriateness of these interventions remain questionable if key questions remained unanswered on: (i) Performance and evolution of structure of the agricultural sector, including contribution of factor (land and labour) productivity versus changes in intensity of use of factors of production; (ii) How agriculture can work better for inclusive growth and structural transformation, which in turn will support rural incomes and poverty reduction. Addressing these questions would greatly be useful in formulating policies for the agricultural sector, and for a more inclusive growth strategy for the country, at large.

4. Knowledge sharing, dissemination and capacity building plan:

By using both international and local consultants, dialoguing on results with local technocrats and sector experts, this work will be carried out in a way that strengthens domestic capacity. Close collaboration has already been established with local think-tanks including EPRC, NGOs

forum, and ACODE, whose executive director is peer reviewing the overall ESW. on Making Growth More Inclusive in Uganda. The dissemination plan envisages sharing of results of specific analysis with stakeholders in as work progresses. . Issues identified in the course of the work discussion with Government will be incorporated, where possible, by specific policy notes/mimeos summarizing findings from each component of the work and responding to client needs in the interim period. This client-focused approach intends to build momentum behind inclusive economic growth work within Government well in advance of final delivery of the report, and to ensure timely support to the authorities in their planned policy review documents. The findings from this component will be part of a full report on Uganda: Selected Issues in Inclusive Development” to be produced in hard copies and on soft media, both in Uganda and elsewhere.

5. Client and donor engagement:

In line with the partnership principles, the Bank team has closely collaborated with GOU officials involved in steering this inclusive growth analytics. The principal counterparts are the Ministry of Finance, Planning and Economic Development; and Ministry of Agriculture. Regular consultations and collaboration will continue with the primary stakeholders, in particular the principal counterparts, but also with the ministries for trade and industry, labour, education; and with the National Planning Authority. Collaboration is also on-going with development partners, in particular DFID, who have shown interest in advancing the shared growth agenda in Uganda.