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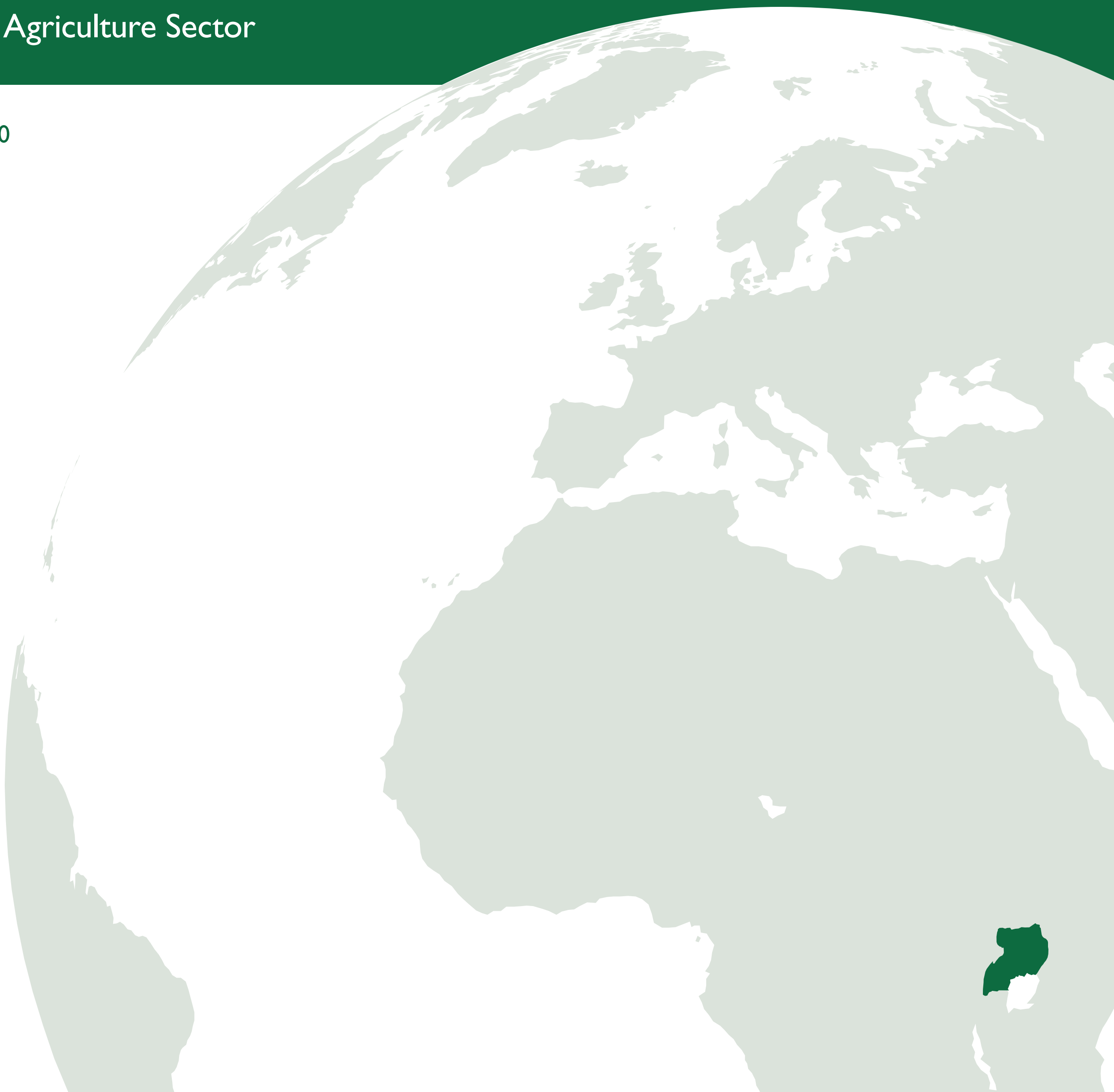
BIZCLIR Business Climate Legal & Institutional Reform

AgCLIR: UGANDA

Commercial Legal and Institutional Reform in Uganda's Agriculture Sector

September 2010



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AgCLIR: UGANDA

Commercial Legal and Institutional Reform in Uganda's Agriculture Sector

AGENDA FOR ACTION

August 2010

CONTENTS

INTRODUCTION

This Agriculture-Commercial Legal and Institutional Reform (AgCLIR) report addresses the conditions and opportunities for doing business in Uganda's agriculture sector, as well as key issues pertaining to the availability of, access to, and stability of the country's food supply. Through close examination of the relevant laws, institutions, and social dynamics, this report aims to inform the assistance decisions of the United States Agency for International Development (USAID) and other donors in the area of agricultural development and food security in Uganda. This report also provides insights and recommendations for government officials, private sector representatives, and other stakeholders who are directly involved with the agriculture sector and food security. Specific recommendations are set forth in the final chapter of this report.

This AgCLIR report should be regarded as a sector-specific extension of a USAID-sponsored Business Climate Legal and Institutional Reform (BizCLIR) diagnostic in Uganda, the report for which was issued in December 2008 (and is hereinafter referred to as the "2008 BizCLIR report").[1] That report set forth a variety of recommendations pertaining to the potential of Uganda's agricultural resources, as well as for strengthening the environment for other sectors such as services and manufacturing. This report also converges at certain key points with the USAID-sponsored Health Business Climate Institutional Reform Assessment (HealthCLIR) issued in January 2010.[2] Because most of the recommendations in the 2008 BizCLIR report and 2010 HealthCLIR report remain pertinent, they should be revisited, prioritized, and implemented in conjunction with this report's agriculture and food-security–oriented recommendations.

The Uganda AgCLIR assessment was designed to address issues of agricultural growth through the lens of the U.S. government's Global Heath and Food Security Initiative (GHFSI): Feed the Future. Feed the Future in Uganda aims to align U.S. government support with the government of **Uganda's Development Strategy and Investment Plan**, which has been developed as part of the **Comprehensive Africa Agriculture Development Program (CAADP)** process. Both the Development Strategy and Investment Plan and the Uganda Feed the Future strategy emphasize the importance of sustainable growth in the agriculture sector and improved nutritional status for Uganda's citizens. Both plans call for action to improve the policy and regulatory environment for agriculture and increase the institutional capacity for reform and policy implementation in order to increase investment and trade in the sector. This report examines the issues through the traditional commercial, legal, and institutional reform (CLIR) framework but aligns key recommendations to the Feed the Future Results Framework.[3]

AGRICULTURE IN UGANDA: THE IMPERATIVES OF RAPID GROWTH

Uganda is in a race with time. The country's rate of population growth, at 3.23 percent, is the fourth fastest in the world, and, with nearly 49 percent of its population under the age of 14, it is the second-youngest country in the world.[4] Uganda's population of over 30 million (nearly

1 USAID/BizCLIR, *Uganda's Agenda for Action* (December 2008), available at http://www.bizclir.com/cs/countries/africa/Uganda/overview.
2 USAID/BizCIIR, *HealthCLIR: Uganda* (January 2010), available at http://www.bizclir.com/galleries/country-assessments/Uganda_Health.pdf.
3 See USAID's Web site on food security at www.feedthefuture.gov.
4 Unless identified otherwise, statistics cited in this report are drawn from a number of sources, including various United Nations and World Bank publications, the CIA's online *World Factbook* (2009), and the *Economist's Pocket World in Figures* (2010). Most of these statistics are themselves derived from Uganda's Bureau of Statistics. Given limitations in domestic information gathering in most developing environments, most figures cannot be said to be exact, but they do represent best estimates as accepted by the international community.

twice its size in 1991) is on pace to increase by 17 percent by 2015 and 50 percent by 2023. Under these circumstances, current levels of food production are inadequate to meet the needs of such a population. Notwithstanding a generation of government, donor, and non-governmental organization (NGO) efforts to improve production, Ugandan farmers still use the lowest amount of improved inputs and still have the lowest yields in East Africa.

Around three quarters of Uganda's workforce is engaged in agriculture, including the growing, processing, transport, and marketing of food and other goods produced through farming and forestry. This activity includes the vast majority of the country's women, who, on the one hand, are vital to the country's food chain, and yet, on the other, are substantially neglected as a meaningful resource for future growth and leadership. Unlike the mindset of the country's service and manufacturing sectors, which have seen rapid gains in recent years, only a minority of Ugandans who work in agriculture regards the sector as a "business." Rather, agriculture is widely perceived as legitimately "holding out" from the modern influences of knowledge and management that could otherwise make the country more productive, more food secure, healthier, and more prosperous.

WORLD BANK *DOING BUSINESS* CATEGORIES

	2010	2009	Change
Doing Business Overall			
(183 countries surveyed)	112	106	-6
Starting a Business	129	129	0
Dealing with Licenses	84	80	-4
Employing Workers	7	8	+1
Registering Property	149	156	+7
Getting Credit	113	109	-4
Protecting Investors	132	127	-5
Paying Taxes	66	71	+5
Trading Across Borders	145	145	0
Enforcing Contracts	116	118	+2
Closing a Business	53	53	0

Uganda's persistent economic poverty belies its prospective wealth. The country has abundant natural resources (it shares one of the world's largest lakes), shared regional and international languages, and diminishing trade barriers in its regional markets. It is the world's 10th-largest coffee producer and enjoys a relatively stable and predictable environment for investment. Uganda's currency is relatively sound, inflation has been under control for most of this decade, and the international financial crisis has slowed growth but not wreaked the same havoc as elsewhere. At the same time, however, the country's particular vulnerabilities are attributable to certain basic issues. Fundamentally, its rates of illiteracy are too high, with a full quarter of the population unable to read and write. Its infrastructure, particularly in the agriculture sector, is entirely inadequate. And Uganda's educated populace, finding that opportunities in Uganda are too few, departs the country to seek employment elsewhere at rates that are among the highest in the world.

This report examines the environment for strengthening the agriculture sector in Uganda and identifies opportunities that can help the country seize the momentum toward full food security. Growth in the productivity of the country's farms can increase incomes, enhance health, and improve livelihoods, permitting more citizens to turn to skilled labor, entrepreneurship, and other productive sectors as the source of their livelihoods. But even as a lower proportion of Ugandans works directly in agriculture, the sector can serve as a much stronger and more efficient source of food security and driver of economic growth. To the extent that conditions for "doing business" in the agriculture sector are undergoing reforms—that is, for the pursuit of economic activity arising chiefly from domestic production of food and other agricultural resources—the country will experience greater productivity, entrepreneurial opportunity, and wealth creation, all of which drive long-term food security.

AgCLIR: A TOOL FOR ENGAGING THE AGRICULTURAL SECTOR AND PROMOTING FOOD SECURITY

In 2007, incorporating lessons learned from its first-generation legal, institutional, and trade diagnostic tool called CLIR, USAID sponsored the redesign of its methodology through its Business Climate Legal and Institutional Reform (BizCLIR) project.[5] USAID designed BizCLIR's areas of focus to align generally with the structure of the World Bank's influential *Doing Business* country reports.[6]

Since 2002, *Doing Business* has assisted countries in targeting where their regulatory environments may favor or interfere with economic growth. For each of the 10 topics the reports cover,[7] the World Bank considers key indicia of whether and how the environment for doing business is "working," measured by such means as the number of procedures involved in achieving a goal (e.g., enforcing a contract), the number of days it takes, and the costs of the procedures in relation to per capita income. The World Bank now gathers data from 183 countries and ranks each, thereby demonstrating how their respective regulatory environments compare to others throughout the world. USAID's BizCLIR initiative takes the same topics and delves far deeper into their respective legal frameworks, implementing and supporting institutions, and social dynamics. That is, while the World Bank delivers a snapshot of the "tip of the iceberg" in 183 countries, BizCLIR subjects the issues covered by *Doing Business* to a far more comprehensive analysis and then reports on the "entire iceberg."

Recognizing that economic growth in many developing countries turns significantly on their agriculture sectors, this diagnostic shifts the BizCLIR focus on business environments generally to the specific and critical issues pertaining to agriculture—hence, the name "AgCLIR." This focus on agriculture stems from a consensus in recent years that gross domestic product (GDP) growth in agriculture produces more than twice the impact in reducing poverty as growth in other sectors.[8] It is also critical to note that economic growth in itself is seldom equitable or sustainable if it is not cognizant of the dangers of income differences in populations and is based on extractive activities that contribute to the destruction of biodiversity and increase climate change. USAID's Feed the Future initiative, which prioritizes increased investment in agriculture and rural development as a lever for combating food insecurity and an engine for broader economic growth, prosperity, and stability, has reinforced this focus.[9] The goal of this diagnostic is to improve understanding of *why* Uganda's agricultural sector functions as it does; *what* policy changes could lead the sector to greater productivity, food security, and economic growth; and *who* among Uganda's economic actors must lead or implement change. This diagnostic has chosen for deeper analysis 7 of the 10 areas of *Doing Business* (it does not cover Getting Credit,

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5 Detailed information about BizCLIR can be found at www.bizclir.com.
6 See generally World Bank, Doing Business 2010 (2009), and accompanying literature at www.DoingBusiness.org.
7 Starting a Business, Dealing with Construction Permits, Employing Workers, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading across Borders, Enforcing Contracts, and Closing a Business.
8 World Bank, "World Bank Calls for Renewed Emphasis on Agriculture for Development," at http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21513382~pagePK:64257043~piPK:437376~theSitePK:4607,00.html.
9 For a full summary of the U.S. government's Feed the Future initiative, see "Feed the Future Guide: A Summary," available at http://www.feedthefuture.gov/FTF_Guide_summary.pdf.

Paying Taxes, or Closing a Business) and also analyzes the state of food insecurity in Uganda and the role of women in Uganda's agriculture sector.

This diagnostic took place June 14–28, 2010. A nine-member team of consultants convened in Uganda and conducted more than 200 interviews across the agriculture sector, including those with national, regional, and local officials; farmers and cooperatives; owners and managers of agricultural enterprises; business associations; NGOs; court representatives; women's organizations; lawyers; accountants; and many others. Interviews and observations took place in and near Bwera, Fort Portal, Gulu, Kampala, Kasese, Lira, and Mityana. The AgCLIR diagnostic culminated in a roundtable presentation and discussion on June 28, 2010, which was attended by at least 75 stakeholders, including several donor representatives. At the roundtable, team members introduced their preliminary observations, upon which participants elaborated and provided feedback. This input helped shape the team's final conclusions, which are found in this report.

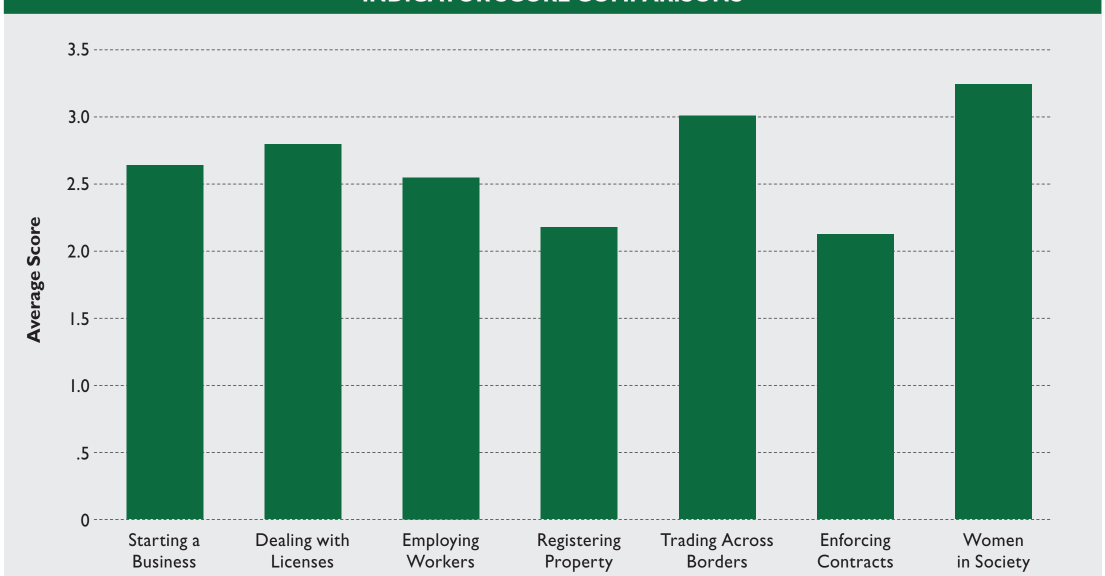
SUMMARY OF FINDINGS

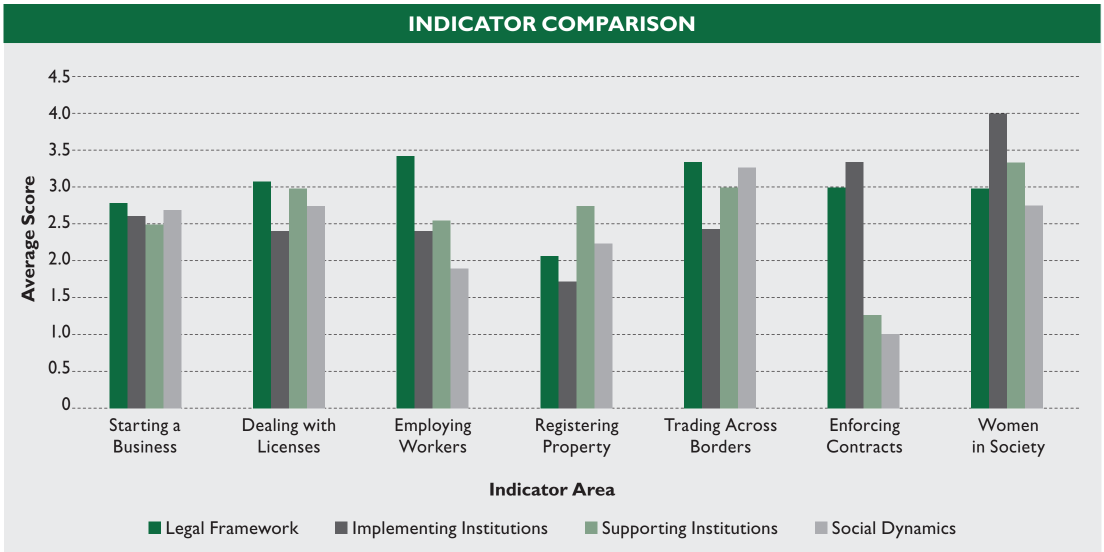
The findings of the nine subject-matter areas examined in this diagnostic are summarized below. Among those areas receiving scores, the highest in the AgCLIR diagnostic—those with the most positive findings—are Trading Across Borders, Protecting Investors, and Dealing with Licenses. The weakest scores—indicating more negative circumstances than positive—emerge from the areas of Enforcing Contracts and Registering Property. Beyond these trends, the key findings are summarized below.

ADDRESSING FOOD INSECURITY

Uganda enjoys greater food security than many countries in eastern and southern Africa. Nevertheless, food insecurity and malnutrition are common. In April 2009, the World Food Program's Comprehensive Food Security and Vulnerability Analysis found that, in April 2009, 6.3 percent of households were food insecure and 21.3 percent were moderately food insecure. *Conflict-related food insecurity* exists mainly in parts of northern Uganda and in Karamoja. *Nutritionally induced food security* appears to be widespread in the north, particularly among the Karamojong, and even in the food-secure southwest regions, and is associated generally with poorer households. *Chronic food insecurity* is not widely prevalent in Uganda, but it arises when individual households lack the cash, labor, or other resources that are required to obtain enough food for adequate nutrition. *Intermittent food*

INDICATOR SCORE COMPARISONS





security is inherent in Uganda's subsistence farming system, which does not produce an excess for sale or storage for the future. Each category of food insecurity warrants different types of interventions. With respect to all of them, disaster preparedness is a priority.

WOMEN IN UGANDAN SOCIETY

While Uganda's constitutions considers women equal and they play a critical role in the agricultural economy, the majority are far from economically empowered. Approximately 70 percent of all smallholder farmers are women, and women are responsible for 70 percent of overall agricultural GDP. Moreover, women are estimated to produce 90 percent of Uganda's total food output and 50 percent of the total cash crop production. Although there is cross-cutting awareness of gender as an economic issue and a government commitment to addressing issues of gender inequality, Uganda lacks the requisite data to identify the gaps, issues, and problems that require remedy. Sex-disaggregated data and gender mainstreaming are critical issues within this demographic. Moreover, the pursuit of education, the choices in higher education, mobility, and the legal framework collectively work against equality for Ugandan women. The prevalence of gender-based violence in Ugandan society is another undercurrent, and the popular notion of "domestic virtue"—which confines most women to traditional roles and extremely high rates of fertility—is a factor hindering women's ability to advance in economic empowerment.

STARTING A BUSINESS

The need to professionalize farming, while more acute today than perhaps 15 years ago, is not new. Yet after a generation of effort by government, donors, and NGOs, Ugandan farmers still use the lowest amount of improved inputs and still have the lowest yields in East Africa, and possibly in Sub-Saharan Africa. Most agricultural businesses remain small and informal, and the cooperative model, after crashing in the early 1990s, has failed to return to its potential as a vehicle for greater efficiency and productivity. If Uganda is to change course—so that it is capable of feeding itself in 15–20 years—then serious actions are required, and youth need to be a part of the solution. Attitudes toward farming need to change from one of "digging" to one of business. Issues particular to the young such as access to land, capital, and know-how must be addressed. There is an urgent need to professionalize the vocation of farming, starting at a young age. Although its mission may be worthy, the Ministry of Agriculture lacks a supportive organizational structure and sufficient qualified staff to serve its constituencies.

DEALING WITH LICENSES

For foreign investors and larger companies, Uganda's environment for dealing with licenses is more a nuisance than an impediment. Obtaining a trading license is a generally straightforward process for large and small enterprises alike, although procedures may vary among municipalities and corruption interferes. There is a great deal of complexity, and varying levels of formality, with respect to the specific licensing environment for individual agricultural products, particularly inputs such as seed and fertilizer. A number of new laws, including a new **Plant Variety Protection Act** and a law pertaining to organic farming, are caught in Uganda's slow pace of legal reform. Once new laws are enacted, the country will need to focus on implementation in a way that serves, rather than constrains, the business environment.

EMPLOYING WORKERS

The vast majority of Uganda's agricultural workforce exists in the informal sector. These workers, approximately 80 percent of the agricultural workforce, toil on family farms, as casual laborers, on a seasonal or piecemeal basis, or as employees in small family businesses of fewer than five dependent employees. Accordingly, the national employment policies have little relevance to them or for them, and the minimum national standards for compliance on wages, hours, safety, and health are rarely met. In larger agribusinesses, however, employment policies are largely understood and relatively enforced, as the few labor inspectors that exist usually target these businesses. Throughout this diagnostic, interviewees underscored the fact that Ugandan youth no longer want to work in agriculture. Most are eager to move to the cities and would rather scrape out meager livings doing odd jobs. The lack of youth interest and involvement in agriculture presents a real problem for the future of Uganda's agricultural workforce. Moreover, rural women in Uganda face particular hardships, including not only discrimination in education and employment opportunity, but also entrenched cultural and legal biases. Most people working in rural Uganda have little understanding of the true family dynamics that determine how they spend their household income and distribute food and workloads within the family.

REGISTERING PROPERTY

Most estimates agree that between 75 and 80 percent of Uganda's land is under customary ownership and is not part of the statutory (formal) legal regime. This condition limits the ability of citizens and foreign investors to fully utilize one of Uganda's most valuable assets. The overlapping categories of land ownership—mailo, leasehold, freehold, and customary—undermine the ability to buy and sell land efficiently or to use it as collateral for further developing property and improving productivity. A well-intentioned effort by the government to amend the **Land Act** to protect tenants only increased tensions between title-holding landlords and their tenants. Moreover, it created uncertainty and increased perceived risks for banks. The political and social dynamics surrounding land ownership are acute and only made more so by the impending 2011 presidential election. Resolution of issues relating to multiple ownership of land under community and statutory regimes will take considerable time, but there should be a window of opportunity immediately after the election.

PROTECTING INVESTORS

Formally, Uganda welcomes all forms of investment. It does not discriminate against businesses conducted or owned by foreign investors or bar 100 percent foreign ownership of agricultural businesses. The country has no recent history of expropriation or nationalization and does not restrict the transfer or repatriation of capital and income earned. Although corruption is a problem, it is not high by regional standards. Uganda ranks 130 on Transparency International's Perception of Corruption Index (2009), while Tanzania ranks 126, Kenya 146, and Burundi and Sudan 168 and 176, respectively. Although there are significant problems with Uganda's company law and its accompanying institutions, most Ugandan businesses, particularly in the agricultural sector, need to address basic good business practices—bookkeeping and management—rather than more complex legal issues of disclosure duties and shareholder protections. Uganda should support and encourage a culture of good business management, which will benefit the broader business community and lay the foundation for more advanced corporate governance practices.

TRADING ACROSS BORDERS

Uganda has made substantial progress in recent years toward creating an environment conducive to domestic and international trade in agricultural products. The trade regime is relatively liberal, and the country has been a strong and cooperative member of regional trade pacts, with the five-member East African Community (EAC) growing in significance. Uganda, an active supporter of regional trade linkages, is a key member of the Common Market for Eastern and Southern Africa (COMESA). In March 2010, Uganda signed the Comprehensive Africa Agriculture Development Program (CAADP) Compact, which tied together its National Development Plan 2010–2015 and its agricultural Development Strategy and Investment Plan processes to create a strong and detailed compact, further demonstrating its ongoing commitment to agricultural development. Notwithstanding important reforms, there remain fundamental constraints to Uganda's food security and the competitiveness of its agricultural enterprises through trade. These include limited access to land, water, skilled labor, markets, and infrastructure, each undercutting a productive agricultural sector. Moreover, the agricultural trade industry feels that it needs a more direct and established forum with the government to discuss trade policy and facilitation and the use of government funds for these purposes. Uganda's upcoming policy decisions pertaining to the EAC's Common Market Initiative heighten the need for and potential benefit of such a forum.

ENFORCING CONTRACTS

Uganda's agricultural sector does not generally support the use and effective enforcement of contracts. With the high costs of enforcing claims—at almost half the value of the claim—very few people try to enforce their contracts, even when such contracts are actually in force. With a costly and drawn-out process for gaining justice, it is not surprising that Ugandan agricultural businesspeople and farmers rarely enter into written contracts.

CROSS-CUTTING THEMES

This diagnostic is organized so that various components of a healthy and prosperous environment for agricultural enterprise are considered both discretely and in relation to each other where appropriate. Certain issues and dynamics are so prevalent across this analytical framework that they warrant special mention. These cross-cutting themes are discussed in turn.

DOMESTIC, REGIONAL AND INTERNATIONAL OPPORTUNITIES IN TRADE

Domestically, regionally, and in markets beyond Africa, Uganda has many opportunities to increase its trade in agricultural goods with the results of a strengthened trade balance and greater food security. In recent years (and as detailed in the 2008 BizCLIR report), the country has taken significant measures toward strengthening its trade policy and its facilitation of trade in both the import and the export processes. Implementation of a customs management system based on modern systems of information technology has driven process simplification and standardization. Delays at the borders and at the customs processing centers have been reduced. Efforts to fully implement a regional customs union have increased harmonization and facilitation of regional customs practices, resulting in a greater predictability for the trader.

Although such efforts have strengthened the environment for trade, this diagnostic finds the need for greater understanding of and commitment to trade in the agricultural sector. For example,

TRADE-OFFS IN RESOURCE ALLOCATION: SMALL FARMERS VERSUS SMALL TRADERS

In an ideal world, resources would be applied to the development of both small-scale farmers and small traders. However, given inevitable limitations, it is realistic to consider the trade-offs between the development of one group or the other. The purpose in either case is to move closer toward a perfect market situation, where no one player is able to profit beyond the extent of the value that he or she adds to a given commodity. Under current circumstances, issues of asymmetric information, limited storage capacity, and limited finance restrict the capacity of farmers to achieve a fair market price for their goods, while a limited number of traders are able to capitalize on this imbalance, making windfall profits. It is reasonable and indeed essential that this balance be redressed by increasing the availability of all three (information, storage, and finance) to farmers. However, it is not essential that the rebalancing should always be done through the mobilization of farmers themselves. It is equally possible to make these aspects of the market available as services. Farmers must reach a reasonable scale (either individually or within groups) and a reasonable level of business acumen to take advantage of market information, storage management, and access to adequate and commercial financial services. Traders can also provide these services, perhaps more profitably and efficiently in environments where farmer groups lack sufficient scale and know-how to provide these services among themselves, or can contract these services out to third-party service providers.

Farmers can benefit from access to all three services—information, storage, and finance—but farmers will also benefit if traders too have access to these services. The key question is, Do farmers in Uganda suffer more from lack of access to information, storage facilities, or finance than they do from lack of access to a competitive market for their produce? Uganda seems to have very little competition in a weak market, apparently because traders themselves also suffer from a lack of information, finance, and storage capacity, which constitutes a barrier to entry into the market and limits trading to back-to-back purchase and sales.

For this reason, the development of a competitive trading sector and the development of farmers' marketing capacity should receive equal resources and attention. In more developed markets, traders are well represented, fulfilling a role that depends on specific skills and experience and adding value by virtue of their capacity to accumulate, move, and allocate commodities from producers to markets. Although this role is not well fulfilled in Uganda today, farmers can undertake it only at the expense of specialization within the farm-to-market chain. Assisting farmers in marketing their produce can be beneficial, but providing such assistance in the absence of a competitive market would be a waste of resources, while assisting farmers in developing to the point of eroding the trading sector would almost certainly be counterproductive.

domestic markets, enterprises, and cooperatives seeking to expand their trade capacity find limited access to local markets. They typically blame local "traders" for their poor access and for the unsatisfactory prices they receive. Although "middlemen" are indeed able to quash some local competition in trade and otherwise take advantage of weaknesses along the supply chain, they should not be, as a policy matter, viewed as the source of all troubles articulated by Uganda's producers. Rather, the high costs of transactions that make the trader-to-producer relationship seem so imbalanced should receive greater attention. A wide range of risks drives up the costs of domestic trade, including the risk of losing livestock to pervasive cattle and sheep rustling in some regions; the risk of product spoilage due to poor roads, inadequate cold storage facilities, and limited processing of fresh food; and the risk of low prices at market due to an overabundance of certain crops, while alternative crops that might bring in better returns (and more varied sources of nutrition) are not available.

Regionally, Uganda's commitment to more fluid trade, particularly within the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda), has strengthened opportunities for producers seeking to export. Again, however, transaction costs remain too high. In addition to poor roads and weak facilities, a fundamental problem with transporting Ugandan goods to regional markets—one that appears remarkably absent from the regional trade policy agenda—is the overwhelming cost of roadblocks and weigh stations, particularly on the way to Kenya. Time lost in transport presents untold costs in trade opportunity: fresh agricultural goods that might otherwise be suitable for market are vulnerable to loss as a result of these indefensible delays. In addition, although Uganda committed to free trade in services, capital, labor, and goods under the EAC Common Market protocol effective July 1, 2010, national ambivalence over allowing foreigners to do business in the local arena overshadows the opportunities inherent in bringing more skilled labor into Uganda's agricultural sector. Local wariness over Kenyan workers is particularly strong and institutionalized. But if Uganda does not take advantage of regional expertise in agricultural sciences, production, and up-to-date management practices, it misses out on opportunities that can strengthen its role as a regional producer.

With respect to regional and international trade, for each international shipment Ugandan traders must obtain a certificate of origin, which they can obtain only in Kampala. Traders see it as an unnecessary burden: it delays trade and costs traders in time and money to travel to and from Kampala. In addition, various agricultural exports also require food safety certificates that can only be obtained at the Ministry of Agriculture headquarters in Entebbe. The inability to obtain both certificates in the same office (one-stop service) at multiple locations throughout Uganda undermines trade.

To address these and other trade-related issues, agricultural producers and traders report the need for greater and more meaningful communication with government agencies overseeing these areas. They seek the creation of a formal agricultural trade advisory committee, which would regularly inform the government of key concerns and suggestions for change. They also wish for stronger market linkages between producers and export markets. This report details the need for greater support for small-trader operations, including professional warehouse management, access to finance (using grain as collateral, peer lending, larger microfinance loans), and reduced barriers to entry. It also highlights the need for greater support for a food safety certification system for domestic and international trade in agricultural products, along with centralized and electronic issuance of certificates of origin and food safety certificates. These and other recommendations are developed in the body of this report.

AGRICULTURAL PRODUCTIVITY: THE NEED FOR GREATER KNOWLEDGE… AND FOR LAND REFORM

Next, the diagnostic found weaknesses in agricultural production that, in light of the vast amounts of aid dedicated to the country along with development efforts by Ugandan agencies, are particularly surprising. For example, the use of inputs (seeds, fertilizer, pesticides and herbicides, and irrigation) among small farmers remains the lowest in East Africa, and yields for most staples have not changed over the past 15 years.

As one explanation for the persistent problem of low productivity, interviewees noted that Uganda's government extension services lack capacity and that private sector extension is not broad enough to reach enough small farmers to bring about significant change in production. In addition, while Uganda has several universities and vocational schools focused on agriculture, most are relatively weak, and enrollment in technical agricultural areas has dropped in recent years. Large agribusinesses, the Ministry of Agriculture, and the National Agriculture Advisory Development Services complain of a dearth of qualified managerial and technical applicants for vacant positions. Some large agribusinesses claim that they have to source agriculture management–level staff from outside the country as the skills of applicants in Uganda are not sufficient.

In 2008, an AgCLIR diagnostic took place in Ghana, where one professor of agricultural economics summarized a truism for all of Africa:

"Agriculture is no longer a brute-force industry. It is a knowledge-based activity." This notion is critical to understanding the long-term prospects for the vast range of productive activities that take place on the journey from Uganda's farms to its domestic, regional, and international markets. The need for enhanced knowledge and use of knowledge-based tools concerns all points along Uganda's agricultural value chains, including the following:

- Basic education of farm workers, including equal access to education and literacy for girls
- Quality of seed and fertilizer, and proper use of both
- Use of irrigation
- Ability of farmers to enter the formal sector as cooperatives or processing enterprises
- Ability of agricultural enterprises, including farmer associations, to obtain credit and outside investment, as well as to observe and respect written supply contracts
- Management of postharvest loss
- Compliance with quality standards that represent key conditions for export
- Transport of products to markets
- Efficiency of border operations pertaining to agricultural goods
- Prompt and effective resolution of disputes that arise along the value chain
- Understanding of how regional and international institutions, such as the East African Community or the World Trade Organization (WTO), create both opportunities and obligations for Uganda with respect to building its commerce in agriculture

In these areas, knowledge should be fostered and shared. In addition to strengthening the understanding of how to improve productivity among academics and practitioners, this information should be shared at the farm and cooperative levels. While Uganda has made efforts to increase literacy rates and plans to increase Internet penetration by building connectivity infrastructure, low rural literacy and an internet penetration of just 7.7 percent remain. In many cases, information must be spread the "old-fashioned" way—by improved public and private extension services and through local farmer organizations and other local gatherings. Radio, television, and mobile phones are also means of spreading knowledge and information.

Unfortunately, in Uganda, improved productivity is not just a matter of better-informed farmers. The country's crisis in land ownership, which drastically interferes with agricultural productivity, compounds the low productivity stemming from Uganda's shortage of knowledge. As detailed in this report's chapter on registering property, commercial agricultural development requires the availability of suitable land and people's willingness to buy and sell it efficiently. Where these conditions exist, land can be an excellent resource for securing finance to expand agricultural production and nonfarm businesses. Uganda, however, is far from realizing this state of affairs. Most estimates agree that between 75 and 80 percent of land is under customary ownership and is thus not part of the statutory (formal) legal regime. This condition limits the ability of both citizens and foreign investors to utilize fully one of Uganda's most valuable assets.

Increased agricultural productivity would make a tangible difference in the lives of the majority of Ugandans. Increases in productivity can help alleviate poverty simply by feeding and providing greater nutrition to those who make their livings on or around farms. As farms increase their outputs, wages earned by farm workers typically increase. At the same time, food prices decrease, and food supplies become more stable. Furthermore, increased farm productivity affects a country's overall prospects for growth and competitiveness on the agricultural market, for income distribution and savings, and for labor migration. As a country's farms become more productive, its relative advantage in agricultural products increases, which means that it can produce these products at a lower cost than that of other countries. Therefore, the country becomes more competitive on the world market, which means that it can attract more consumers since they are able to buy more of the products offered for the same amount of money. More productive farms are also better candidates for credit and investment. All of these outcomes are desirable for Uganda, and recommendations set forth in this report aim to achieve these outcomes.

INVESTMENT IN AGRICULTURE: ABOUNDING DISINCENTIVES

Uganda has the potential to be an excellent destination for investment. In July 2010, the United Nations Conference on Trade and Development named the country first among 11East African countries for outside investment. In 2009, foreign direct investment amounted to US$799 million (U Sh 1.79 trillion) up from the US$787 million (U Sh 1.45 trillion) the previous year.[10] However, compared to construction, manufacturing, and services, outside investment in agriculture—as well as domestic investment in the sector—is comparatively low. The contribution of agriculture to Uganda's GDP has diminished in recent years, notwithstanding a relatively steady rate of participation in the sector.

With just a few exceptions, agriculture is not considered a safe and growth-oriented opportunity for investment for a number of factors that amount to disincentives to investment, including the following:

- **Chaotic land policy.** As noted, Uganda's confused and contradictory systems of land ownership—born of the country's colonial background and chaotic recent history—make it very difficult for commercial enterprises requiring large tracts of land to make such purchases with security and confidence. This pervasive sense of insecurity thus discourages investments in agricultural projects that might otherwise flourish in Uganda.
- **Weak business practices in local enterprises.** Most Ugandan small and medium enterprises (SMEs), especially in the agricultural sector, lack basic good business practices in bookkeeping and management. Thus, while these enterprises may offer products or opportunities with the potential for growth, they do not attract investors to a degree they otherwise might if their books offered more clarity and overt compliance with law and international best practices.
- **Poor intellectual property protections.** As detailed in this report's chapter on protecting investors, Uganda's Industrial Property law does not cover plant cultivars; legally, these remain in limbo. Uganda also has not passed a Plant Variety Protection Act, although it has committed to doing so as part of its obligations under the WTO Trade-Related Aspects of Intellectual Property Rights agreement. A draft bill on this topic has been before Parliament for nearly a decade but has never passed.[11] Thus, ownership of plant cultivars has no clear legal protection.
- **Inadequate dispute resolution mechanisms.** Ugandans report extensive delays and corruption in the court system, with rural courts considered particularly weak. Few mechanisms support the rule of law in business. Defaults in commercial transactions go largely unpunished, and legal and paralegal specialists in agriculture and trade matters are too few and poorly trained.

In these and other respects—including pertinent policies pertaining to employment, licensing, and trade—the agricultural sector in Uganda presents high risks and challenges to potential investors. Costs of doing business can be difficult to judge, especially for foreign investors. Ministers and other public sector officials sometimes change without warning, resulting in a loss of efficiency and a need for new relationships and knowledge to be developed. Finally, while Uganda has been politically stable for some time, the upcoming elections of spring

10 UNCTAD, *World Investment Report* (July 22, 2010).

11 For a discussion of the history and current status of the draft law, see Ronald Naluwairo and Edgar Tabaro, "In Defense of Farmers and Community Rights: A Commentary on Uganda's Plant Protection Bill," ACODE Policy Briefing Paper 21 (2010), available at http://www.acode-u.org/documents/PBP_21.pdf.

2011—particularly combined with the referendum on independence for South Sudan, which will take place almost at the same time—inject an element of political uncertainty.

THE UNINTENDED CONSEQUENCES OF OUTSIDE INTERVENTIONS

These days, the sense is pervasive in Uganda is that many of the responsibilities for supporting the agricultural sector have been handed over to donors, that the government lacks capacity to deliver sustainable reforms in agriculture, and that, in many respects, private sector actors have not assumed good habits of doing things for themselves. Deep in the country's rural areas is the heavy presence of multilateral and bilateral donor-sponsored organizations that underwrite a wide variety of assistance programs for stakeholders in the agricultural sector, including farmers, farmer associations, and small and midsize agricultural enterprises. In addition, broad, multiagency support funded by donors is based in Kampala.

Against that backdrop, this diagnostic found that both public and private institutions have been inclined to surrender their responsibility for providing support and service to the agricultural sector, relying instead on donors to get the job done. For example, the World Food Programme (WFP) regularly purchases more than half the grain in Uganda's market. The role of the WFP in the grain market and the institutions that it has established and supported (including the Ugandan Commodity Exchange and the licensed warehouses) are semipermanent and benefit the agricultural sector overall. However, the commercial traders complain that these are top-down initiatives reflect WFP needs and standards and effectively crowd out private sector initiatives in some areas. Moreover, unless WFP can be consistent in its purchase volumes, it will not provide clear price signals to growers and will contribute to the continuation of subsistence farming.

Similarly, the expectation of donor support means that associations that ought to function independently have lost that inclination. For example, the Federation of Ugandan Employers includes the largest companies and associations operating in Uganda. The federation advises members on labor issues, on how to work with and negotiate with unions, and on human resources management. It also informs members about relevant workplace policies, including HIV/AIDS, gender, and health and safety standards. It has 368 corporate members and 22 apex sector associations. Although members pay fees to belong, these do not cover the costs of the federation's various functions. The organization relies on donor funding to sustain its operations. It is not unique in ceding the effort to build a sustainable business model to the ready availability of donor support.

Similarly, with respect to food security, this diagnostic found minimal capacity for grassroots advocacy. While group formation in the agricultural sector is commonplace, it appears to have been driven by a long history of donor and government initiatives that provided assistance to groups and hence promoted the recurrent formation of groups that generally collapsed once the assistance was withdrawn. Some groups have received support from many different initiatives and now have "lives" of their own, but few appear to be driven by the common needs of the members. In the development of a rural economy, it is important that different sectors be able to voice their needs to local and national government. That voice is largely silent, and although forums for dialogue do exist, they are government driven and largely ad hoc rather than provided for by regulation.

Although most stakeholders welcome the support of donors, they can, in long run, be harmed by over-intervention. For example, when donor money is plentiful, the tendency is to "farm projects" rather than land. If new funds can reliably be expected to come along every three to five years, each one based on a new agricultural direction, an understandable tendency develops on the part of farmers and their associations to split their attention between maximizing earnings from their land and maximizing income from grants and program support. This dual-track strategy leads to conflict, which in turn leads to deemphasis on the production dimension in favor of the donor dimension. Dependence on donor support can result in the development of capacity that cannot be sustained when support is withdrawn.

THE SCORE AWARDED TO *INDICATORS* FOR EACH CHAPTER ALIGNS WITH THE FOLLOWING CONCLUSIONS:
1 = strong negative
2 = moderate negative
3 = neutral (or having some negative and some positive qualities)
4 = moderate positive
5 = strong positive

HOW THIS REPORT IS STRUCTURED

This report begins with an analysis of the food security situation in Uganda, which is followed by a discussion of the role women play in Uganda's agricultural sector. Against the backdrop of these two key issues, the following seven chapters delve deeper into issues covered in the annual *Doing Business* reports: Starting a Business, Dealing with Licenses, Employing Workers, Registering Property, Protecting Investors, Trading Across Borders, and Enforcing Contracts. Following an introduction, each of these subject-specific chapters has four substantive sections:

LEGAL FRAMEWORK

The chapters first examine Uganda's laws and regulations that serve as the structural basis for the country's ability to achieve and sustain market-based development in the agricultural sector. They discuss the following questions: How accessible is the law, not only to elite, well-informed groups, but also to less-sophisticated actors, rural constituencies, or foreign investors? How clear are the laws, and how closely do existing laws reflect emerging global standards? How well do the laws respond to commercial realities that agricultural sector stakeholders face? What inconsistencies or gaps are present in the legal framework? This section examines both laws and regulations that apply throughout the economy and additional laws and regulations that underpin the agricultural sector specifically.

IMPLEMENTING INSTITUTIONS

Next, the chapters examine institutions that hold primary responsibility for implementation of agriculture-related policy and enforcement of the legal framework. These institutions include government ministries, authorities, and registries and, in certain cases, private institutions such as banks and credit bureaus. In addition, the chapters examine courts with respect to their effectiveness in addressing disputes that arise in the agricultural sector. Again, the indicators seek to uncover how these implementing institutions function not merely with respect to mainstream business interests in the capital but also in rural areas and agriculture-based communities.

SUPPORTING INSTITUTIONS

The chapters then look closely at those organizations, individuals, or activities without which the agricultural sector in Uganda cannot fully develop. Examples include farmer associations and cooperatives, rural banks, professional associations, agriculture and other university faculties, and donors. The chapters examine relative awareness of law and practice on the part of each institution, along with the specific ways in which these institutions increase public and professional awareness, work to improve the economic performance, and otherwise serve their constituencies.

SOCIAL DYNAMICS

As the final point of analysis, the chapters discuss key issues that harm the environment for growth in the agricultural sector. The chapters consider roadblocks to reform, in particular, entities that may be undermining change. This discussion also identifies significant opportunities for bolstering the environment for agricultural enterprise, such as champions of reform or regional initiatives, as well as matters of access to opportunity and formal institutions. Social dynamics also concern such important matters as gender, human capacity, and public health, each of which may have a significant bearing on how the business environment truly functions. Indeed, often a full understanding of legal and institutional issues requires a nuanced consideration of a country's social dynamics.

Following the chapters containing the four-part subject matter analysis, this report includes a chapter dedicated to practical programming recommendations. These recommendations are drawn from the key findings in each chapter and reflect current reform capacities, opportunities, and evidence of the will to reform. Some of the recommendations reflect a consolidation into a single reform initiative of two or more AgCLIR topics. All recommendations turn on the priorities and preferences as enunciated by the Ugandan government. The recommendations in this report are intended to serve, among other functions, as a threshold list for donor coordination of immediate initiatives and preparation of scopes of work.

With respect to most areas of inquiry, this diagnostic uses a process of reviewing and scoring key indicators to develop a thorough analysis. Once as much relevant information as possible is gathered—from written sources, meetings and interviews, and consultation among colleagues—each assessor scored the key indicators based on the assessor's best estimate of the issue. To help an assessor determine a score, between 3 and 15 supporting questions accompanied each key indicator. These questions themselves are not scored but are intended to guide the assessor toward a consistent, fact-based judgment from which the key indicator score is then derived.

The scores are not intended to serve as a standalone, quantitative pronouncement on the state of affairs in Uganda. Rather, they should be read in conjunction with this report's narrative as a means of understanding the status of certain key indicators of a healthy legal and institutional environment for agricultural enterprise and for identifying priorities for reform.

ADDRESSING FOOD INSECURITY

Uganda enjoys greater food security than many countries in eastern and southern Africa. Nevertheless, food insecurity and malnutrition are common. In April 2009, the World Food Programme's Comprehensive Food Security and Vulnerability Analysis found that 6.3 percent of Ugandan households were food insecure and that 21.3 percent were moderately food insecure. Where food insecurity does occur, it can be classified as one of four types:

- **Conflict-related food insecurity,** generally found among displaced communities but also occurring among residents in conflict areas.
- **Nutrition-, sanitation-, or household dynamics–induced food insecurity,** which results in the inefficient use of food, even when it is both available and accessible to a household.
- **Chronic food insecurity,** generally caused by an inability to source food even when it is available within the area and found mainly among the poor and destitute sections of the community.
- **Intermittent food insecurity,** occurring among normally food-secure sections of the community when food production fails because of occasional events such as flood, pests, drought, or other natural disasters and when coping mechanisms are inadequate to maintain a sufficient diet.

This chapter discusses the nature and extent of each type of food insecurity within Uganda, including consideration of how each relates to the four perspectives of an AgCLIR diagnostic: legal framework, implementing institutions, supporting institutions, and social dynamics. The chapter concludes with an overview of disaster preparedness in Uganda.

CONFLICT-RELATED FOOD INSECURITY

OVERVIEW

When people live amid conflict, including armed conflict, civil disputes, and banditry, food insecurity results. Conflict-related food insecurity exists primarily in parts of northern Uganda and in Karamoja.

In northern Uganda, conflict associated with the Lord's Resistance Army has displaced communities. The displacement has resulted in loss of land and cattle and, in some cases, loss of the skills required to grow crops and raise cattle for productive effect. The food insecurity that results from these conditions requires not only immediate humanitarian response but also a developmental solution. Because conflict has ceased in these areas, communities may return to their lands or obtain new land for cultivation and acquire and breed new livestock. A number of ongoing development programs are designed to support these goals. However, some communities include a significant proportion of youth who have grown up in camps and have never learned the farming skills required to survive in a stable agro-pastoral environment. These people require not only assistance in asset-building but also training in basic farming principles.

In Karamoja, ongoing conflict associated with the theft of cattle has resulted in the effective displacement of some pastoralists. Cattle rustling has been a constant aspect of pastoral existence in the area, but its effect on household security has multiplied exponentially since 1979, when Idi Amin's army vacated the area, leaving behind large caches of weapons that the Karamojong seized. Security in the area has since degenerated to the point of complete lawlessness. Increased competition among clans for grazing and water resources has exacerbated violence, as has the involvement of commercial forces seeking to profit from the sale of livestock or meat.[12]

Since 2004, Uganda's government has undertaken a program of disarmament, together with the establishment of protected kraals where the military guards the people and livestock of clans that have disarmed. However, not only do the kraals effectively restrict the nomadic lifestyle of the pastoralists, but also the protections afforded by the government are generally inadequate, and the theft of cattle and general looting still occur. As a result, some clans have vacated the protected kraals and resumed their nomadic lifestyle, facing reduced security.

The overall lack of security among the Karamojong diminishes their food security in a number of ways. First, numerous household economic analyses carried out in eastern Africa over the past 10 years confirm the innate resiliency of the nomadic lifestyle with respect to food security. Reliable access to blood and milk, used for iron and protein, generally results in lower malnutrition than is found in many agricultural livelihoods. If it is not restricted, the mobility of pastoralists allows disaster evasion. In contrast, their livelihoods are generally compromised when movement is restricted or when wide-scale disaster occurs. Even in the latter event, if commercial destocking can be facilitated, then a temporary disaster can be survived without permanent degradation.[13] When cattle grazing is restricted to walking distance from protected kraals, land becomes overgrazed and cattle lose weight and can no longer be bled or milked regularly. The pastoralist

livelihood is no longer viable, and food insecurity is almost inevitable. The result has been a widespread dependence on food aid that has been delivered to the region on a near-continuous basis since 1963. Of the 1.2 million people in the area, 1.1 million regularly receive 70 percent of the WFP standard ration level.

For those Karamojong who range beyond the protected kraals, food insecurity remains a threat. The potential for loss of cattle and other household assets is constant and high, so that people have little incentive either to grow crops or to increase cattle numbers. At the same time, traders are unwilling to venture into the area to purchase cattle for fear of losing them to rustlers immediately after purchase. The result is a depressed market and poor terms of trade for the few cattle that are available for sale. Consequently, poverty increases, and the risk of nutritionally or poverty-induced food insecurity increases as well.

LEGAL FRAMEWORK

Ongoing conflict in Uganda has both domestic and international dimensions. While much of the violence occurs between the Karamojong and Sabiny clans of Uganda, some violence is between Ugandan clans and the Turkana and Pokot clans of Kenya. In both cases, the legal and regulatory environment might be adequate

12 Whereas traditional cattle rustling was intended to expand pastoralist herds, commercial theft results in the large-scale removal of livestock from the area for sale elsewhere in Uganda or Kenya.

13 Experience in Ethiopia has demonstrated that the facilitation of market linkages between pastoralists and traders looking to buy and sell meat allowed commercial destocking of pastoralist herds to take place during the temporary drought of 2008–2009. The funds realized from the sale of animals allowed pastoralists to survive the dry period and to restock as grazing improved.

but is of little significance, because the implementing institutions are inadequate to enforce the rule of law.

As previously discussed, in the north conflict-related food insecurity is associated not with direct insecurity but with limited access to land and limited capacity either to grow crops or to earn income. The two most relevant aspects of the legislative environment are the Uganda Refugee Law and legislation associated with land titling:

- The **Uganda Refugee Law** guarantees refugees basic assistance including food. The government is expected to provide a plot of land to all refugee families living in settlements, who are then expected to use the land to meet residential and food security needs.
- The body of legislation associated with land titling concerns the ability to hold land on a substantial basis (i.e., either in perpetuity or for a predetermined number of years, in a way that cannot be arbitrarily terminated). It is essential both as an incentive to agricultural investment and as a form of collateral for agricultural finance. Although the Refugee Law provides for land within settlements, Uganda needs more wide-scale secure land titling. It also needs to streamline and accelerate the process of land titling in a way that facilitates access to land for displaced households across larger areas than the settlements themselves. Additional details pertaining to this critical issue are set forth in this report's chapter on registering property.

IMPLEMENTING INSTITUTIONS

Resolving the violence in the Karamoja area has so far proved to be beyond the capacity of the Ugandan military, which has been unable to achieve equitable disarmament so that clans that have surrendered their weapons are not at a substantial disadvantage with respect to those that have not. The solution of protected kraals has not been satisfactory, and the creation of Ugandan local defense units has failed and effectively negated the disarmament program in the process.[14] The use of the military to keep the peace and maintain food security in Karamoja has been inappropriate, and, in the absence of direct security, it has been difficult to conduct other interventions aimed at increasing the availability of food.

By contrast, the successful establishment of peace in northern Uganda has allowed for the implementation of a range of interventions. Implementing institutions include the **National Agricultural Advisory Services (NAADS)**, a public-private extension service that assists farmers in redeveloping farms and adopting improved technologies. NAADS has had a limited degree of success, due in part to the conservative and risk-averse nature of subsistence farmers and to the limited capacity of NAADS to reach the large numbers of farmers who require assistance.[15] Continued NGO and donor assistance supporting both NAADS programs and a wide range of health, sanitation, and parallel off-farm income-generating activities is necessary.

SUPPORTING INSTITUTIONS

A large number of supporting institutions are involved in re-establishing agricultural production and nonagricultural activities among the communities affected by conflict. In some cases, an entire generation has been raised either in camps or in displaced households, interrupting the passing of farming knowledge from one generation to the next. Accordingly, the need for interventions such as farmer field schools that can help young farmers learn the skills required to maximize the productivity of their new farms is widespread. In some cases, the loss of male heads of household requires the introduction of new labor-efficient technologies such as conservation agriculture. A large number of NGOs support these and other agricultural and agribusiness activities in the northern part of the country.

In addition, support is less widespread, but still evident, for off-farm income-generating activities, including village savings and loan groups,

14 The local defense units consisted mainly of local warriors who were to be provided with arms, uniforms, food, and remuneration. This never happened, however, prompting many of the units to desert duty, taking their weapons with them.

15 Currently, there is less than one NAADS officer for every 1,000 rural households.

microfinance, and small business development. Given the productive nature of northern Uganda, and the extent of the support being provided to displaced households, it is unlikely that conflict-related food insecurity will remain an issue in that area for more than one or two more years. This situation is in marked contrast to the Karamojong complex, where there appears to be little hope of improvement until the conflict can itself be resolved.

SOCIAL DYNAMICS

One major aspect of food security associated with postconflict situations is the problem of finding a role for young men who have previously been accorded status as warriors but must now adapt to peacetime social dynamics. This is a reverse of the classic gender issue. Most of the interventions in post-conflict situations are based on initiatives such as village savings and loan schemes, development of small businesses, and food processing, which are successfully taken up by women but for which young men have little patience. The men within displaced communities will often take up farming, but in general, success rates in other areas of development are low. Experience in other countries has shown that young men are so anxious to achieve status that traditional development activities, especially in a peri-urban setting, appear too pedestrian and are frequently abandoned in favor of other activities.[16]

There is a definite need to assist young men in adapting to changing circumstances and reduced expectations. Although the role of young men may be self-visualized, it is based on peer pressure and may be most easily redefined through an extensive campaign of community meetings at which gender-based roles within the community can be explored. A campaign to redress gender inequity—one that is highly inclusive of men and facilitates the discussion by men of male attitudes toward both women and each other—is one way in which other development programs could be made more attractive to young men. Indeed, such a campaign is essential to the gender-inclusiveness of most post-conflict development interventions.

NUTRITIONALLY INDUCED FOOD INSECURITY

OVERVIEW

This type of food insecurity covers a spectrum of conditions under which, even though a household may have access to enough food, some or all household members are malnourished as a result of the poor utilization of food. It appears to be widespread throughout Uganda and is generally associated with poorer households. Such food insecurity is found among the Karamojong in the north and even in the generally food-secure southwest regions. However, it is not readily assessed. The latest WFP survey was unable to determine the level of nutritionally induced food insecurity, and most current estimates are largely anecdotal.

Three main types of initiatives can help resolve the insecurity induced by poor utilization of food. First, the provision of specific "hardware-based" interventions, including boreholes and pumps, latrine kits, plate drying racks, and "tippy cups," can substantially enhance household sanitation, reduce diarrhea, and improve food utilization as a result. Second, such initiatives are generally complemented by community training in sanitary practices (such as hand washing, controlling flies, and avoiding open-air defecation) and by good dietary practices (focusing in particular on the need for a balanced diet that includes all essential minerals and vitamins). In this regard, initiatives

NUTRITIONALLY INDUCED FOOD INSECURITY MAY OCCUR AS A RESULT OF:

- Chronic or frequent disease, induced by poor sanitation
- Poor dietary practice (especially limited dietary diversity), resulting from
  - Lack of knowledge of what constitutes an adequate diet
  - Inadequate availability of some key components of the diet

16 The high level of boda-boda sales appears to be an example of such behavior.

may include a component of "backyard gardening" that assists households in producing vegetables (on either a drip irrigation or rain-fed basis) to augment the staple diet. Alternative crops or new varieties of existing staples may also be introduced as part of such a program.[17]

Third, initiatives that seek to change the attitudes of household members toward traditional roles and responsibilities can lead to food insecurity for specific individuals, especially young mothers and children under five years of age. In this case, the control of household resources lies predominantly with the elder male household members, who generally ensure that both they and elder male children receive the larger share of whatever food is available, leaving the women, girls, and younger children to divide whatever remains. This attitude is particularly prevalent in Uganda's Muslim households but occurs throughout the country. It results in a vicious circle whereby young girls, who are often stunted as a result of chronic malnutrition, marry soon after puberty and give birth before completing their growth. Their own development is then often arrested while the birth weights and subsequent growth rates of their children are also reduced. Early weaning often occurs when economic pressure forces mothers back to work, and although young babies may gain weight at a normal rate while being breast fed, their nutrition level often falls significantly upon weaning, resulting in permanent stunting and reduced mental development.

This cycle is driven largely by the attitude of the male members of the family, who do not recognize the significance of increased dietary needs during pregnancy and lactation or the importance of adequate nutrition during the first five years of growth to subsequent physical and mental development. At the same time, women also remain ignorant of these concepts. Mothers often reinforce the same unhealthy strictures to which they were themselves subjected.

In order to break this cycle, it is necessary to intervene within the household. This is not easily achieved, but experience in other countries suggests that it is possible. For example, in Bangladesh, support to community health volunteers has strengthened a campaign to provide weekly home visits to mothers and, where possible, their husbands and mothers-in-law. Volunteers regularly assess children's health and review and monitor dietary and sanitary practices, offering positive reinforcement to mothers. The program was initiated and is regularly reinforced through the provision of token[18] amounts of Title II Food Aid,[19] which are provided to mothers who attend immunization clinics and training meetings. Another program has used Title II resources to provide nutrition to mothers with children under two years of age, together with food for other family members. The rationale for the more extensive use of food is that, unless the men and other children are also fed, they would consume the food aid meant for the women and children. In the short term, this type of program has proved as effective as the alternative "token" use of food aid, but it requires significantly more resources to achieve the same degree of coverage. Moreover, this program simply accepts rather than addresses the root cause of the problem: the attitude within the household that justifies allocating a greater share of available food resources to the man and older boys.

Attitudes can also change through group meetings outside of individual households. If both women and men participate, community meetings can demonstrate the impact of poor nutrition on subsequent growth and development. Such meetings can be effective in changing the attitude and understanding of men, especially if dialogue between men within the community can lead to a general acceptance of the need to change. In this case, peer pressure is then a strong inducement for men to behave more responsibly toward women within their households.

LEGAL FRAMEWORK

Uganda's legislative and regulatory environment does not contain many provisions that could affect the effectiveness with which households

17 New sweet potato varieties containing increased levels of carotene—the precursor of vitamin A—have proved particularly successful.

18 The program used food to encourage attendance at meetings. The food aid was sufficient to justify the time and effort spent in attending but was not sufficient to meet the dietary needs of the family.

19 United State Public Law 480 (1954), also known as the Food for Peace program, comprises three titles. Each title has different objectives and provides agricultural assistance to countries at different levels of economic development. USDA administers Title I, and USAID administers Titles II and III. Title I provides for government-to-government sales of agricultural commodities to developing countries under long-term credit arrangements. Title II provides for the donation of U.S. agricultural commodities by the U.S. government to meet humanitarian food needs in foreign countries. The U.S. government may provide commodities to meet emergency needs under government-to-government agreements, through public and private agencies, including intergovernmental organizations such as the World Food Programme and other multilateral organizations. Nonemergency assistance may be provided through private voluntary organizations, cooperatives, and intergovernmental organizations. Title III provides for government-to-government grants to support long-term economic development in the least-developed countries.

utilize food. Although the **Public Health Act of 1935** is comprehensive and, if implemented, would result in improved sanitation and reduced disease, that act is largely irrelevant to current circumstances. Its provisions are beyond the reach of the majority of rural Ugandan people and are nearly impossible to implement effectively. No other legal instruments involve diet or the distribution of food among household members. Additional detail concerning the legal and regulatory environment for health care generally is set forth at length in the Health Business Climate Institutional Reform Assessment (HealthCLIR) issued in January 2010.

IMPLEMENTING INSTITUTIONS

As noted in the HealthCLIR report, the rural health service in Uganda is not strong. An ongoing decentralization program intends to provide basic health care services at the district level, but lack of finance and trained health care professionals has dropped service delivery below the requirements of rural populations. The availability of hospital beds is restricted, and antenatal clinics are overstretched. As a result, basic levels of perinatal health care are often lacking in rural households. For the same reasons, basic nutritional information is also disseminated only sporadically. Unless the finance available at district levels is substantially increased, the rural health service will continue to struggle to maintain basic health care and promote sustainable health initiatives.

SUPPORTING INSTITUTIONS

The above notwithstanding, USAID-funded programs have piloted the use of peer educators. Experience in Kumi and Soroti districts in eastern Uganda[20] suggests that linking such peer educators with the local representatives of the national health service on either a volunteer or a part-time basis can strengthen the national institution and enhance message delivery, particularly when dealing with sensitive intra-household issues.

The **Uganda Baha'i Institute for Development (UBID)** health program in eastern Uganda trained community health workers and a small number of higher-level health education specialists. These specialists supervised and supported the community health volunteers as well as convened and facilitated community discussions on a range of issues, including health and sanitation.

In Bangladesh, the UBID model has been extended to address the issue of nutrition and the distribution of food within the household as part of a comprehensive program designed to promote mother and child nutrition. The program depends upon community health volunteers and higher-level health education specialists but has been adapted in two ways. First, Title II food aid has induced mothers with children to attend sensitization meetings and to demonstrate the importance of adequate mother and child nutrition. (The food aid provided is normally in the form of corn soy blend, "plumpy-nut," or other food types that are clearly directed at children rather than adult family members). Second, community health volunteer visits emphasize the importance of the participation of fathers and mothers-in-law in mother and child health and nutrition. Community meetings at which the importance of adequate nutrition to subsequent

UGANDA: YOUNG. GROWING. MOVING.

- At 15.5 years, Uganda's median age is the **second lowest in the world.** Nearly 50 percent of Uganda's population in 2009 was aged 0–14 years.
- Uganda's urban population is the **third lowest in the world,** at just 12.8 percent in 2007. Kampala, however, is growing quickly, at an average annual rate of 3.8 percent.
- At $380 per head, Uganda's GDP is the **20th lowest in the world.** Between 1997 and 2007, however, the country experienced one of the world's highest annual growth rates, at 9.7 percent.
- Uganda is the world's **12th-largest recipient** of bilateral and multilateral aid. It also has the **12th-highest rate** of "brain drain" in the world, which is the highest in East Africa.

20 The UBID Health Program, funded by the Canadian International Development Agency, trained 76 community health workers and 14 higher-level local health education specialists. The program also exceeded its goal of increasing immunization coverage by 6 percent among children under five years of age, achieving an increase of 28 percent and registered "good success" in promoting community health care practices "as evidenced by high latrine coverage, plate racks, garbage pits and sanitation practices," with a retention rate for its volunteers of more than 90 percent, at a total cost of US$100,000.

development is highlighted and discussed between men and women also support this endeavor.

In addition, households need assistance in obtaining the balanced diet that community health volunteers recommend. Such efforts include backyard gardening programs that help households produce the vegetables that a balanced diet requires. Community health workers can introduce these programs, but experience in some districts suggests that providing a balanced portfolio of advice through a single extension worker is less effective than working through a number of specialized workers (each dealing with different portfolios, such as health, crop production, livestock production, and so forth). Nevertheless, irrespective of the mode of delivery, advice and assistance (including starter seed packages and, if appropriate, simple drip irrigation technology) can achieve significant improvements in household nutrition.

SOCIAL DYNAMICS

Damaging attitudes pertaining to nutrition and food safety derive from the lack of information on sanitation and dietary requirements as well as from traditional roles of men and women within the community. In both cases, substantial changes do not require intensive capital expenditure, but this should not obscure the fact that changes in attitude can require both time and considerable expenditure in manpower. A comprehensive program to address community and family attitudes toward mother and child nutrition will ultimately yield more long-lasting benefits than a preventing malnutrition in children under two approach (PM2A)–type of program that provides nutrition to mothers, children, and other family members but does little to address the underlying causes of the food insecurity. However, the changing of community attitudes is a slower process with less obvious immediate benefits, requiring deeper commitment to change by all parties (both donors and government) and may be less appealing as a result.

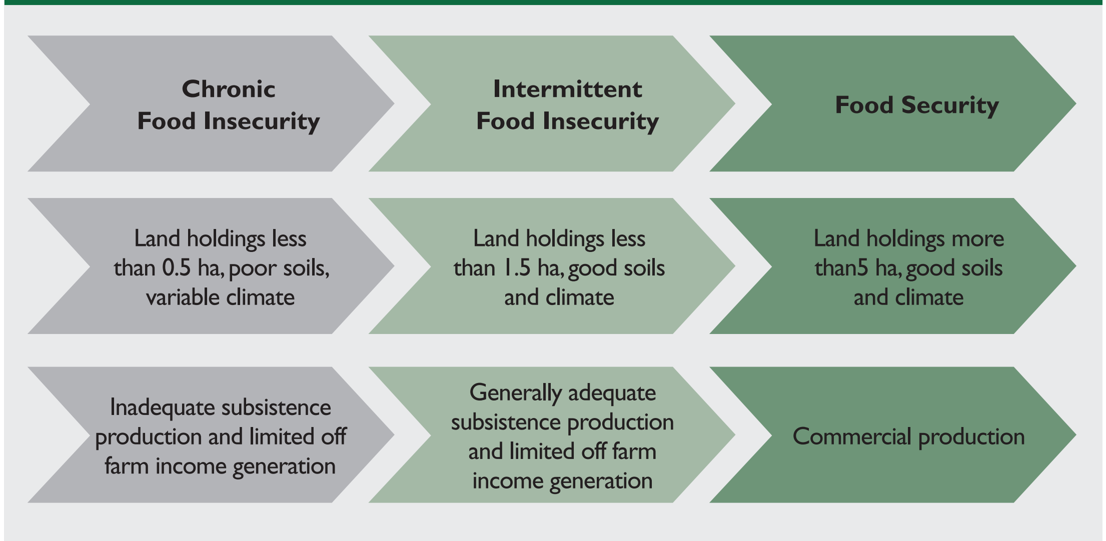
CHRONIC FOOD INSECURITY

OVERVIEW

Chronic food insecurity is not widely prevalent within Uganda but does exist in Ankole, Budaka, Busoga, and South Buganda. Although food might be available within a community, chronic food insecurity arises when individual households lack the cash, labor, or other resources to obtain sufficient food for adequate nutrition. Chronic food insecurity is the far end of a spectrum of food security conditions that, passing through intermittent food insecurity, reach regular food security at the other end. In developing rural economies, the chief determinant of food security throughout the first part of the spectrum is capacity to produce food, while in the second part of the spectrum the determinant is capacity to accumulate reserves (cash or food) to ensure a regular supply of food.

The majority of households in rural Uganda lack the capacity to produce all of their own food. At least 60 percent depend on the market for all the components of an adequate diet. Such dependency necessitates the accumulation of cash to purchase the balance. Along the spectrum, greater food security tends to be associated with increased farm size, family size, and more favorable natural resources (e.g., more fertile soils and more equable climate). Households that farm small plots of land that are less fertile and subject to climate extremes tend to produce a smaller proportion of their food requirements and are obliged to augment their food supply from the market. To do so, such households are more reliant upon off-farm income-generating activities, including brick- and charcoal-making, working on other farms, or collecting and selling grass and firewood. Livelihood economic analysis in other parts of East Africa has demonstrated that the poorest in a community are those that have the least access to land or labor resources and are most dependent upon off-farm income-generating activities to augment their own production.

THE SPECTRUM OF FOOD SECURITY CONDITIONS



For the poorest, the situation is exacerbated by the frequent need to raise cash to meet debts, wedding costs, and other obligations (especially school fees) directly after harvest. During this postharvest period, agricultural labor opportunities are limited (since cultivation of the next crop has yet to begin), and most households are obliged to sell part of their own production to raise the necessary cash. This situation typically increases the need for other income-generating activities later in the year.

At its most extreme, chronic food insecurity is caused by destitution (the complete lack of any productive assets such as land or livestock) and either a lack of labor or, more commonly, the lack of employment opportunities. Under more moderate circumstances, chronic food insecurity can result from the regular failure to produce adequate food, even though productive assets might be sufficient to achieve food security if used more effectively. The two sets of circumstances call for different responses. In the latter case, initiatives aimed at increasing productivity, through improved agricultural practices—including new varieties, increased use of inputs, and conservation framing—and the introduction of new enterprises such as beekeeping, poultry, and fish farming could achieve food security. In the former case, however, such initiatives are a waste of resources. Experience has demonstrated that even if a multiplicity of productive interventions could be introduced, the poorest households cannot achieve food security from the productive assets that they possess.[21] Instead, they must increase the scope and profitability of off-farm income-generating activities to earn the money to buy food.

Between these two extremes, many households are regularly food insecure by virtue of both a limited capacity to produce their own food and a limited capacity to purchase the balance required from the market. These households can achieve food security through a combination of interventions designed to increase agricultural productivity on the one hand and off-farm income-generating activities on the other.

For a proportion of the chronically food insecure, food security cannot be achieved through increased agricultural productivity but through increased earning capacity. As the population of Uganda increases and land becomes subdivided into increasingly smaller holdings, that proportion will also increase. It is also significant that, among households that have the capacity to become food secure through increased agricultural

21 In most cases, productive interventions are aimed at women, who tend to have the greatest number of demands on their time. As a result, some programs have overloaded women with work to the point that they had less than five hours available for sleeping.

productivity, many have not done so not because they are not willing to adopt the technologies required to feed themselves but because they lack the opportunities to do so. The spiral of chronic impoverishment is one whereby adverse conditions gradually restrict the productive opportunities available to a household.

Breaking out of this spiral requires substantial investment.[22] Half-measures that leave a household vulnerable to future shocks do no more than delay the slide to destitution. Sufficient investment is required to achieve both a graduation to food security and the resiliency to withstand future shocks. From this perspective, the proportion of households that can achieve sustainable food security from their own agricultural production is significantly less than that which might achieve food security in any given year.

Experience suggests that for the majority of the chronically food insecure, food security lies not with increased agricultural production but with off-farm income generation, including, if necessary, either temporary or permanent urban migration. Uganda is fortunate that its service and manufacturing sectors continue to grow rapidly[23] and provide some capacity to absorb the increasing numbers of people who cannot make a living from farming Nevertheless, rural and peri-urban investment is needed to create opportunities for employment. Programs that can facilitate such investment will make a substantial contribution toward the food security of the rural poor.

In general, there are five types of interventions that can improve the food security of the poorest in rural areas:

- **Humanitarian assistance.** For those who are both land- and labor-poor, there are few alternatives to direct aid. This is a real option for the most disadvantaged in wealthier countries but is beyond the capacity of Uganda, which lacks the revenue to sustain such a system. Instead, the most disadvantaged are cared for by local communities in rural areas. In the urban areas, such care is less available.
- **Support for off-farm income-generation activities.** The notion of connecting labor to jobs is conceptually simple but practically difficult. A number of programs have attempted to train beneficiaries in specialized skills such as carpentry, pottery, masonry, and blacksmithing, but these initiatives are unlikely to succeed unless adequate demand for such skills exists on a sustainable basis. At the same time, it is important that such practical skills be supported by basic business skills. In practice, initiatives that have proven most successful in other countries are petty trading and food-processing (oil pressing, cassava processing, or alcoholic beverage production). These are all activities that draw more women than men. Finding effective off-farm activities that will provide sustainable employment for men, especially burgeoning youth who are otherwise increasingly disenfranchised from economic development, is a real challenge.
- **Facilitation of investment.** Investment in agriculture, agro-processing, and nonagricultural sectors can create jobs that increase incomes of the poorest. Subsistence agriculture offers only limited opportunities for large-scale employment; there is virtually no investment in commercial farming as yet, while investment in agro-processing is also minimal.[24] The creation of local export-processing zones, with associated tax advantages, might help stimulate such investment. Government- or donor-funded investment in the infrastructure (power, water and other utilities, roads, and security) of peri-urban industrial parks might also help attract investors and create employment opportunities.
- **Support to urban migration.** Many rural households already include members who regularly migrate to urban areas to undertake temporary work.

22 The capital output ratio of subsistence farming is generally rated as 3.0. On this basis, for a household to increase its annual income by US$1,000, it would need to invest US$3,000 in productive assets.

23 Between 1997 and 2007, Uganda's service and industrial sectors grew, respectively, at annual average rates of 13.5 percent and 14.9 percent. By contrast, agricultural output grew in 2007-2008 at a rate of less than 3 percent.

24 The limited investment in agro-processing is almost certainly a result of the variability of supply that is inherent in subsistence agriculture.

Such workers are typically employed as unskilled laborers. Given basic training in numeracy, literacy, and business skills, they could command significantly higher wages and develop a longer-term role in the urban environment.

- **Reduction of transaction costs.** While the foregoing initiatives seek to increase the purchasing power of the poorest households, it is also possible to enhance food security by reducing the cost of food to the consumer. Ugandan development literature abounds with references to exploitative traders who roam the countryside squeezing farmers to accept low farm-gate prices while holding consumers to ransom for exorbitant retail prices. It is unlikely that traders earn the margins that they are reputed to make, but if the literature is in any way correct, it highlights the need for attention to the trading sector as a means of reducing the cost of food. If transaction costs of agricultural commodities can be reduced, there are theoretical benefits to both the producer and the consumer, providing a greater incentive to increase production for the producer and reduced food costs to the consumer.

These and a number of other initiatives can be introduced to facilitate agricultural trade and reduce asymmetry within and barriers to entry into the trading sector. The goal of the overall intervention is to increase the number of traders active within Uganda and thereby increase competition and reduce the margins between farm gate and retail prices. This systemic initiative comprises multiple interventions with far-reaching economic implications, including a direct effect on the food security of households that are market dependent for some or all of their food.

The remainder of this section focuses on the activities for which most of the poorer households have a comparative advantage, such as the use of labor in off-farm income-generating activities.

LEGAL FRAMEWORK

Few laws or regulations directly affect low-level, off-farm income-generating activities. More affect larger investments in down-stream processing activities that might generate employment. In particular, the **National Environment Act (CAP 107**) requires that new investments undertake an environmental impact assessment, but this is not onerous and entirely reasonable. The new Employment Act, however, detailed in this report's chapter on employing workers, is considered cumbersome by many employers and may actually reduce the extent to which they are willing to offer employment.

IMPLEMENTING INSTITUTIONS

Interviews conducted during this diagnostic confirmed that, with the exception of the "Prosperity for All" campaign that NAADS implemented, off-farm income generation has received little emphasis. More emphasis has been placed on additional on-farm investment, but

REDUCED TRANSACTION COSTS CAN BE ACHIEVED THROUGH

- Reduced costs of market access for farmers and cooperatives, through
  - Improved market information systems
  - Improved market infrastructure
- Reduced costs of transport, through
  - Improved feeder roads in productive areas
  - Improved road management
- Reduced risk and uncertainty, through
  - Improved arbitration and enhanced contract enforcement procedures (small claims courts)
  - Development of acceptable standards
  - Development of warehouse receipt systems
- Reduced cost of finance through enhanced credit management, allowing greater servicing of the trading community
- Reduced postharvest losses and increased opportunities for temporal arbitrage through improved crop storage

such initiatives are limited in scope and scale to such activities as beekeeping and poultry. These are potentially profitable and form part of the spectrum of business opportunities that include off-farm enterprises as well. Nevertheless, developing a wider range of activities beyond those that are directly associated with production is important, but little evidence indicates that any formal institutions are doing so.

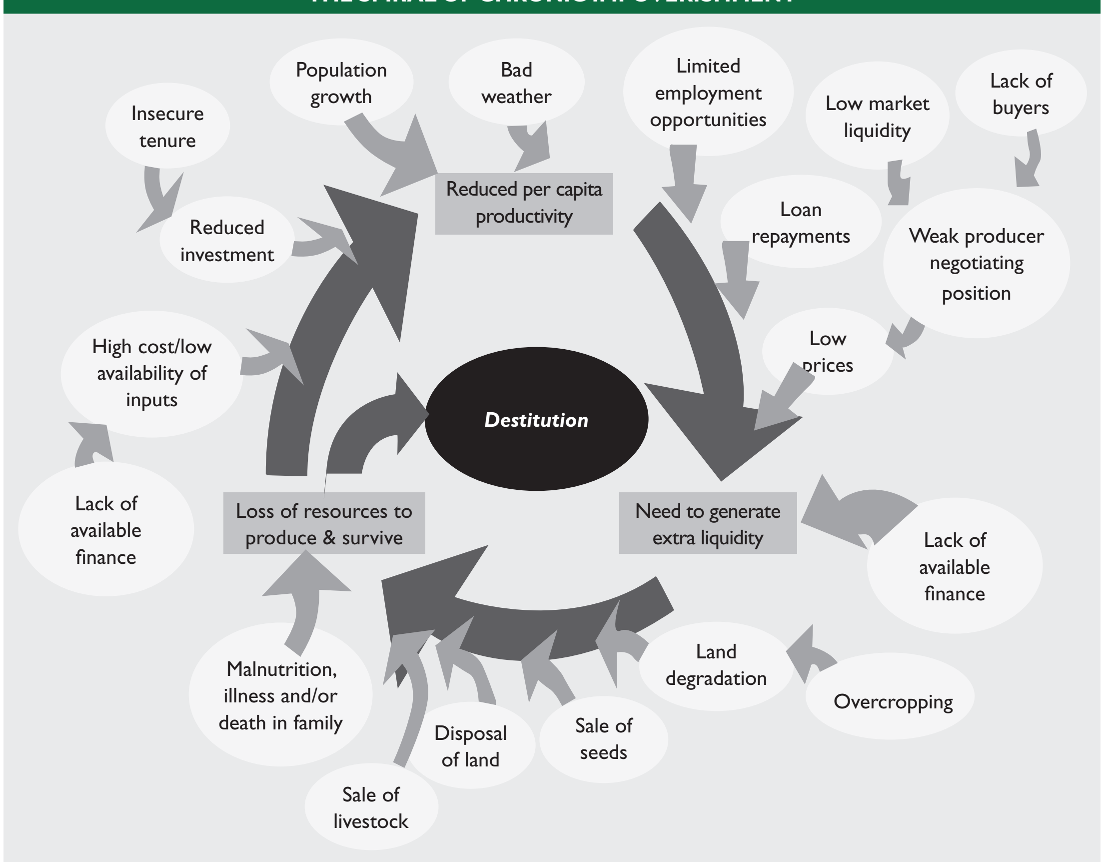
SUPPORTING INSTITUTIONS

While the number of implementing institutions may be limited, a considerable number of supporting institutions are working to develop different types of off-farm activity.

At the most fundamental level, village savings and loans groups provide the means for men and particularly women to enter into small businesses, including backyard gardening and petty trade. Such groups are normally started by NGOs, which provide the basic constitution of the group and ensure its correct establishment and initial operation. Once operational, such groups have a high level of sustainability. Although they have been criticized on the grounds of bringing little real benefit, such groups provide invaluable self-esteem for the poorest members of the community who are able through such groups to engage in business for the first time. They also reinforce community cohesion and can be the focal points for communication on health and other matters. Nevertheless, the finances these groups generate are rarely enough to allow recipients to rise beyond the "kiosk economy," providing goods for the immediate population of the village and its surroundings, and as such contribute little to the overall economic development of the community.

Moving beyond the "kiosk economy" requires larger volumes of finance than microfinance institutions (MFIs) and subsequently banks

THE SPIRAL OF CHRONIC IMPOVERISHMENT



currently provide. MFIs are well represented within Uganda (some even lend for agricultural production), but they still need assistance in reaching into rural areas to provide finance for small businesses. This situation is even more acute for the commercial banks that lack the capacity to engage in numerous small loan products to a multiplicity of clients; these banks need innovative management and collateral strategies to facilitate the flow of finance into the off-farm rural sector.

The restricted flow of finance is not entirely due to constraints on financial institutions. Clients also show a marked lack of capacity for developing viable business plans that can demonstrate the capacity to repay loans. Few government institutions provide support in this area, and it is falling to NGOs to assist in the provision of business training[25] and business support services and to act as guarantors and intermediaries in the flow of finance to smaller businesses that would otherwise be unable to obtain funds.

Two other aspects of support to small rural businesses could be developed further. First, district-level authorities could provide more support to such businesses, either in the form of zoned development (in areas where power, access, and other utilities can be guaranteed) or in the form of tax incentives, including apprenticeship schemes. Such schemes have enhanced rural employment elsewhere, and they might be helpful in increasing off-farm income generation in Uganda. The potential relevance of such incentives to rural development should be investigated further.

Second, this diagnostic found minimal capacity for grassroots advocacy, either within agriculture or outside that sector. While group formation is commonplace in Uganda, it appears to have been driven by a long history of donor and government initiatives that provided assistance to groups rather than individuals and hence promoted the recurrent formation of groups that generally collapsed once the assistance was withdrawn. Some groups have received support from many different initiatives and now have "lives" of their own, but few appear to be driven by the common needs of the members. In the development of a rural economy, it is important that different sectors be able to voice their needs to local and national government. That voice is largely silent, and although forums for dialogue do exist, they are government driven and largely ad hoc rather than provided for by regulation.

The need to determine the requirements of both agricultural and, in this instance, off-farm businesses is ongoing. Only by developing the advocacy capacity of farmers and rural businesspeople through support to representative associations and their collaborative forums (such as chambers of commerce) can this need be met. These organizations require strengthening if they are to articulate effectively their members' needs to government and donors. Until this can be done, development will be based on arbitrary principles rather than community requirements.

SOCIAL DYNAMICS

In May 2009, the secretariat for the Plan for Modernization of Agriculture[26] published a report that clearly defined the different needs of three categories of small-holder farmers,[27] largely differentiated on the basis of holding size. Nevertheless, the Ministry of Agriculture's **Development Strategy and Investment Plan 2010/11-2014/15** is based on the development of subsistence farmers as a homogeneous group that can all achieve commercial production on a sustainable basis. This goal is not practically possible, and it is necessary that strategists make the paradigm shift from attempting to achieve a sustainable livelihood from agricultural production for all who live in rural areas to trying to facilitate off-farm income-generating activities for the part of the rural population that can never achieve complete food security from its own production.

The social dynamics required for allowing the development of off-farm income-generating activities complement those required for achieving the commercialization

25 At a range of levels from the most basic numeracy and literacy required to conduct a business to the more sophisticated development of business plans.

26 Before the establishment of DSIP, Uganda operated through the Plan for Modernization of Agriculture, which was rolled out in 2001. Relative to the DSIP, the Plan for Modernization of Agriculture involved more agencies of government than the Ministry of Agriculture. However, it lacked an effective management and coordination process, so those charged with implementation roles in other ministries lacked motivation and incentive to implement the program. Ministry of Agriculture officials who had developed the plan and wanted it to succeed had little leverage to get the other ministries to contribute to the program or use their budgets for agricultural purposes. Accordingly, DSIP is substantially more limited to efforts that the Ministry of Agriculture can achieve independently and, unfortunately, does not ambitiously integrate such agencies as the Ministry of Tourism, Trade, and Industry.

27 Plan for Modernization of Agriculture Synthesis Report, *Needs of Identified Farmer Categories and Differentiated Strategies for a Plan of Action* (2009).

of the larger and more profitable producers. Commercialization requires specialization in production and the use of resources (especially labor) that restricts a household's capacity to carry out other work (e.g., the annual thatching of houses). Instead, it is to that household's comparative advantage to pay for the services of others to carry out the thatching for them while they concentrate on their more lucrative business of commercial farming. If agriculture in Uganda remains at an undifferentiated subsistence level whereby each household feeds, clothes, and maintains itself, then there will be little need for the development of off-farm income-generating activities. The traditional services that support a rural economy (including thatching, local transport, blacksmithing, carpentry, masonry, and other services) will not be viable as full-time employment unless the agricultural sector itself develops. The relief of chronic food insecurity and intermittent food security is thus inextricably linked, and both agricultural and off-farm development must occur in parallel for either to be successful.

INTERMITTENT FOOD INSECURITY

OVERVIEW

Households that generally have adequate means of production and off-farm income-generation activities may nonetheless be vulnerable to food insecurity. Such households rely mainly on their own production to meet their food needs with limited augmentation from the market. Most households that rely on their own production operate on a subsistence basis, living from crop to crop with little reliance on either cash or physical food reserves. Cropping is highly diversified, with strong reliance on perennial crops that can be expected to return some level of production under even the worst conditions. Widespread crop failure is rare, but when it occurs, limited opportunities for raising cash and low reserves of stored food result in immediate food insecurity, which lasts until the next season's crop is ready for harvest.

Intermittent food security is inherent within a subsistence farming system that does not produce an excess for sale or storage for the future. In the overall spectrum of food security, households that adopt a subsistence farming system will inevitably experience intermittent food insecurity, but the frequency of such events will diminish as households become less dependent on their immediate past production for their food security and more dependent on cash receipts or stored crops. The production of crops for cash or storage, for sale, or for consumption at some later date is a key characteristic of commercial farming systems, and it is the transition from subsistence to commercial farming that underlies the transition out of intermittent food insecurity.

Uganda is outstanding among East African countries for the limited extent to which any form of commercial agriculture exists. High-input, intensive farming systems are rarely adopted on a sustainable basis, fertilizer is often considered unnecessary, even among agricultural advisers,[28] and even though both seed and fertilizer markets have been liberalized, they are poorly serviced. The pervasive attitudes that undermine increased productivity are fundamentally caused by the lack of a consistent market for excess product. Many of the most commonly produced crops (including matoke, cassava, and sweet potato) are bulky and not easily stored or transported. Domestic demand for grain crops is limited and varies according to perennial crop yields, while export demand exists but is opportunistic and unreliable. As a result, when farmers are queried about why they do not increase production, they consistently reply that there is no incentive or that the return does not justify the extra expenditure of cash or labor.

There are few agricultural interventions (with the possible exception of conservation agriculture and genetically modified cotton) that will result in increased yield for reduced overall expenditure.[29] Thus, increased agricultural production in Uganda will be driven not through

28 Ugandan soils are inherently more fertile than many others in East Africa but are generally responsive to fertilizer when applied in the correct proportions of N, P, and K. Work by the International Institute of Tropical Agriculture has demonstrated the substantial impact of correct fertilizer application but has also shown the limited marginal return in the absence of a market.

29 Many interventions will reduce the cost per unit produced, but the reduction is based on an assumed yield. In the event of crop failure, the increased initial expenditure could be financially crippling and hence considered too risky.

production-based interventions but through market-oriented incentives. Market-oriented interventions seek to increase both the price to growers and the consistency of the market, including especially the capacity to absorb surplus production when it occurs. Such interventions are relevant to both crop producers and the pastoralists, both of whom will benefit from markets that can absorb their surplus production or livestock in times of drought.

Market-oriented interventions are mainly of two types. First, there is the systemic reduction of transaction costs, discussed earlier in this chapter. Second, the development of specific market linkages is another way in which producers can be assured of a consistent market. Although such programs apply more to specialist crops and vegetables, it is nevertheless possible to reduce the risks of oversupply through targeted initiatives that link producers and the market. Such initiatives are most sustainable if they are demand driven—that is, they must incorporate the needs of the processor and trader, resulting in markets for a specific group of producers who may be assisted in producing according to the requirements of the market, as opposed to linkages that source traders to sell the commodities that a group of producers can readily grow. In the latter case, the initiative is primarily that of sourcing willing traders and possibly arbitrating a reasonable trader-producer agreement, but in the former situation, more substantial input is required. Indeed, although such interventions are market led, the bulk of the technical assistance required, after the identification of traders and processors and their needs, is directed toward ensuring the consistency of the supply and quality necessary to meet those needs. In this regard, such interventions are, in practice, highly production focused, using technical assistance to help growers match seasonality, quality, and volume with the requirements of the market.

A third type of intervention, associated more with production than with the market, is based on the concept of insurance as a means of mitigating grower risk and thereby increasing the incentive to adopt more intensive production systems. The use of satellite imagery and geographic information system (GIS) technology has increased the feasibility of the parametric insurance of either input costs or crop values against disasters, particularly drought. Parametric insurance requires no assessment of each farmer's losses but is instead based on the occurrence of specific events within an area, as determined by selected parameters (e.g., rainfall amounts, wind speed, or temperature). These can be superimposed on soil type or other fixed factors to model yield loss. A premium is paid, often in the form of a 15–25 percent surcharge on the cost of inputs, some of which may be subsidized to reduce costs to the producer. To be effective and sustainable, parametric insurance requires both actuarial data and adequate meteorological data. These are not always available, and the long-term feasibility of parametric insurance has yet to be fully assessed.

LEGAL FRAMEWORK

In order to achieve food security, subsistence farmers must move toward the consistent production of a commercial surplus. Consistent surplus production will not occur unless the market develops the capacity to absorb that surplus without a substantial decrease in price. The resolution of intermittent food security is therefore fundamentally dependent on the development of a competitive and vigorous market that can provide a consistent incentive through price to farmers to sustain higher input-output systems. In this regard, three aspects of the market are critical:

- Adequate finance should be available to all traders.
- Levels of risk and uncertainty should be as low as possible.
- The market should allow open competition between traders to the maximum extent possible.

Law pertaining to the first two aspects in Uganda includes the **Sale of Goods Act (1932)**, the **Bulk Sales Act (1933)**, the **Weights and Measures Act (1965)**, and the **Arbitration and Conciliation Act (2000)**. In addition, to provide adequate secure finance, a large body of banking law regulates commercial and investment banks and MFIs.

Legislation should be adequate to allow for both protection against malpractice in trade and the promotion of adequate finance within the trading sector. The Bulk Sales Act in particular would, if implemented in full, completely guard against all forms of side selling and thereby protect the interests of those managing outgrower or contract farming schemes. In reality, however, the laws are outdated and not relevant to the current trading conditions of Uganda and could not be generally implemented as they are written.

It is also significant that Ugandan law contains no provisions to promote competition or to reduce collusion or the development of monopolies or monopsonies. Under such circumstances, it is not surprising that, although there are many small grain trading companies in Uganda, the bulk of the market is restricted to no more than six: Aponye Uganda Ltd., Export Trading Company Ltd., Premier Commodities Ltd., Rubya Investors Ltd., Sunrise Commodities & Millers, and Tiny Mirrors Ltd.

It is possible that anticompetition law might reduce the dominance of these six companies in the market. However, it is equally possible that even if such a law were to be introduced, the political will to implement its provisions might be lacking, so that it is hard to guarantee its benefit.[30]

One mechanism for absorbing market surpluses is storage. This aspect has been underdeveloped in rural areas, and legislation that might promote the storage of grain has been passed in the form of the **Warehouse Receipt System Act (2006)**. This act has achieved a degree of success in that a number of licensed warehouses are now in operation, and some warehouse receipts have been both traded and used as collateral to obtain finance from commercial banks.

IMPLEMENTING INSTITUTIONS

Uganda is exceptional among African countries for the limited number of government institutions involved in agricultural marketing. Beyond the statutory boards associated with the marketing of some cash crops such as cotton, there are no other mechanisms for market intervention. The market is thus effectively liberalized and subject only to the forces of supply and demand. The official institutions that are critical to market development are the courts that allow arbitration in the event of dispute. Interviews suggested that the average businessman has little faith in the operation of the Ugandan legal system. The businessmen criticized extensively delays and corruption in the court system. It would appear few mechanisms are in place to support the rule of law in business and that default in trades goes largely unpunished.

Such a situation inevitably increases risk and uncertainty, reducing the number of business counterparts that a trader will deal with and increasing costs of discovery, thereby contributing to higher transaction costs overall. Programs aimed at strengthening the capacity of arbitration and contract enforcement mechanisms will reverse this trend and provide a more conducive market conditions for the disposal of surplus production.

SUPPORTING INSTITUTIONS

Uganda has a range of institutions that can support the transition from subsistence to commercial agriculture. These include district-level extension workers, MFIs, commercial banks, NGOs, and other institutions including the Uganda Commodity Exchange and licensed warehouses. Many of these institutions are considered in other chapters of this report, but three key aspects are significant in this overview.

First, current government and NGO extension packages, while recognizing the importance of the market, provide the farmer with little

30 For a discussion of competition issues in other East African states, see USAID/AgCLIR Tanzania (May 2010) and USAID/BizCLIR Kenya (June 2009), available at www.bizclir.com.

commercial advice or marketing information. While plenty of advice is available on the technology of increased production, relatively little information can be found on the efficient disposal of the surplus crop produced. A stronger bias toward the development of business skills among farmers would strengthen farmers' marketing capacity.

Second, most development interventions are intended to develop farmers' production and marketing capacity, while the supporting role of the trading sector is largely ignored. The weak trading sector in Uganda consists of numerous small businesses and six dominant traders. As a result, the market is distorted, price fluctuations are increased, farmers receive lower prices, and consumers pay higher prices. There is a definite need to stimulate the development of the trading sector through (a) increased access to (short-term) finance, (b) improved market information systems, (c) reduced transport costs, (d) reduced risk, and (e) enhanced opportunities for export.

The last point—concerning export opportunities—highlights one of the key aspects of the Ugandan trading sector, namely, its reactive nature to export marketing. AgCLIR interviews highlighted the opportunistic nature of the export markets, which depend far more on the appearance of Kenyan or Sudanese traders seeking commodities to import into their own countries than on the activities of proactive Ugandan export companies. The development of an export sector received little evident support, either in the form of trade negotiations or of trade missions attached to diplomatic offices. The need for interventions that promote the development of linkages between producers and export markets in a consistent and proactive manner is very great. Trade development programs that help Ugandan businesses take advantage of the new East African Community would fill a clear gap in the market. The largest grain exporter from Uganda appears to be the World Food Program.

Third, doubtless the presence of the WFP as such a large buyer, which regularly purchases more than half the grain on the market, creates distortions. The role of the WFP in the grain market and the institutions that it has established and supported (the Ugandan Commodity Exchange and the licensed warehouses) are semipermanent and benefit the agricultural sector overall. However, the commercial traders complain that these are top-down initiatives that reflect WFP needs and standards and effectively crowd out private sector initiatives in some areas. Moreover, unless WFP can be consistent in its purchase volumes, it will not provide clear price signals to growers and will contribute to the continuation of subsistence farming.

In response, WFP has introduced the Purchase for Progress (P4P) program to investigate other, less market-distorting purchasing modalities. Nevertheless, the program's capacity is limited, and, given the scale of WFP's regional requirements, the new program's purchasing arrangements are unlikely to replace the larger traditional purchase contract mechanisms. For as long as these latter mechanisms are in place, WFP should seek to ensure that they do not crowd out private sector initiatives, do not send inconsistent price signals to growers, and, as much as possible, stimulate the development of Ugandan trade, especially the export sector.

SOCIAL DYNAMICS

The main focus of both the government strategy, as expressed in the government's Development Strategy and Investment Plan, and the many donor programs is to develop producers' capacity to acquire a greater proportion of the value within the farm-to-market chain by improving negotiating capacity through group sales; benefiting from temporal arbitrage through enhanced storage capacity; and benefiting from value addition by engaging in low-level processing (milling and oil extraction).

A consistent underlying and largely erroneous theme of such programs is that a small group of exploitative traders is benefiting. They are accused of buying low and selling high, therefore depriving producers of their fair share of the value within the farm-to-market chain. During AgCLIR interviews, many community members repeated this theme, including academics, development workers, producers, and consumers. Accordingly, the theme highlights the trading sector as a focal area for development. If a few traders are indeed making such high profits within the farm-to-market chain, then that part of the value chain (the trading sector) requires development more than any other, in order to reduce barriers to entry, encourage competition, and reduce profit margins to the levels found elsewhere in the farm-to-market chain.

Most programs do not attempt to develop the trading sector but instead attempt to assist producers in assuming the functions of traders. This effort may not be appropriate. As one example, the accumulation of grain in a warehouse to take a position in the market is something that development programs automatically assume should be beneficial to farmers. However, in practice, such speculation is fraught with risk and requires detailed and up-to-date knowledge of the market if a profit is to be guaranteed. Traders regularly undertake such arbitrage and, in doing so, sometimes lose money, but it is assumed that generally farmers will benefit from storage programs.

In practice, the function of arbitrage is more important to overall market dynamics than who conducts it. Programs that promote the development of storage and financial capacity to facilitate arbitrage by those best suited to conduct it will be more effective than programs that work with predetermined groups of beneficiaries and attempt to help them conduct that function.

If intermittent food insecurity is to be reduced, subsistence farmers must move toward higher input and output systems of production that result in consistent surplus production. The consistent production of surpluses requires a vigorous and competitive market that has the capacity to absorb and distribute such surpluses without providing producers the disincentive of low prices. A vigorous market in turn requires a social dynamic that recognizes the importance of the trading sector to both producer and consumer and attempts to strengthen that sector by providing it with the means to conduct trade at the lowest cost. Until that social dynamic exists, Uganda will remain at a subsistence level of production, with inevitable consequences to its long-term food security.

DISASTER PREPAREDNESS

Uganda's government has recognized the importance of disaster risk reduction and has made it its third-highest priority in the Poverty Reduction Strategic Framework locally referred to as the Poverty Eradication Action Plan (PEAP). The third pillar of the PEAP is security, conflict resolution, and disaster management. However, the PEAP has recently been replaced by the National Development Plan, which contains little or no mention of a disaster preparedness approach. The responsibility for disaster management and preparedness rests within the Ministry of Relief, Disaster Preparedness and Refugees of the Office of the Prime Minister, which receives a limited annual budget. The ministry has not established an emergency fund but does have a central storage facility for emergency relief items.

Uganda approved a National Disaster Preparedness Policy and Institutional Framework in 1999 and revised that policy in 2003. In 2008, a disaster preparedness plan was created, which outlined steps to achieve specific goals:

- Progress on the Uganda Disaster Risk Reduction and Management Policy
- Establishment of a national platform for disaster risk reduction
- Capacity building at all levels
- A centralized early warning unit
- Determination of priority disaster risks
- Comprehensive, updated contingency plans for priority disaster risks
- Public awareness campaigns on disaster risks and preparedness
- Funding for preparedness and response
- Systematic support from regional bodies

The 2008 plan has resulted in a further revision of the Uganda Disaster Risk Reduction and Management Policy, which is now before the cabinet for final approval. The main institutions involved in the coordination of disaster management are the Ministry of Relief, Disaster Preparedness and Refugees, the Department of Meteorology, the Ministry of Agriculture, the Ministry of Health, the Ministry of Water, Lands, and Environment, and the local governments.

Of Uganda's more than 100 districts, 30 have been identified as disaster prone and have been subject to vulnerability and capacity assessments and have been required to have contingency plans in place. The plans illustrate the risks of disasters, the potential effects of disasters, and the anticipated measures to respond to each disaster. Hazards such as drought, floods, landslides, and epidemic diseases (particularly cholera, meningitis, and ebola) have well-developed early warning systems. According to the Office of the Prime Minister, the Department of Meteorology monitors climate change for the Ministry of Relief, Disaster Preparedness and Refugees. An interministerial team of experts using climate change information has prepared drought, flood, and landslide risk maps.

In practice, although the new policy appears to be comprehensive and well designed, the institutional capacity to implement the monitoring, coordination, and eventual response functions envisaged under the new policy is limited, and the government is obliged to rely heavily on supporting institutions, especially NGOs. A large number of NGOs are present in Uganda, but three play a major role in disaster preparedness related to food insecurity: the Food and Agriculture Organization of the United Nations (FAO), WFP, and the Famine Early Warning Systems Network.

The FAO regularly conducts crop and food supply assessment missions to predict food security levels. These assess production, food prices, and supply sustainability to determine intermittent and chronic food security risks. Recently the FAO sponsored a household economic analysis for all livelihood zones in Uganda, which will provide valuable information on the economic status of different classes of households within each livelihood zone, their population numbers, and their vulnerability to different environmental and economic shocks. This survey will significantly improve Uganda's capacity to predict the effects that different weather and market conditions will have on food security.

WFP conducts counterpart vulnerability assessments to the food supply assessment missions. The latest comprehensive food security and vulnerability analysis undertaken in April 2009 provides a broad-based assessment of all types of food insecurity in Uganda, including a snapshot of numbers of food-insecure people and an assessment of causes and threats. It also provides a brief assessment of viable interventions.

The Famine Early Warning Systems Network monitors national weather and market conditions and generates monthly food security reports, highlighting areas and populations that are at risk from weather, market conditions, and conflict. The reports are published regularly on the Internet and can be accessed by government officials, donors, NGOS, and local business people.

The three institutions described above are independent of government but work closely with different ministries to collect data. Together they provide adequate disaster monitoring and awareness to Uganda, but they are not a permanent solution to the problem of disaster monitoring, which ultimately requires the development of Ugandan capacity.

Local confidence in Ugandan government data and reporting is low. The migration of the functions performed by the FAO, WFP, and the Famine Early Warning Systems Network to government offices requires careful planning. It is almost certain that for as long as it is a significant element of the national economy, the donor community will require some independent disaster assessment capacity that retains certain functions of the WFP, the FAO and the Famine Early Warning Systems Network. Nevertheless, enhancing national food security requires that the Ugandan government build some capacity for disaster preparedness. In particular, strengthened GIS and enhanced meteorological coverage would provide data (and might also strengthen parametric insurance, if it were to be introduced). Nevertheless, beyond data, the Ugandan government also requires analytical capacity. The establishment of a household economy approach unit within the Ministry of Relief, Disaster Preparedness and Refugees would provide the capacity to analyze food security risks objectively. Such a unit would likely need initial mentoring and possibly periodic support to redefine baseline data,[31] but would substantially improve national capacity to determine the real food security effects of conflict, weather, and market fluctuations.[32]

CONCLUSION

Uganda's immediate food insecurity concerns, including disaster preparedness for food insecurity, are discussed above. In addition, the country faces the overriding issue of *impending* food insecurity. As detailed throughout this report, Uganda's accelerating population growth—the world's second-highest rate—means that its population will increase by 17 percent in 2015 and by 50 percent by 2023. Current levels of food production are inadequate to meet the needs of such a population. If Uganda is to avoid food insecurity, it must obtain significant increases in yield, achieve substantial off-farm development to provide the means to pay for food, and curtail population growth to match the growth rate of the overall economy.[33]

31 Household economy approach baselines will change as the economy develops. Updating at five yearly intervals would maintain the accuracy of its predictions.

32 For more information about the household economy approach methodology, see *FEG Consulting and SC-UK, A Guide to the Household Economy Approach* (2007).

33 In fact, since economic growth will almost certainly occur in an inequitable fashion, with more rapid growth occurring at the higher levels of income, population growth must be restricted to a level that is significantly less than the growth rate of the economy if poverty and food insecurity are not to increase.

WOMEN IN UGANDAN SOCIETY

This chapter examines how social customs and gender roles in Ugandan society either foster or hinder the ability of women who live and work in the agricultural sector to start and grow a business and to otherwise participate in the economy. This inquiry provides a critical foundation upon which to assess the other indicator areas. Accordingly, this chapter focuses broadly on the state of women in Ugandan society, looking not only at the legal framework that governs their everyday lives but also at the extent to which state institutions focus on gender-equality issues and NGOs address women's health and well-being. It further examines the cultural and social circumstances that affect women in Ugandan society—the "social dynamics"—that diminish their participation in the economy.

While Ugandan women play a critical role in the economy and in particular agriculture, this fact does not yield economic empowerment for the majority of women. Approximately 70 percent of all smallholder farmers are women, and women are responsible for 70 percent of the overall agricultural GDP. Women are estimated to produce 90 percent of Uganda's total food production and 50 percent of total cash crop production. Although there is cross-cutting awareness of gender as an economic issue, Uganda lacks the requisite data to identify the gaps, issues, and problems that are not addressed. Moreover, when resources are targeted at the farmer, and that ends up being the head of household, the farmer has not in fact been targeted: in Uganda, the woman is truly the farmer. Sex-disaggregated data and gender mainstreaming are critical issues with this demographic, and they will be addressed throughout this chapter.

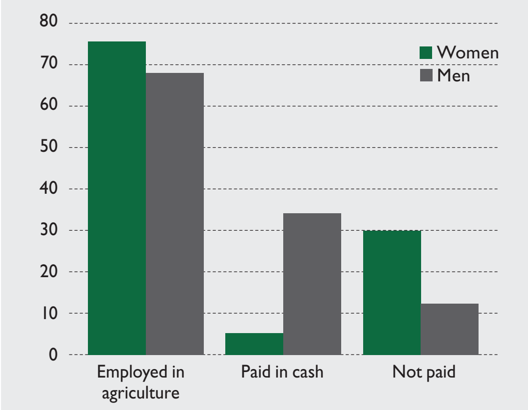
This diagnostic posed a number of key questions:

- Does Uganda's legal framework guarantee equal rights for women and men, and can a woman freely exercise those rights?
- Are there public sector institutions that focus on gender equality issues? Is gender "mainstreamed" in other government agencies?
- Are there women in decision-making positions in government and civil society?
- Are there NGOs focused on improving the status of women, including their economic status? Are these organizations sustainable and locally driven, and do they reach a broad spectrum of the population?
- Do women belong to professional or community-based associations? Are they involved in local advocacy and decision making?
- Are women able to exercise their rights without cultural constraints? Do they have freedom of movement and access to the same infrastructure support (transportation, public utilities, and technology) as men?
- Do women believe they have equal opportunity to participate in the Ugandan economy and access to economic self-determination?

In Uganda, women contribute significantly to economic output, but, for the most part, they do not receive income that they control or can save. A 2006 survey found that, among all Ugandan adults, three-quarters of women employed in the past 12 months worked in agriculture, compared to about two-thirds of men.[34] It further found that employed women were less likely to be paid in cash for their work

34 Uganda Bureau of Statistics (UBOS) and Macro International Inc., *Key Findings Uganda Demographic and Health Survey 2006* (2007).

PAYMENT FOR WOMEN'S AND MEN'S EMPLOYMENT IN UGANDA, 2006



(19 percent) than men (34 percent). However, in agriculture, only 5 percent of women were paid in cash.

Women's ability to participate economically enables them to have a voice in other political, social, and cultural areas. Economic participation also enables them to be better decision makers within their homes and their communities. Decision making in Ugandan homes is a particular issue in which women often do not have a voice. Women constitute the bulk of the agricultural workforce in Uganda and therefore can play a significant role in the productive capacity of the country. Currently, several factors limit their productive capacity, including level of education, focus on traditional sectors in education, mobility issues, cultural influences, the domestic virtue syndrome,[35] the lack of supporting institutions, and the lack of a legal framework that ensures equity and equality.

EDUCATION

Ugandan women are at a substantial educational disadvantage. This inequality contributes to economic disadvantages, earlier marriages, and an inability to be as productive as men. With regard to agriculture, lack of education is a substantial obstacle in applying newer technologies and advanced methods. Lack of education also constitutes an obstacle in the transition to agribusiness, as many women do not have basic skills such as recordkeeping, literacy, and numeracy.

Uganda uses a 7-6-3 formal education system—that is, seven years of primary school, six years of secondary school (with four years of ordinary secondary and two years of advanced secondary), and three years of university or tertiary education. The official age ranges for these levels are 6–12 years, 13–8 years, and 19–24 years, respectively. Universal primary education was introduced in 1997. According to the Uganda Demographic and Health Survey survey, the number of girls and boys enrolled in primary school currently shows no significant difference. By age 10, the vast majority of children in Uganda attend school (94 percent). Rates of attendance range from 92 percent to 94 percent among males and females age 9–13.

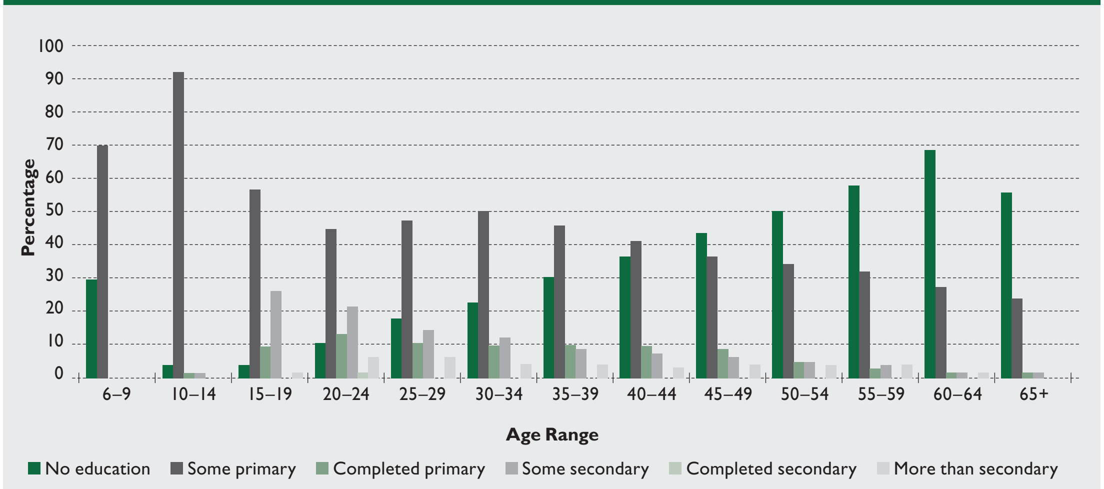
Interviewees noted that the education is not always good in the public schools, and, while it is "free," parents still need to pay for school fees, books, and uniforms. Concurrently, private schools are growing. Respondents said that often parents shifted the boys to private school while keeping the girls in public school or at home to work on the farm. The private schools do not have automatic promotion, so students need to learn to move ahead. Private schools are significantly better at preparing their students to pass the A-level exams. Respondents also noted that schools in Karamoja offer the students a free lunch, which increased the attendance of both girls and boys and provided necessary nutrition.

Secondary school ratios are significantly different. Starting at age 15, attendance rates decline noticeably for all children; however, they decrease more rapidly among females than males. For instance, the attendance rate is 52 percent among males age 18 and just 34 percent among females the same age. By age 21, only 10 percent of females attend school, compared with 21 percent of their male counterparts.

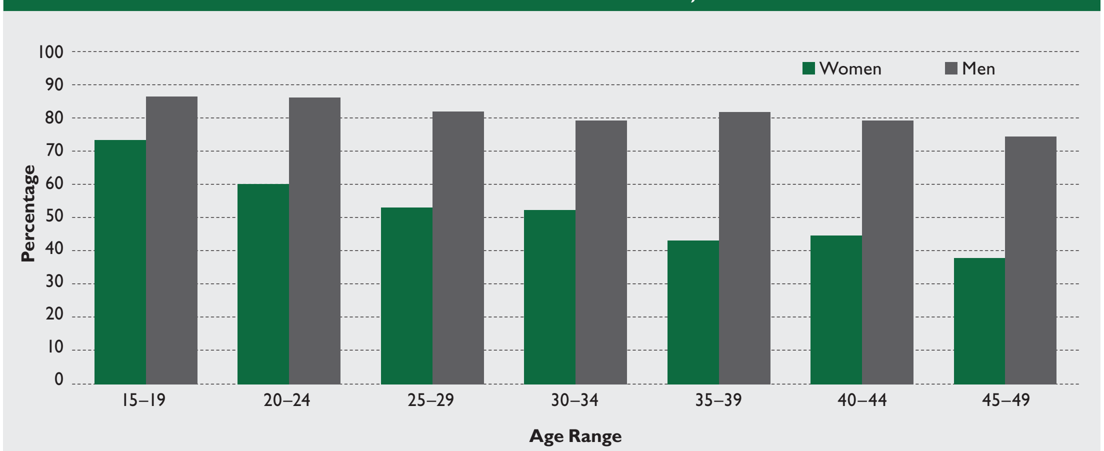
In university, the affirmative action program gives girls an additional 1.5 percentage points toward admission. The focus on math and science for admission into agricultural graduate

35 Grace Bantebya Kyomuhenda and Marjorie Keniston McIntosh, *Women, Work and Domestic Virtue in Uganda, 1900–2003* (2006). This book gives a historical perspective on the "domestic virtue" value that affects women's daily lives.

EDUCATIONAL ATTAINMENT OF WOMEN IN UGANDA, 2006



LITERACY IN UGANDA BY AGE, 2006



school means that most girls do not have the credentials to pursue these areas as they do not have the background from primary or secondary school, especially if they come from rural areas. In contrast, the enrollment of women was much higher in law school for women in the past year (currently 80 percent in 2009), due in part to the lack of a required science and math background. Once girls have a suitable educational base, they perform well on tests and can easily enter higher-level education in Uganda. The problem lies with early preparation and the lack of encouragement in math and sciences.

Uganda's illiteracy rates are another indicator of the gender gap in education and illustrate a profound urban-rural divide. Ensuring that girls stay in primary and secondary school is critical not only for their own development as women but as the primary teachers of their children, as caregivers, and as the main farmer. Basic literacy is critical in understanding the use of better inputs (seeds and fertilizers) and their proper use. Another way of receiving agricultural information is extension services. Currently, this is "demand driven," and most extension services go to the head of household. Thus, women, who perform the planting, cultivating, and harvesting, do not necessarily receive the information. Education plays a key role in information assimilation and the ability to "demand" NAADS services.

MOBILITY

Mobility and access to markets is a significant issue for women farmers in the rural areas.

Most women do not travel to the market but send their goods either with their husband or with another man who can carry their goods. Structural problems that affect both women and men include bad roads and inadequate transportation, difficulty accessing marketplaces, lack of trucks, and expensive petroleum. In addition, women play a significant role in the day-to-day cultivation of the crops and are responsible for gathering the water for household use and cooking. These burdens leave women with little time to go to market. This inability to take goods to market undermines their ability to realize the fruits of their labor. The effect of this lack of mobility means that women farmers often do not know the price that the crops were actually sold for at the market and so cannot estimate the value of their labor, the worth of additional inputs, or, more importantly, determine profit for the benefit of the household.

LEGAL FRAMEWORK

Over the past dozen years, Uganda has made significant progress in the advancement of gender equality within the legal framework. Evidence of some of the progress includes the following:[36]

- The Universal Primary Education Program
- Affirmative action in public universities (Makerere University)
- The constitutional requirement for the reservation of one seat for a woman member of Parliament for each district and at least one-third of local council seats for women
- Establishment of the **National Women's Council Act (Cap 318)**
- Recognition of women's land rights in the **Land Act (Cap 227)** and **Land Acquisition Act (Cap 226)**, with spousal consent as a requirement on all matters related to land from which the family derives sustenance

While these policies and laws are significant, further action is needed to implement them across the country, particularly in the rural areas. There is a significant lack of information and understanding about the rights and equality of women, which cultural norms complicate.

In 2006, the World Bank and the International Finance Corporation published *Gender and Economic Growth in Uganda: Unleashing the Power of Women,*[37] which assesses in detail the legal and administrative barriers women face. Several of the recommendations have already been implemented, but many of them that are not yet in practice are also important. Rather than reasserting that study's major finding, this chapter focuses on the key issues for Ugandan women through

KEY LAWS AND POLICIES

- Constitution (1995; amended 2005)
- The Uganda Gender Policy (2007)
- Marriage and Divorce Bill of 2009
- Domestic Violence Bill of 2009
- The Convention on the Elimination of Discrimination Against Women
- The International Convention on Civil and Political Rights
- International Convention on Economic, Social and Cultural Rights
- The African Charter on Human and Peoples Rights
- The Protocol to the African Charter on Human and Peoples; Rights On the Rights of Women in Africa (signed but not yet ratified)
- Key laws on real property, including the Land Act (1998, plus amendments)

Cultural norms and values often condone gender discrimination. Combined with low levels of education and limited access to information, norms and values instill fear on the part of the victims of abuse.
As a result, abuse of rights continues and becomes socially "acceptable." **Extensive legal literacy will be necessary in order to change gender discriminatory values and create an enabling environment for all women and men to know, demand and enjoy their rights.**

Uganda Gender Policy (2007), 2.12

36 Uganda Gender Policy (2007).
37 Amanda Ellis, Claire Manuel, and C. Mark Blackden, *Gender and Economic Growth in Uganda: Unleashing the Power of Women* (World Bank, 2006).

this diagnostic lens. This discussion reinforces how many of those recommendations are still valid within the agricultural-enabling environment.

THE CONSTITUTION

Uganda is a signatory to many international conventions that affirm equality between women and men. Uganda's constitution also directly provides for equality between women and men in a number of provisions and requires affirmative action for groups that are marginalized due to gender (Article 32(1)). Furthermore, Article 33 of the Constitution has several key provisions that establish the protection and equal treatment of women. Specifically, it provides for gender balance and fair representation of marginalized groups; recognizes the role of women in society; accords equal citizenship rights, freedom from discrimination, and affirmative action in favor of women; and articulates specific rights of women, including outlawing customs, traditions, and practices that undermine the welfare, dignity, and interests of women. While the legal underpinnings exist, the implementing regulations, policies, and procedures still need to be put into place to achieve this equality.

KEY IMPLEMENTING INSTITUTIONS

- Ministry of Gender, Labour, and Social Development
- Ugandan Bureau of Statistics
- National Framework for Agriculture
- Sector ministries and sector working groups

FUNCTIONS OF THE STATISTICS UNIT WITHIN THE MGLSD

- Collection, analysis, and dissemination of data and statistics for use in planning
- Development of relevant information systems in the sector
- Developing and managing a statistical database for the ministry
- Liaising with the Uganda Bureau of Statistics for retrieval, analysis of statistics, and survey data that relate to the social development sector
- Undertaking research on aspects of the ministry's portfolio and producing research reports
- Guiding ministry departments in research related activities
- Designing monitoring and evaluation guidelines and formats
- Coordinating and monitoring of programmers and activities of NGOs to ensure adherence to and conformity with government policies and development objectives
- Monitoring and evaluating ministry plans and projects to ensure that they are in accordance with the overall national development plan

UGANDA GENDER POLICY (2007)

The development of a National Gender Policy in 1997 signaled the Ugandan government's seriousness about committing to more equal gender relations. Revision of the policy in 2007 again moved the dialogue forward. This policy is an integral part of the national development policies. It also gives a clear mandate to the Ministry of Gender, Labour, and Social Development as well as all line ministries to mainstream gender across the board. It sets priority areas of action at the national, sector, district, and community levels. While the priority exists on paper, the difficulty is in implementation, especially beyond the capital. Mainstreaming gender into budgets and programs so that it reaches women farmers has not happened in the rural areas.

DRAFT MARRIAGE AND DIVORCE BILL (2009)

A proposed marriage and divorce bill is currently before the Parliament in the Legal and Parliamentary Affairs Committee. Attorney General Dr. Khiddu Makubuya tabled this bill on December 22, 2009. It seeks to reform the law relating to marriage, separation, and divorce. The draft law grants women the right to divorce spouses for cruelty, the right to choose their spouse, and the abolition of the customary practice of widow inheritance. Furthermore, it prohibits polygamy and provides for equal division of property and finances in the event of divorce. However, the proposed law would govern Christian, Hindu,

NEED FOR IMPROVING STATISTICS COLLECTION—DON'T FORGET SEX-DISAGGREGATED DATA

"In Uganda, there are several agencies charged with the collection of food and agricultural statistics (FAS) led by UBOS [Uganda Bureau of Statistics] and MAAIF [Ministry of Agriculture, Animal Industries and Fisheries]. In reality, however, very few agricultural statistics are currently collected and this is a major omission. Among the most important statistics for which there is no regular and current information are crop area, yield, and production. UBOS and MAAIF and their predecessor institutions have never succeeded in putting in place statistical systems to collect annual, nationally representative, agricultural production data. While attempts have been made, the systems eventually broke down. The current system collects information along the sub-sector operations and disseminates the information through UBOS, annual publications and electronic media. However, there are concerns about the quality of the data collected and how it is used for sector planning and prioritization processes in the absence of robust data collection tools, analysis, storage and retrieval systems. MAAIF is committed to revitalization of agriculture statistics and recognizes that the momentum behind ongoing efforts, e.g. the censuses for livestock and crops, needs to be maintained if an effective and efficient system is to be established and institutionalized. Furthermore, MAAIF recognizes that the focus should not only be on setting up new structures for statistics collection but on improving existing systems."

Source: MAAIF Development Strategy and Investment Plan (2010/11–2014/15)

and traditional marriages, but not Muslim marriages. Thus a portion of the women in Uganda—where an estimated 12 percent of the population are Muslims—would be excluded from its application. In an effort to promote equality between spouses, elements of the bill provide motivation for co-ownership of land. The new bill does not prohibit certain marital traditions, such as the gifts given to the bride's family, commonly known as the "bride-price." However, should a divorce occur, the law requires an equal division of assets between spouses and prohibits the husband from reclaiming the "bride-price." The bride-price has been a disincentive for women to leave their husbands due to their fear of having to pay it back. The paying of the bride-price reinforces the concept that a woman is chattel and property over which the husband should assert control. In the new law, in the event that a woman's husband dies, a widow will be able to choose whom she remarries, as opposed to the common tradition that demands that a widow marry her brother-in-law, with or without her consent. Some controversial aspects to the proposed law are still under debate, such as divorce because of impotence and interpretations of other aspects of the law.

Although a draft law is in Parliament, whether and when it will be enacted and then signed into law is unclear. It could be years. Similarly, while it is expected that a law concerning Muslim marriages will follow this bill, that, too, may entail a multiyear process.

DOMESTIC VIOLENCE BILL (2009)

Uganda's Parliament enacted the Domestic Violence Bill on November 11, 2009. This law criminalizes domestic violence. On December 10, 2009, Parliament passed a bill prohibiting female genital mutilation. As of June 2010, however, these two new laws are awaiting the president's signature to take effect. A 2006 Uganda Demographic and Health Survey reported that 60 percent of women have been subjected to domestic physical abuse and 30 percent have suffered from sexual abuse. As these statistics demonstrate, legislation that protects women from domestic violence and promotes gender equality in the home is critically important.

LAWS ON REAL PROPERTY

Gender relations in the context of land and other property rights form the basic platform upon which women will realize their full economic potential from agriculture. Inequalities in access to land (e.g., only 25 percent of Ugandan women control their access to land) or other natural resources constrain decision making over crop selection (annual versus perennial), capability of obtaining credit and purchasing additional inputs (including better seed and fertilizer), willingness to invest time and labor in entrepreneurial activity, and overall productivity. This report's chapter on registering property describes this subject in further detail.

IMPLEMENTING INSTITUTIONS

Implementing institutions can provide substantial support for addressing gender equity by confronting discrimination and by formulating positive policies to enhance the ability of women to play a role in various aspects of society.[38] Thus a comprehensive and integrated approach to gender equity is important for both the public and the private sector.

The Ministry of Gender, Labour, and Social Development (MGLSD) was established in 1987 and represented a significant step forward in developing an awareness of gender equity and equality. It is responsible for mainstreaming gender across all governmental institutions, but despite its efforts, progress on gender mainstreaming among line ministries varies. Assigning a gender focal person without a budget and without mainstreaming gender in sector policies does not achieve the ministry's goals. MGLSD does not have the budget to collect the disaggregated data necessary to design and influence those policies. While it has collected disaggregated data and established processes in the past, once donor funding stopped, the ministry failed to continue to collect data. This function is critical not only at the national level but even more so at the local government and district and sub-district levels. MGLSD had a well-developed statistics unit (see box for unit functions). These functions are critical for MGLSD to fulfill its functions.

SECTOR MINISTRIES

With respect to agriculture, the **Ministry of Agriculture, Animal Industries, and Fisheries (MAAIF**); **NAADS**; the **Ministry of Trade, Tourism, and Industry**; and the **National Agriculture Research Organization (NARO)** are critical in implementing gender strategies. Their role should be to translate the **Uganda Gender Policy** into sector-specific strategies and activities. To fully realize gender mainstreaming, they need to actively monitor and evaluate the effects of those programs on gender equality. The line ministries should also build staff capacity in gender analysis, planning, and budgeting and ensure that a budget review takes place to ensure that gender is included. The line ministries should be responsible for providing to MGLSD and UBOS sex-disaggregated data. Most importantly, these ministries need to commit adequate resources for the implementation of gender-related activities. This area has significant room for improvement.

UGANDA BUREAU OF STATISTICS

To determine how to make gender-sensitive policies, understand the impact of trade agreements on women and women-dominated agricultural crops, determine worker policies, and have the necessary research, a proper base of statistical information disaggregated on gender data is *critical*. While the MGLSD statistics unit had completed these activities in the past, there is also merit in collecting all data and housing it at **Uganda Bureau of Statistics (UBOS)**. This section's text box from MAAIF notes that a lack of statistics and the need to improve systems in conjunction with UBOS, but it *fails to mention sex-disaggregated data*, which is critical in an industry in which most participants are women.

THE NATIONAL FRAMEWORK FOR AGRICULTURE

In two recent examples, the **National Development Plan (2010–2015)** and the **Development Strategy and Investment Plan (2010–2015**) for agriculture both promise to ensure gender equity in their planning and service delivery, which will theoretically provide a level playing field for men and women. However, noticeable gaps still exist in the decentralization, implementation, and enforcement of gender-balanced policies in sectors strategic to agriculture.

38 This diagnostic uses the USAID definitions for gender equality, gender equity, gender, and sex from the USAID ADS Glossary. *Gender equality* is a broad concept and a goal for development. It is achieved when men and women have equal rights, freedoms, conditions, and opportunities for realizing their full potential and for contributing to and benefiting from economic, social, cultural, and political development. It means society values men and women equally for their similarities and difference and the diverse roles they play. It signifies the outcomes that result from gender equity strategies and processes. *Gender equity* is the process of being fair to women and men. To ensure fairness, measures must often be available to compensate for historical and social disadvantages that prevent women and men form otherwise operating on a level playing field. Equity leads to equality.

Without strong implementation guidelines, a budget attached to gender-specific activities, and gender-disaggregated data for monitoring and results evaluation and policy setting, gender-equality goals cannot be achieved.

SUPPORTING INSTITUTIONS

Supporting institutions in Uganda have played a key role in promoting the gender equality issue. These organizations have consistently pushed for the necessary laws and policies to provide gender equality. While many NGOs and professional organizations are active in this area, women in the agricultural sector have received little such attention. There are associations for women lawyers, entrepreneurs, doctors, engineers, scientists, and technicians, but none for women farmers.

Encouraging the link between agriculture and business is critical. Women farmers need a better understanding of contracts, standards, and exports. Moreover, women need to be involved in all areas of the value chain. Most of the information on these issues is delivered by extension services to men and never reaches women because of the daily burden of their labor and their inability to access the information. That is, women do not ask for information that they do not know exists because of the primary outreach is to the male farmer.

KEY SUPPORTING INSTITUTIONS

- Uganda Women's Network
- Association of Women Lawyers in Uganda
- Department of Women and Gender Studies, Makerere University
- National Association of Women's Organisations in Uganda
- Uganda Women Entrepreneurs Association Limited
- Forum for Women in Democracy
- Uganda Media Women's Organisation
- Women Engineers, Technicians and Scientists of Uganda
- Association of Uganda Medical Women Doctors
- Uganda Law Reform Commission
- International Justice Mission

The following organizations have played key roles, but could play larger roles in agriculture if it were to be a larger part of their missions.

UGANDA WOMEN'S NETWORK

The Uganda Women's Network is an advocacy and lobbying network of national women's NGOs and individuals that operate in Uganda. It arose from the East African Women's Conference held in Kampala in 1993 in preparation for the UN World Conference on Women in Beijing, China, in 1995. It is a registered NGO with a secretariat in Uganda. It has four key programs: networking, policy advocacy, information management, and capacity building. The network develops and disseminates many useful and timely publications, including "Information Pack on the Marriage and Divorce Bill, 2009,""Information Pack on the Domestic Violence Bill," and "A Synopsis of Sex Based Gender Violence in the Print Media." It was at the forefront of lobbying and educating Parliament and the public about the **Land Act of 2002** and the proposed **Domestic Relations Bill.** The organization also participated in the monitoring of the 2001 election for women's representatives in the districts and for members of Parliament.[39]

ASSOCIATION OF WOMEN LAWYERS IN UGANDA (FIDA-U)

The Federecion International De Abogadas (FIDA)-U was established in 1974 by a group of women lawyers with the primary objective of promoting their professional and intellectual growth. In 1988, FIDA-U established its first legal aid clinic in Kampala to provide indigent women with access to legal services. Since then, it has established offices in other regions of the country. In 2005–2006, the organization handled 200 court cases, and from 2006 to 2007 handled over 15,000 alternative dispute resolution cases. In 2007, FIDA-U received a grant from the Ford Foundation to strengthen the organization. The group is currently focusing

39 *Torchbearer* is the term used in the book *Women, Work & Domestic Virtue in Uganda,* 1900–2003, to describe the eight women who head important organizations and have thought deeply about women's economic issues. They are the champions of women's economic empowerment. Torchbearers in the above-named organization include Jackie Asiimwe for the Uganda Women's Network, Sarah Kitakule for the Uganda Women Entrepreneurs Association Limited, Peace Kyamureku for the National Association of Women's Organisations in Uganda. Grace Bantebya Kyomuhendo is a Torchbearer at Makerere University for the Department of Women and Gender Studies. The other Torchbearers not discussed in this chapter are Lydia Rugasira of the Uganda Women's Finance Trust Ltd., Angela Nakafeero of the Council for the Economic Empowerment of Women in Africa, Maggie Kigoze of the Uganda Investment Authority, and Olive Kigongo of the Uganda National Chamber of Commerce and Industry.

on improving its infrastructure and staffing. The redefined FIDA-U mission is to promote human rights and the inherent dignity of women and children, using law as a tool for social justice. FIDA-U will do this through the following key objectives:

- Consolidate gains in access to justice through the provision of legal aid, legal education, public interest litigation, and advocacy for law and practice reform
- Promote the sexual and reproductive rights of women, including combating and redressing the effects of HIV and AIDS
- Promote economic justice and the rights of women through monitoring and advocacy within the framework of pro-poor development
- Contribute to transitional justice, peace building, and effective political participation of women as decision makers
- Reposition FIDA-U as a sustainable human rights, governance, and activist organization

Key accomplishments include advocacy for an improved legal environment for women's human rights accomplished through networking with other partners on the Domestic Relations Bill; **Succession Act; HIV/AIDS Bill**; amendment of the **Penal Code** to grant chief magistrates power to hear defilement cases where the victims are 14-years-old and younger; and advocacy for the **Equal Opportunities Act.** They have also targeted through strategic litigation discriminatory laws on adultery, succession, and inheritance. In addition, FIDA-U advocates for increased acceptance of women's property rights, girl child education, and women in leadership positions.

DEPARTMENT OF WOMEN AND GENDER STUDIES, MAKERERE UNIVERSITY

The Department of Women Studies, established in 1991, is now known as the academic wing of the Uganda Women's Movement. The department developed a research library in 2000. It conducts gender-focused courses and has made practitioners in agencies, local governments, and elsewhere aware of the need for gender mainstreaming in their programs. Its current curriculum includes gender-focused information and communication technology trainings for women focused on reducing the gender digital divide. Much of this training is in partnership with the Cisco Academy.

NATIONAL ASSOCIATION OF WOMEN'S ORGANISATIONS IN UGANDA

This association is an indigenous umbrella NGO for women's organizations that was formed in 1992. NGOs and community-based organizations working with women established the association to serve as a coordinated network of member organizations. It is affiliated with the International Council of Women and the International Council for Social Welfare and has consultative status with the United Nations Economic and Social Council. Its mission is "to promote the growth of a strong women's movement in Uganda that claims the rights of women and enhances their social economic status."

UGANDA WOMEN ENTREPRENEURS ASSOCIATION LIMITED

This association is an NGO founded in October 1987 by a group of dynamic women entrepreneurs who conceived a vision for addressing the gender disparities by enhancing and empowering the economic status of women in Uganda. Its mission is to empower women entrepreneurs economically through: business diagnostics, capacity building, resource mobilization, institutional development, networking, and advocacy. It is a membership-based association and a one-stop facilitator for women entrepreneurs, businesswomen, women professionals, NGOs, and other women development organizations. The organization has more than a thousand members in Kampala as well as branches in Bugiri, Jinja, Kabale, Koboko, Lira, Luwero, Mbale, and Soroti.

INTERNATIONAL JUSTICE MISSION

The International Justice Mission is an international human rights organization that secures justice for victims of violent forms of abuse and oppression. Its lawyers, investigators, and professional social workers work with government officials to ensure victim rescue and restoration, hold perpetrators of injustice accountable, and promote the effective functioning of public justice systems. The mission opened its Uganda Field Office in 2004. In Uganda, it has a program that addresses succession-related property issues that affect women and orphans. It focuses on Mukono County and its five subcounties: Goma, Kyampisi, Mukono Town Council, Nakisunga, and Nama. Its program includes three main components: community legal education, casework intervention, and working with partners to provide aftercare that assists in overcoming the effects of victimization. It has been successful in pursuing claims on behalf of widows and orphans.

SOCIAL DYNAMICS

Despite the Constitution's declaration of gender equality, social customs and traditions in Uganda still stand in the way of true equality between women and men. The following key factors influencing the current climate for women in Ugandan society emerged during this diagnostic:

- Undercurrent of unequal value, as evidenced, among others, by high rates of domestic violence
- The dual or triple burden women face balancing difficult agricultural work and family responsibilities without rudimentary household or farm technology
- Lack of education for women and the focus on "traditional" roles in agriculture for women
- Limitation on mobility
- Limitation on access to information
- Lack of control over cash, land, and decision making

While women are considered equal under the Constitution, cultural factors and other common, widely acknowledged practices create a different reality. The pursuit of education, choices in higher education, mobility, and the remaining legal framework work against equality for women. In addition, the lack of access to cash and wage disparities further reinforce the inequality. The prevalence of gender-based violence in Ugandan society is another devaluing undercurrent. In Uganda, "domestic virtue" is a predominate factor hindering a woman's ability to advance meaningfully in economic empowerment. The term domestic virtue refers to a set of expectations developed early in the 20th century based on African and British concerns, with roles for women clearly distinguished from those of men. Women were valued for their contributions within the family as wives and mothers who produced food and cared for their households. Women were expected to be submissive and deferential to men. While society evolved, women struggled to conform to the definition of a good and proper woman provided by that model.

THE UNDERCURRENT OF UNEQUAL VALUE

Dominant cultural concepts influence women and their participation in the economy. In Ugandan society, women have a lower status than men. Social custom dictates that the woman is responsible for growing, gathering, and cooking food, for household duties, and for child rearing. Women suffer from both a lack of available external support, such as child care or house-cleaning services, and a lack of cultural acceptance of accessing such support. Women face a double or triple burden between growing and gathering food, caring for children, and maintaining the household in addition to any outside work they do. These burdens are complicated by the domestic virtue model that determines what a good and virtuous woman should be. While in the cities there are now options for women to contribute to the workforce by working for the government, teaching, and other professional fields, the rural areas continue to follow the older model.

CONTROL OVER FINANCES

Roles for men and women appear traditionally determined in the context of support for the family. Men are assumed to be the head of household, making the major decisions regarding family finances. Men play only certain designated jobs in crop cultivation with women shouldering the majority of the burden. Women must manage their work in agriculture or other fields along with the provision of food, household maintenance, finding water, care of children, and any extended family responsibilities.

FOOD SECURITY AND NUTRITION

For nutrition to improve in Uganda, primary and secondary school must educate both sexes on basic health, nutrition, and sanitation issues. Because of the pervasive influence of "domestic virtue," a nexus between nutrition and health has been lacking. Domestic virtue in this realm means that a good wife ensures that the man should get the most and best food. As a result, in food-poor households, the mother and children eat less.

Stereotypes and widespread expectations of gender roles perpetuate the gender gaps between men and women, particularly in rural areas. Ugandan society would benefit from a public dialogue about issues that are not widely discussed. These include gender roles in parenting and family life, nutrition, sanitation and hygiene, domestic violence, sexual harassment, early marriage, and other similar topics. At all junctures, men should be speakers and participants in the conversation.

An upper-class phenomenon appears to be evolving in which well-educated women who come from families with substantial means face less discrimination than other women. Some of the traditional cultural aspects remain of the domestic virtue model, such as primary responsibility for child rearing, household maintenance, and demonstrated respect for the husband, but these women seem to be able to proceed with work outside the house based on merit, particularly if it is in government service. Women in this position are still in the minority but can and do serve effectively as role models for others.

THE FOCUS ON TRADITIONAL EMPLOYMENT

Women constitute the bulk of the agricultural workers in the informal sector. While Uganda is known throughout East Africa for its higher-level education, women are often drawn to traditional fields, although a growing number of women are entering the legal profession. Girls should be encouraged in math and sciences at an early stage, and women should be encouraged to broaden their scope and consider information and communications technology (ICT), business, and other service sectors as career opportunities in addition to law.

ACCESS TO ICT AND OTHER TECHNOLOGY

Access to technology is also of vital importance to increasing the productivity and commercialization of smallholders. Price information is important in understanding where to sell goods. Gender differences in access, control, and affordability of ICT and responsiveness to market information are prevalent. Supporting these concerns are data that indicate that proportionally more male-headed households (53 percent) had access to radios than female-headed households (38 percent).[40] According to interviewees, many fewer women than men in rural areas have access to mobile phones. In addition, women's access to farm equipment is limited. Very few women have access to ox plows, which could significantly change the time involved in clearing fields. See Trading Across Borders "Social Dynamics" section for more information on women and trade.

40 MGLSD, 2007.

STARTING A BUSINESS

Over the next generation, Uganda is expected to move from relatively food secure to food insecure. That is, the country will not be able to feed itself without significant improvement in agricultural output. How is this relevant to starting a business? The answer begins with the immense need to professionalize agriculture from the ministries down to the farmers. It further entails "putting business into agribusiness," which, of course, begins with Starting a Business.

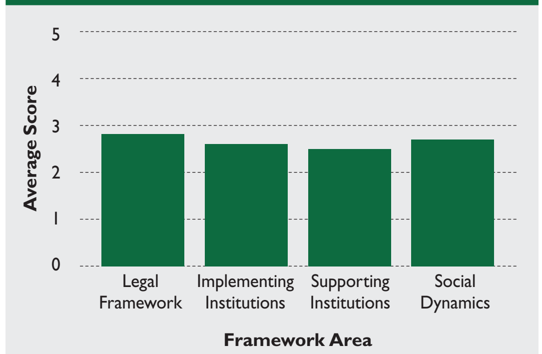
The contribution of agriculture to Uganda's economy is widely reported as around 21–24 percent of GDP, down in official estimates from about 29 percent when the 2008 BizCLIR inquiry took place. The sector accounts for nearly 50 percent of export revenue and provides livelihoods for more than 70 percent of the population (some estimates place that number at more than 80 percent). Yet the sector's rate of growth has declined to a point that it is now below the country's 3.2 percent population growth rate. As a result, after years of steady progress, the number of Uganda's poor is expected to climb to over 10 million in 2015 from an estimated 8.5 million in 2005.[41]

In light of recent trends and the importance of agriculture to the economy, the Ugandan government's commitments under the **Comprehensive Africa Agriculture Development Program** amount to an important step toward professionalizing agriculture. Indeed, if there is a theme going forward for agriculture in Uganda, it might just be "*put the business into agribusiness.*" More focus on organization, formalization, productivity, and markets is necessary for Uganda to realize the potential that has existed for years.

Professionalizing agriculture means producing more from land under cultivation. Widely used statistics suggest that Uganda applies fewer nutrients per hectare (ha) than many other African countries (some say in all of Africa).[42] For example, Uganda applies roughly 1 kg/ha of nutrients, Mozambique applies 4 kg, Tanzania 6 kg/ha, Kenya 31kg/ha, and South Africa in excess of 50 kg/ha.[43] Use of inputs is indicative of an attitude—that is, it shows a business orientation and not merely a subsistence mindset. Professionalizing agriculture further means thinking of the sector as a business. Increasingly those who target smallholders for group formation—for the purpose of realizing economies of scale and strengthening use of inputs—register the groups as businesses.

The 2008 BizCLIR report's chapter on starting a business remains essentially valid. In general, that diagnostic found that formalization of business is unduly expensive and cumbersome, particularly in light of the national registration authority's inaccessibility and the tangled,

STARTING A BUSINESS



RATE OF GROWTH IN UGANDA BY SECTOR, 2003–2009

Sector	03/04	04/05	05/06	06/07	07/08	08/09
Agriculture	1.6	2.0	0.5	0.1	1.3	2.6
Industry	8.0	11.6	14.7	9.6	9.1	3.8
Services	7.9	6.2	12.2	8.0	10.2	9.4

Source: DSIP

41 Development Strategy and Investment Plan, March 2010.
42 Ronald Kalyango, "Uganda Lags Behind in Using Farm Inputs," *The Agro Inputs Guide* 2 (no. 2) (Oct.–Dec. 2009).
43 Development Strategy and Investment Plan.

unpredictable processes at the local level. This chapter briefly touches on formalization of agricultural enterprises and then focuses on attitudes toward risk, farming, and agribusiness. In addition, it addresses the Ugandan government's role in setting a strategic framework for launching and growing businesses in agriculture.

LEGAL FRAMEWORK

REGISTRATION OF COMPANIES

The most recent *Doing Business* survey (2009) ranks Uganda 129th out of 183 countries in "ease of starting a business." The country registered no improvement over its ranking from 2008. The laws and regulations discussed in the 2008 BizCLIR report, including the country's nearly 50-year-old **Companies Act,** appear not to have changed and remain generally unfriendly to smaller, rural enterprises. Indeed, the following observation within the 2008 BizCLIR report remains substantially true today:

Since the formation of the Uganda Law Reform Commission (ULRC) in 1990, the legal underpinnings of Uganda's economy have been subject to intensive study. To date, however, virtually none of the major commercial laws that have been identified as needing improvement have been revised or replaced through the enactment of pending legislation.

The Companies Act has been under review for more than five years, and determining the status of a new draft law or draft revisions—reported to exist—proved impossible during this diagnostic. In June 2010, Parliament reportedly changed the particular aspect of the law that tethers formal registration of companies to the Registrar's office in Kampala. Whether and when the president will sign this reputed change and the government will implement it—questions that, despite efforts, also went unanswered—is unclear. Moreover, there does not appear to have been meaningful change in local jurisdictions that encourage the formalization of agricultural enterprises for the purpose of bolstering their productivity and potential growth.

A brief summary of the company registration process might be useful. Pursuant to the Companies Act, larger agricultural enterprises, like all business, can register in two different modes: limited by shares and limited by guarantee. Limited-by-shares companies have a registration fee of U Sh 100,000 (about US$50). Limited-by-guarantee companies pay a registration fee of U Sh 15,000 (about US$20). Company formation certificates cost U Sh 20,000, and registering the company resolutions also costs U Sh 20,000. The other requirements are the original corporate certification and proof of an open bank account. In addition to these company forms, a business can register as an individual proprietorship or a partnership that can consist of up to seven people; this costs U Sh 25,000.

A limited-by-shares company requires a capital of U Sh 1 million. The deposit of this amount in the company bank account is not a requirement. However, it is necessary to deposit U Sh 40,000 for the first million in capital and U Sh 5,000 for each additional million in capital. This initial payout is U Sh 100,000 plus U Sh 40,000, giving a total of U Sh 140,000 at incorporation.

After payment of the U Sh 15,000, a limited-by-guarantee company needs to have all the documents ready for registration, prepared by an attorney or the business owner(s). Registration of a business name costs U Sh 25,000. The process of business registration and acquiring the business name reportedly requires two days, after the submittal of three receipts from the Diamond Trust Bank. This bank has a special entrance for

KEY LAWS AND POLICIES

- Companies Act (1961)
- Cooperative Societies Act (1991)
- Draft revisions to or new Companies Act
- Comprehensive Africa Agriculture Development Program
- Development Strategy and Investment Plan

corporate registration, and it takes two hours to complete the procedures in the bank.

Ugandan officials do not agree with the poor assessment *Doing Business* reports about the time it takes to register a company. Registration records have been computerized and are under the jurisdiction of the Office of the Registrar General, housed within the Ministry of Justice. The World Bank has long recommended that the Registrar be afforded more autonomy. As noted earlier, details about Parliament's June 2010 approval of this request were not forthcoming during this diagnostic.

ANOTHER WAY TO DO BUSINESS: COOPERATIVES AND FARMERS ASSOCIATIONS

Cooperatives and farmers' associations are enterprises that farmers who use its services own and control. *Supply cooperatives* supply their members with inputs for agricultural production, including seeds, fertilizers, fuel, and machinery services. Farmers establish *marketing cooperatives* to undertake transformation, packaging, distribution, and marketing of farm products (both crop and livestock).[44] The cooperative and association members receive services and allocate earnings on the basis of use.

In Uganda, as in many African countries, the history of cooperatives discourages confidence in this model as a promising investment opportunity for small producers. Until the early 1990s, the cooperative movement was a significant force within Ugandan agriculture. Cooperatives first emerged in the 1930s as organized farmers' groups, and many farmers sold their products collectively through cooperative societies. Over the years, however, government interference, mismanagement, fraud, and pressure from donor agencies combined to discredit them. Falling into disfavor, government and donor support was withdrawn, and farmers were encouraged to sell their produce on the free market.

Increased attention to agricultural development and recognition of the importance of marketing have led to a resurgence of interest in cooperative societies. The new development of cooperatives is slow and has to overcome the tainted image of the past. Nevertheless, the cooperative movement may have potential to enhance agricultural development, especially in some key areas such as coffee.

In Uganda, cooperatives are regulated according to the **Cooperative Societies Act (1991**). This act provides for the registration of agricultural cooperatives and places constraints on the constitution of cooperatives (including shareholding), business transactions (including loans and deposits), and reporting. It also provides for the establishment and administration of an education fund intended to promote the effective operation of cooperatives. The act specifies administrative agents, including both a commissioner of cooperatives and a registrar (and assistant registrars). It also nominates the Board of the Uganda Cooperative Alliance (UCA) as the arbiter in the event of disputes between individual societies and the administrative agents.

Although the legislation is comprehensive, it has been criticized as permitting excessive political influence. Specific amendments interviewees proposed during this diagnostic include the following:

- Amending the cooperative law to protect the cooperatives from state functionaries and dominance entrenched by vested interests
- Permitting cooperatives to be more business oriented
- Enhancing member ownership, in particular giving members the ability to hold the officials (including district and federal officials) accountable for their actions

One further aspect of the existing law that may require resolution is the position of the UCA, which is both co-opted as an agent of government in arbitration and the resolution of business matters and also required to act on behalf of cooperative societies in representing their interests before government. This dual role may

44 Farmers may also rely on credit cooperatives as a source of financing for both working capital and investments.

place the UCA in an equivocal position if cooperatives were to become truly commercial in the future.

While the cooperative movement might be able to play a significant role in the development of Ugandan agriculture, it will remain vulnerable to the same problems of the past unless these aspects of the law can be addressed.

COMPREHENSIVE AFRICA AGRICULTURE DEVELOPMENT PROGRAM

CAADP is an ambitious, Africa-led initiative to improve agricultural performance as an avenue to enhanced economic development in signatory countries. Under the umbrella of the New Partnership for Africa's Development, CAADP is a compact-based agreement that seeks to improve food security and increase incomes by raising agricultural productivity by 6 percent and increasing public expenditure on agriculture to at least 10 percent of the annual national budget. Uganda's CAADP compact covers the following four program areas (budgeted value):

- **Enhancing agricultural production and productivity (U Sh 1,873.8 billion).** This goal is to use technology to improve productivity of the land, labor, and capital farmers employ.
- **Improving market access and value addition for sustainable agricultural development (U Sh 684 billion).** This component has the dual objectives of linking farmers to input and output markets and linking farmers to reliable markets.
- **Creating an enabling environment for investment in agriculture (U Sh 113.4 billion).** The objective is to establish a favorable policy and regulatory environment for investment in agriculture throughout the value chain.
- **Institutional development in the agricultural sector (U Sh 60 billion).** The objective is to establish a structure to implement the Development Strategy and Investment Plan (see below) and strengthen the capacity of the Ministry of Agriculture to fill its role as a modern ministry.

DEVELOPMENT STRATEGY AND INVESTMENT PLAN

DSIP is the government's plan for realizing the CAADP goals, including the above-listed program areas. The funding to support these goals, however, is not entirely in place. One interviewee estimated that just a quarter of the amount needed for the five-year plan is subscribed.

DSIP AND ZONING

DSIP appears to be a well-considered document. It places significant emphasis on smallholder production through zoning, which is an attempt to marshal limited government resources on a few crops in each zone. DSIP delineates 10 agriculture zones in Uganda (see box).

Then, DSIP identifies 10 select commodities and assigns them to the zones. The ten commodities (bananas, beans, beef cattle, cassava, coffee, dairy cattle, fish, maize, poultry, and tea) were selected based on a range of equally weighted factors: return on investment, priority within agro-ecologic zones, household involvement, contribution to exports, poverty effect, multiplier effect, size effect, and future potential. A 2009 International Food and Policy Research Institute (IFPRI) assessment of the profitability of agricultural enterprises by production zone also suggests most of the same crops in the same zones that DSIP has recommended. However, the IFPRI analysis also suggests 13

UGANDA'S 10 AGRICULTURAL ZONES

- Northeastern dry lands
- Northeastern savannah grasslands
- Northwestern savannah grasslands
- Para-savannahs
- Kyoga Plains
- Lake Victoria crescent
- Western savannah grasslands
- Pastoral rangelands
- Southwestern farmlands
- Highland ranges

other agricultural "enterprises" that appear remunerative at the farm household level.[45]

The theory of zoning is that it concentrates limited government resources (e.g., extension) on targeted crops within a zone. Zoning does not preclude investment on any scale in commodities not identified for that zone. It simply suggests that an investor (large, medium, or small) should not expect direct government assistance for crops not identified for a zone.

With the focus on limited crops it will be important to maximize the effect that government funds have on those crops. Results to date suggest that this will be difficult. For example, to be effective from an extension perspective, the zone approach requires high-quality (sufficiently informed) and adequate numbers of extension agents. As discussed below, current extension services have not increased yields. Zoning cannot, and will not, compensate for ill-informed or too few extension agents.

In a resource-constrained environment, zoning would seem to make a good deal of sense. It assumes, however, that the government selects the best crops for each zone. While the selection factors appear accommodating of varied needs and interests, in application much of the DSIP program for selected crops appears geared toward production issues and may not adequately incorporate market perspectives. Producing without a market will only contribute to large swings in production and prices; and a continued slow response to professionalizing smallholder agriculture will retard the consistent use of fertilizers.

In addition, as applied, the factors have resulted in a mix of known "traditional" domestic and export crops. A commodity such as cocoa—which enjoys strong international prices, is projected to remain robust for years, and is well suited to a few zones—is excluded from the DSIP plan. No doubt one can always find an

	ZONE (NUMBERS CORRESPOND TO LIST ON PREVIOUS PAGE)									
	1	2	3	4	5	6	7	8	9	10
Crops										
Banana			x		x	x	x	x	x	x
Bean										x
Casasava		x	x		x	x				
Cocoa							x			x
Coffee			x						x	x
Field Pea		x								
Finger millet						x	x			
Groundnut									x	
Irish potato								x	x	x
Maize	x		x	x	x		x	x	x	
Passion fruit							x			
Rice					x	x			x	
Simsim		x								
Sorghum	x									
Sweet potato			x	x	x	x		x		
Tobacco			x				x			
Animal										
Beekeeping			x		x					
Dairy					x	x	x	x	x	
Goats	x	x	x	x		x	x			x

45 David Michael Kidoido Kraybeill, *Analysis of Relative Profitability of Key Ugandan Agricultural Enterprises by Agricultural Production Zone* (2009), (Department of Agricultural, Environmental, and Development Economics, Ohio State University, and International Food Policy Research Institute, Uganda Strategy Support Program, Brief 7).

excluded crop that looks promising. The point here is not to suggest that the selected crops are wrong but to suggest that a weighting of the factors in favor of marketability could provide a different mix of crops. Moreover, it might be beneficial to include a few "investment" crops to research through public-private partnerships (e.g., the National Agricultural Research Organization, associations, or private investors). It will also be necessary to reassess zones periodically against climate change factors and against long-term market trends. Once-competitive commodities can become uncompetitive and others become viable due to climate and market changes. Finally, a zone approach demands a solid understanding of the value chains for the selected commodities within the zones. One weak link can impede development and discourage investment in businesses.

DSIP AND SMALLHOLDERS

DSIP's emphasis on smallholders is understandable; Uganda's agriculture centers on smallholders. However, within another generation, the likelihood that Uganda will be able to feed itself based predominantly on smallholders is questionable. Now is the time to lay a foundation for the transition to commercial-scale farming. While such a transition may not involve moving from two-hectare farms to 200- or 2,000-hectare farms, moving from 2 hectares to 20 hectares, a scale that justifies modernizing and professionalizing farming, is sensible. Uganda needs a detailed transition plan to commercial farming, which DSIP lacks.

DSIP AND SUPPORTIVE INVESTMENTS

DSIP is a researched and thoughtfully compiled document. It touches on many aspects important to growing agriculture in Uganda. But DSIP does not address the ancillary investments needed in roads, railways, telecommunications, warehousing, credit, and other topics (e.g., trade policy) that affect agriculture. With Uganda emerging as an oil-producing country, it is hoped that proper management of the oil revenue will lead to vastly improved, supportive agriculture infrastructure. This report's chapter on protecting investors further develops this concern.

IMPLEMENTING INSTITUTIONS

OFFICE OF THE REGISTRAR GENERAL

Doing Business 2010 reports that it takes up to 25 days (and more than 80 percent of per capita income) to register a business. The Registrar asserts that it in fact provides a process that requires two days or less. Viewed narrowly, the Registrar is a fairly efficient operation, although there is considerable room for improvement. Yet registering a business is costly and time consuming, especially for aspects that require non-Registrar input, such as the revenue authority.

The actual registering of a business is in many respects transparent and straightforward. As further detailed in this report's chapter on dealing with licenses, there are different types of registration options, with reasonable fees attached to each. The Registrar's recordkeeping is computerized, which speeds the process and adds to transparency.

Where the process slows, and where *Doing Business* is the most critical, is with respect to other registration-related actions, such as registration with the Uganda Revenue Authority, and, for agricultural enterprises, some of the additional licensing steps. Moreover, as the 2008 BizCLIR report details, the lack of a decentralized system requires parties to travel to Kampala to register. This requirement is a deterrent in time and cost. During this diagnostic, some indications suggested that the situation could change, specifically that Parliament

KEY IMPLEMENTING INSTITUTIONS

- Office of the Registrar General (Ministry of Justice)
- Cooperative Department (Ministry of Trade and Industry)
- Uganda Investment Authority

had approved a measure making the Registrar an autonomous government entity (no longer part of the Ministry of Justice) responsible for its budget and earning the revenue necessary to support such. However, no news articles or government-issued information could be found to verify this information. What was determined is that the Registrar supports the idea of decentralization. By pushing registration out to the district level, the Registrar should see an uptake in registrations, with the concomitant advantages formalization brings to a business over informality.

COMMISSIONER OF COOPERATIVES AND REGISTRAR OF COOPERATIVES

The registration of a cooperative society is fairly straightforward. Although a little more time consuming than registering a business, it is important that members of a cooperative demonstrate (through by-laws and paid-in shares; value can be nominal and up to members to decide) cohesion and a sound business rationale for associating.

To register, a society must submit by-laws to the Registrar of Cooperatives, which is part of the Ministry of Trade and Industry. Model by-laws are available at a small cost (multiple purpose by-laws cost U Sh 6,000; savings and credit cooperative by-laws cost U Sh 15,000). In addition, the registering cooperative must provide a schedule of shareholders, basic financial statements (balance sheet and income statement), and a two-page feasibility report that explains the cooperative's sustainability. Like businesses, societies must register in Kampala, which adds to the time and cost. By charter, the process is to take no more than two weeks, which according to representatives of the department is manageable, most of the time.

Submitting the application incurs a cost of U Sh 50,000, which funds copies of the certificate and by-laws—one each for the society, a bank, and the district cooperative society officer. Each society must also be audited annually, must submit returns to the Registrar, must hold a general meeting, and must release an annual report.

Unlike the Office of the Company Registrar, the Registrar of Cooperatives is not computerized. The International Fund for Agricultural Development has funded some work pertaining to computerization of current registrants.

Given the limited number of cooperative societies that are active, the primary implementing institutions have adequate capacity to undertake their main functions but have limited capacity to undertake some of the lesser functions established under the act (particularly arbitration, debt resolution, holding of inquiries, and appeals).

UGANDA INVESTMENT AUTHORITY

A one-stop shop for business start-up, the **Uganda Investment Authority (UIA)** extends a number of services to investors (e.g., work permits, Uganda Revenue Authority (URA) registration, facilitating bank accounts, and help with specific licenses.) The 2008 BizCLIR report provides a useful summary of the UIA.

With respect to agriculture, one challenge that UIA struggles with is land. Under any of the four land ownership modalities—communal, mailo, leasehold, and freehold—there are impediments to large-scale ownership (that is, large land tracts). For example, population growth puts added pressure on land, and the land law makes it difficult to remove "squatters." One would-be investor who applied for 2,000 ha noted that the cost of land was reasonable but the bad publicity and cost of removing squatters were not. Furthermore, unclear ownership leads to land grabs in the north and land embezzlement in the west around Lake Albert, where oil extraction will soon begin.

Few actors in the investment field believe that the government needs a commercial agriculture strategy, one that is geared toward large foreign operators and that could be implemented, indeed drawn up by UIA, and that would help usher in a professional approach to agribusiness.

SUPPORTING INSTITUTIONS

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRIES AND FISHERIES

The mission of Agriculture, Animal Industries and Fisheries (MAIFF) is "to support national efforts to transform subsistence agriculture to commercial production in crops, fisheries and livestock, by ensuring that the agricultural sector institutions provide efficient and effective demand-driven services to the farming community." While this assessment is not a review of the performance of MAAIF—others have done so in greater depth than space permits here—Uganda's continuing inability to rise above largely subsistence agriculture suggests that, although its mission may be worthy, MAAIF lacks the supportive organizational structure to realize the mission and enough qualified individuals to implement it.

As the DSIP notes, the ministry's restructuring has been considered for nearly eight years. Moreover, over a quarter of the more than 400 positions in the ministry remain vacant as of the writing of DSIP. Even with all the positions filled, there is legitimate concern that these would be insufficient to established proper links with the 80 districts in Uganda.

As a ministry, MAAIF focuses on policy, monitoring and evaluation, grades and standards, planning, and regulating. Beyond these overarching functions, MAAIF operates at the field level through seven quasi-autonomous agencies, including the National Agricultural Research Organization and National Agricultural Advisory Services, each with its own budget and plan.

KEY SUPPORTING INSTITUTIONS

- Ministry of Agriculture, Animal Industries and Fisheries
- National Agricultural Advisory Services
- National Agricultural Research Organization
- Ugandan Bureau of Statistics
- Uganda National Agro-inputs Dealers Association

NATIONAL AGRICULTURAL ADVISORY SERVICES

NAADS is an innovative public-private extension partnership. Established in 2001, NAADS seeks to increase marketable agricultural production by focusing limited extension resources on farmer groups and empowering them to direct the extension services NAADS provides. Its objectives include providing an effective and sustainable extension service, increasing farmers' access to information, augmenting the use of productivity-enhancing technologies, creating and strengthening coordination within the overall extension services, and aligning extension to government policy.

NAADS began in a few select districts. Today, NAADS is found in all districts of Uganda. Recently, it confronted issues of corruption, perhaps brought on in part by its rapid expansion. The program is now moving into a second phase and will remain a critical element of the government's extension program.

NAADS strengthens farmer groups in order to make extension decisions. These groups then contract with private or NGO service providers to for short-term extension services, paid for through NAADS. It targets the economically active poor, defined as those with limited physical and financial assets, skills, and knowledge.

Early on, primarily qualitative assessments judged NAADS to be performing well. IFPRI carried out a more rigorous, quantitative review in 2007. While the results were considered preliminary, the assessment found that, "despite positive effects of NAADS on adoption of improved production technologies and practices, no significant differences were found in yield growth between NAADS and non-NAADS sub-counties for most crops, reflecting the still low levels of adoption of these technologies even in NAADS subcounties."The study found that NAADS did seem to provide some downside protection. That is, in poor conditions (e.g., less rain than normal), farmers the NAADS extension system reached fared better than others, expanding "into profitable new farming enterprises such as groundnuts, maize and rice." [46]

The apparent effectiveness of NAADS contrasts with the fact that the approach has not increased yields. Indeed, yields in Uganda for most staples have not changed over the past 15 years.

NAADS is a bold experiment that has had both successes and failures. Discussions in the field, along with documentation (such as a 2008 National Service Delivery Survey), indicate that extension services reach 14–20 percent of the farm households. Whether this is sufficient depends on whom extension is reaching. If extension reaches mostly subsistence farmers, then it is likely wasted effort. If it reaches mostly commercially oriented smallholders, then the rate of penetration, while low overall, may be significant against the total commercial smallholder segment.

However, it is difficult to determine whom the NAADS extension is reaching. While NAADS does target the economically-active poor rather than the "destitute," economically active is defined as those with limited physical and financial assets, skills, and knowledge. The persistent low production levels suggest that the system is not reaching enough of the commercially minded.

Under DSIP, NAADS will be subject to a program to improve management and coordination, planning and implementation, technology development and promotion, and agribusiness development and value addition.

NATIONAL AGRICULTURAL RESEARCH ORGANIZATION

NARO is the lead agricultural research entity in Uganda charged with coordination and implementation of the national research agenda. Among its roles is to ensure that the amount and quality of scientific plant breeding are sufficient to meet the country's production goals. NARO carries out its work through regional public agricultural research institutes. These institutes are semi-autonomous, although in principle they develop and carry out a research agenda under the guidance of NARO. NARO's effectiveness in managing and disseminating data has come into question despite a World Bank study (2008) that finds that NARO ranks third in returns to investment in agricultural

STARTING A BUSINESS AND FERTILIZER: A LESSON FROM KENYA

An analysis of fertilizer use over a 10-year period in Kenya provides some insight into what it takes to encourage continued use of improved inputs. The study found that the better off among smallholders used fertilizers more than those with lower household assets. More households in areas receiving higher and more stable rainfall used fertilizers than those elsewhere. Of no surprise, fertilizer-using households are closer to an agro-dealer than those who are less likely to use fertilizers. On average, fertilizer-using households were just over 3 km away versus nearly 9 km for non-using households. Users were also closer to a "motorable" road (less than a kilometer), while non-users were over a kilometer away, and were closer to proper extension services (public or private).

What does this suggest about targeting fertilizer marketing? Answer: Focus on those who can best apply the inputs based on household assets and stability of rainfall. The larger the asset base, the more commercially minded the household is about farming. Penetrate the market—get closer to the farmer with knowledgeable suppliers of properly packaged and priced products—and target extension to these farmers.

Source: Joshua Ariga, T. S. Jayne, Betty Kibaara, and J. K. Nyoro, *Trends and Patterns in Fertilizer Use by Smallholder Farmers In Kenya, 1997–2007,* Tegemeo Institute of Agricultural Policy and Development, 2008.

46 Samuel Benin, Ephraim Nkonya, and Geresom Okecho (NAADS), John Pender (IFPRI), Silim Nahdy (NAADS), Samuel Mugarura (Save the Children Federation), Edward Kato (IFPRI), Godfrey Kayobyo (Nkoola Institutional Development Associates), *Assessing the Impact of the National Agricultural Advisory Services (NAADS) in the Uganda Rural Livelihoods* (IFPRI Discussion Paper 00724, October 2007).

47 DSIP.

research.[47] Like NAADS, NARO is slated to receive funding under DSIP.

Uganda Co-operative Alliance

The Uganda Co-operative Alliance (UCA) is an umbrella organization established in 1961 to promote the economic and social interests of cooperatives in Uganda. Its goal is to provide high-quality support services to cooperatives and their members on a sustainable basis. The UCA concentrates on six key areas:

- Capacity-building in primary societies and area cooperative enterprises
- The development of a strong cooperative financial system based on members' own savings
- Technology transfer to raise productivity and income by small-scale producers
- Women's empowerment in development
- Creation of youth self-employment
- Environmental protection and improvement

Under the Cooperative Societies Act, the UCA is responsible for considering and making recommendations to the government on all aspects of cooperative policy. The act also requires the UCA to administer part of the cooperative education fund and to make quarterly returns to the registrar that account for collections and utilization of that fund.

UCA lacks the capacity to provide comprehensive support to all cooperatives but has been supported by a number of donor agencies, including the Swedish Cooperative Centre, the Canadian Cooperative Association, International Cooperative Alliance, and the Royal Norwegian Society for Development. With this support, the UCA has conducted a number of programs in its key areas of interest.

THE BODA-BODA INDICATOR

Boda-bodas are typically 100 horsepower motorcycles used as taxis. From 2004 to 2008, motorcycle registrations expanded by nearly 150,000 to a total of almost 240,000. During the same period, registered tractors increased by 732 to 3,306.

While tractor registrations are not expected to keep pace with boda-bodas, the latter are nearly exclusively the domain of the young. As one farmer put it, boda-bodas are seen as a quick way to earn ones "daily bread," unlike "digging," which is a euphemism for farming.

UGANDAN BUREAU OF STATISTICS

The quality of agricultural statistics in Uganda is questionable; yet these same statistics often find their way into documents such as this analysis and onto databases (e.g., FAOStats) where they become "legitimate." Investors, donors, NGOs, and the government use these same questionable statistics to plan programs and projects and to make investment decisions.

Under the **Statistics Act of 2008**, the Uganda Bureau of Statistics is the lead agency in data collection activities, including agricultural statistics. In this regard, UBOS has moved to improve agriculture-related statistics by, among other actions, including an agricultural module in the Uganda National Household Survey and creating an agricultural statistics section.

MAAIF and its Statistics Unit are a critical source of data for UBOS. However, limited resources and staff constrict what the unit is able to accomplish, and, "as such, most of the information published is by imputation."[48] Other entities assist with data collection (e.g., the Famine Early Warning Systems Network, Bank of Uganda, and FIT-Uganda, but, like the Statistics Unit, these sources, generally speaking, lack the resources to contribute effectively.[49]

Results from a 2009 workshop on agricultural statistics suggest that there is a need to bring focus to the collection of data on important staple crops. The need to focus given limited resources is understood. Indeed, the DSIP focuses limited MAAIF resources through crop zoning. Other recommendations that stem from the workshop include a need to build data collection capacity at the sub-county level, a desire for UBOS to lead the collection and analysis of

48 E. S. K. Muwanga-Zake, *An Annual Agricultural Production Statistics System for Uganda—Design Considerations* (International Food Policy Research Institute, Uganda Strategy Support Program, Brief 6).

49 Several people interviewed for this diagnostic applauded the work of the Famine Early Warning Systems Network in collecting information at the borders on informal trade of staples.

50 Muwanga-Zake, *An Annual Agricultural Production Statistics System for Uganda.*

agricultural statistics, a need to leverage technology, and a desire to enhance MAAIF's capacity for data collection and analysis.[50]

The challenge in the collection and analysis of agricultural statistics is institutional, not technical; the lack of funds and capable individuals is the constraining issue. In this regard, the suggestions above are worthwhile. However, rather than splitting efforts between UBOS and MAAIF, it might be better to concentrate resources in one entity, similar to the focus on staple food crops. To that end, the focus should be on UBOS, which also brings an independent perspective to the monitoring and evaluation function.

UGANDA NATIONAL AGRO-INPUTS DEALERS ASSOCIATION

The Uganda National Agro-inputs Dealers Association (UNADA) brings together men and women suppliers of farm inputs—seeds, fertilizers, tools and equipment, and veterinary supplies. Its mission is to help members run profitable businesses by providing customers with quality services and supplies. It has a tiered membership structure and approximately a thousand members, of whom UNADA estimates nearly 45 percent are agro-dealers.

One of UNADA's primary objectives is to professionalize the input supply business. There is no minimum educational requirement for crop input dealers (whereas those dealing in livestock inputs are required to have a diploma in animal husbandry). UNADA has developed a five-day training program in conjunction with MAAIF and Makerere University. The trainers are government inspectors. To date, about a thousand agro-dealers have received training.

Obtaining a license to sell agro-inputs can take up to a year. The process starts with a trip to Entebbe and a visit to MAAIF to pick up a deposit slip. The next stop is a bank where the applicant deposits U Sh 6,000, returning the receipt to MAAIF along with completed application forms. Some time afterward (UNADA says it can take months), an inspector visits the agro-dealer's premises and provides a written report to a review board that meets quarterly. If approved, the agro-dealer returns to MAAIF in Entebbe, picks up a deposit slip, and deposits U Sh 50,000 with a bank for the premise permit. Each time the agro-dealer expands the business, the agro-dealer must repeat the same process.

This process deters registration, which limits agro-dealers, restricts the reach to farmers (i.e., farmers have to travel farther to acquire inputs), and encourages "illegal" operations most likely run by ill-informed dealers who are more likely (willingly or not) to deal in substandard, counterfeit products.

UNADA has received substantial donor attention because agro-dealers stand at the gateway to improved yields. Such attention is both an opportunity and a curse, as it can quickly stretch capacity, which some members say has occurred.

SOCIAL DYNAMICS

Beyond the laws and institutions, businesses depend on people as clients and customers, innovators and entrepreneurs, managers and technicians, and service providers and laborers. In some respects, Uganda is among the most entrepreneurial countries in the world, but it is largely subsistence entrepreneurialism. Uganda has an abundant labor force that is growing and that is increasingly leaving the farm.

POPULATION BOOM... LEADING TO BUST

Uganda's rate of population growth places pressure on agriculture to produce enough food to feed an expanding population that is becoming younger and increasingly turning away from agriculture as a profession. This trend is potentially critical, as Ugandan farmers are predominantly smallholders (less than two acres) and largely food buyers themselves over the course of the year (i.e., they are subsistence farmers, not commercial farmers). With even the president of Uganda urging Ugandans to have more babies, the population pressure will not likely subside.

CAN SUBSISTENCE FARMERS FEED UGANDA?

The mix of rising population and subsistence farming cannot be ignored. Production increases are largely the result of increased acreage rather than improved yields. However, population pressures on land and the need for food will require yield-enhanced farming.

Uganda's food-insecure population is composed of primarily those who are chronically food insecure due to poverty or destitution and those who are intermittently food insecure due to crop failure (disease, drought, and flood). In light of this situation, the chronically food insecure will need to transition out of agriculture and into on- or off-farm jobs, earning income to provide for their food security. These jobs will materialize only by moving the intermittently food insecure to a commercial orientation or from predominantly subsistence to commercial farming. This transition will only happen by professionalizing agriculture and introducing further business concepts to agribusiness.

PROFESSIONALIZING COOPERATIVES

Although, like in most East African countries, Uganda's cooperative movement has a tainted history, cooperatives are considered one important way in which farmers' incomes can increase. Agricultural markets are widely viewed as biased in favor of traders (particularly in such crops as coffee), and the sale of farmers' produce through cooperatives is seen as one way to redress the imbalance in the market. The government, through its "prosperity-for-all" program, encourages subsistence farmers to establish savings and credit cooperatives, which will later attract state funding. The government has so far committed U Sh 20 billion to the project. However, in contrast to previous government cooperative development programs, the government will remain on the periphery, restricting its role to the development of cooperative marketing capacity.

At the same time, the UCA is training small farmers to organize themselves into groups with a collective voice. The UCA began with 8 savings and credit cooperatives in 1998 but has since grown to more than 700 societies. The cooperative movement can improve food security by directly increasing household incomes (through improved marketing of produce) and providing the infrastructure upon which other health-orientated programs can be developed. Dairy, tea, and forestry cooperatives in particular have formed the nuclei around which sustainable or subsidized health plan systems provide health care insurance to members. This USAID-supported model has the potential to complement the limited government health care system and thereby reduce nutritionally induced food insecurity.

PLANNING FOR UGANDA'S FUTURE FARMERS

Uganda's need to professionalize farming is more acute today than 15 years ago. Yet after a generation of government, donor, and NGO effort, Ugandan farmers still use the lowest amount of improved inputs and have the lowest yields in East Africa, possibly in Sub-Saharan Africa.[51] Moreover, as the farming population ages, its already low productivity will fall further. Older smallholder farmers that do not use improved inputs and improved farming techniques have increased difficulty working the fields.

If Uganda is to change course—so that it is capable of feeding itself in 15–20 years—then serious actions are required, and youth need to be part of the solution. Tomorrow's modern farmer will be young and professional. The growing population means youth need jobs. Already 70 percent of the population is under 25 years old.[52]

Attitudes toward farming need to change from one of "digging" to one of business. Issues particular to the young, such as access to land, capital, and know-how, must be addressed. There is an urgent need to professionalize the vocation of farming, starting at a young age through activities such as 4-H clubs; to create vocational farming schools at the district level; and to acknowledge up-and-coming farmers through awards and recognition. The next generation of Ugandan farmers will use multiple media for information, and to that end there is a need to expand the use of the media to inform, promote, and elevate farming. Efforts need to start not in Kampala but in Fort Portal, Gulu, Hoima, Kabale, Kapchwora, Kasese, Kibale, Lira, Masinde, Mbale, Mbarara, and others of the hundreds of the farming towns in Uganda.

51 DSIP.
52 UBOS, *2009 Statistical Abstract.*

DEALING WITH LICENSES

Provided they do not unduly restrict access to a particular sector, and do not stifle innovation and investment by overregulation, licenses have a legitimate place in a country's regulatory system. In agriculture, this includes provisions for formation and growth of enterprises, health and safety of agricultural products, sale and distribution of agricultural inputs and chemicals, agricultural property management, and agricultural exports.

This chapter examines the environment for dealing with licenses in Uganda's agriculture sector, including licenses pertaining to farmers and producers, agro-industries, and traders and intermediaries. In each of these areas, to varying degrees, licenses are of concern to micro-, small-, medium-, and larger-sized enterprises. Procedures for acquiring licenses can be daunting and expensive, especially for smaller enterprises located outside the capital. In addition, a confusing and compromised system for licensing inputs constrains their effective use, thereby undermining productivity. For larger investors, however, licensing is considered less an impediment than an administrative nuisance.

LEGAL FRAMEWORK

Once a business has registered with the Office of the Registrar (and even when businesses do not undertake formal registration, as discussed in the previous chapter), it is required pursuant to the **Trade Licensing Act (1969)** to obtain a trading license in the municipality in which it operates. Uganda has more than a hundred districts, each with its own municipality. Costs of obtaining a trading license vary among municipalities. Most municipalities, however, regard annual fees generated by licenses an important source of income. In Kampala, it reportedly takes two days to obtain a trading license. It reportedly takes less time in other areas. Formally registered cooperatives (and also informal farmers' associations) are required to obtain trading licenses when their activities become similar in nature to those performed by traders and food-processing companies. In light of the far greater prospects for local enforcement, even the enterprises that do not register at the central level are likely to obtain a local trading license.

KEY LAWS AND POLICIES

- Trade Licensing Act (1969)
- Uganda Investment Act (1991)
- Plant Protection Act (1962)
- Draft Plant Protection Act (2002)
- Animal Disease Control Act (1964)
- Agricultural Chemicals Control Law (1989, amended in 2006).
- Draft Biotechnology and Biosafety Law
- Agricultural Seeds and Plant Act (1994)
- Dairy Industrial Act (1998)
- Cotton Development Act (1994)

According to the **Uganda Investment Act (1991)**, foreign investors must obtain an investment permit, which requires the submission of a business plan to the Uganda Investment Authority and an investment of at least US$100,000. To be eligible for incentives, local investors are similarly required to submit a business plan and offer a minimum investment of US$50,000, although they do not need an investment permit to operate. Investment permits can be obtained without cost.

AGRIBUSINESS-SPECIFIC LICENSES

In addition to these general business licensing requirements, most agribusinesses are subject to industry-specific licensing regulations. The purpose of Uganda's **Plant Protection Act (1962)** is to protect plants, food, and agriculture from pests and diseases. Currently, this law makes it illegal to introduce pests or disease into cultivated land, but the punishment is only a U Sh 2,000 fine (about US$1) and six months of imprisonment. The act also empowers MAAIF to issue licenses and permits for the purpose of preventing the introduction of plant diseases and the spread of weeds and pests. The act requires importers of plant materials to obtain a license to certify that their imports are free of pest infestations. A new Plant Protection Act was written and introduced to Parliament in 2002. The new law maintains the purpose of preventing the introduction of pest and disease that might be harmful to Uganda's agriculture sector and natural environment. It also, however, contains updates reflecting a more modernized agricultural sector and provisions for enforcement of phytosanitary standards and regulation of biotechnology, specifically genetically modified organisms in food and seeds. In 2003, this bill was tabled in Parliament and is still pending discussion and approval.[53]

With regard to animal products, the **Animal Disease Control Act (1964)** empowers the Livestock Health and Entomology Department, and more specifically the National Disease Control and Inspectorate and Regulation Division within MAAIF, to regulate and inspect imported animals, animal products, and fresh, chilled, or frozen meat to ensure that they comply with safety standards. The initial Animal Diseases Act was passed in 1964. It was updated in 1968 to include poultry and in 2003 to impose a selective ban on the importation of cattle, beef, semen, and other cattle protein preparations. The law is currently under review in order to be harmonized with regional and international regulatory standards and is expected to comply with EAC, WTO/SPS, and Codex Alimentarius standards and procedures.[54]

REGIONAL QUALITY STANDARDS

Harmonized standards for imports and exports, including agricultural goods, will go into effect in the near future in the five EAC countries (Burundi, Kenya, Rwanda, Tanzania, and Uganda), requiring members to honor one another's quality certifications. In preparation for these changes, the Uganda National Bureau of Standards (UNBS) is reportedly continuing to work to reform its standards in line with the requirements of the EAC, including the **Quality Assurance and Metrology Act.**

INPUTS

The **Agricultural Chemicals Control Law (1989, amended in 2006)**, establishes a licensing regime for all insecticides, herbicides, fungicides, and fertilizers in the country. The law controls and regulates the manufacture, storage, distribution, trade, import, and export of agricultural chemicals and provides for related matters. It also established the Agricultural Chemicals Board to manage the registration process and certify all agricultural chemicals used in Uganda. The board has generally been ineffective in enforcing standards for inputs and preventing counterfeit, as will be discussed in the following section on implementing institutions.

SEED

Domestic and international seed companies operating or importing plant material into Uganda are required to be licensed under the **Agriculture Seeds and Plant Act (1994)**. The act regulates plant breeding, variety release, seed multiplication, importation of seed, and other plant material. This law primarily affects domestic and international seed suppliers. The act delegates seed certification authority to MAAIF through the National Seed Industry Authority and variety approval to the Variety Release Committee. The seed certification process includes a three-page application and an application fee of U Sh 100,000,[55] as well as proof of company registration with the Registrar General, a trading license, and a building license, which requires an environmental impact statement.

53 See http://allafrica.com/stories/200403020620.
54 See http://www.intracen.org/Appli2/Leather/AfricanPlatform/CountryProfile.
55 Interviews with seed companies.

The process for licensing new seed varieties consists of several phases and can take up to two to three years to complete: (a) application to the Variety Release Committee; (b) public research conducted by the National Research Organization or other public or private research institutes sanctioned by the government of Uganda; (c) variety testing, also conducted by public and private research institutions; (d) on-farm trials; and (e) determination of seed stability and uniformity. Upon completion of trials, the new varieties, along with information pertaining to ownership and the agro-economic zones for which they are suitable, are released for commercial use and listed in the National Variety List. The Variety Release Committee then will license seed producers to grow and multiply a specific seed variety.

In addition, the act establishes labeling requirements for government-certified seed. However, these labels are easily faked, and there are also frequent copyright infringements on private labels. The seed industry in Uganda is currently pursuing legal and advocacy action on private label and counterfeits under the **Companies Act** as the Agriculture **Seed and Plant Act** is relatively weak on these provisions and MAAIF is considerably less capable than Ministry of Finance, Planning, and Economic Development (MoFPED) in enforcing legislation.

Until 2008, there were three domestic seed companies operating in Uganda. The food crisis of 2008 increased the prices of staple foods, raising income to small farmers. These small farmers then had greater demand for seed for the next season and the cash to purchase it. As such, there was a shortage of seed in the market, and the government has licensed 15 more seed companies over the past two years to attempt to meet this demand. As demonstrated, it is not difficult to receive a license to operate as a seed company when there are incentive and demand from the market. This demand, however, was short-lived, and several of the start-up seed companies have already gone out of business.

BIOTECHNOLOGY

Uganda's draft **Biotechnology and Biosafety Law** has been approved but not yet finalized or passed in Parliament. Its purpose is to promote an enabling environment where biotechnology safety can be used as a tool for sustainable development.[56] While the draft law is being reviewed, the National Bio-Safety Committee is conducting trial biotech projects with Monsanto. The five-year trial program of biotech drought-resistant maize varieties under the Water Efficient Maize for Africa Project, is meant to prove the viability of biotech seeds. The application process for biotech projects and biotech seed release will be adjusted in 2010 with the new law.

ORGANIC CROPS

Given Uganda's low use of fertilizer, pesticides, and other chemical-based inputs, most agricultural activity is "organic by default," but Uganda lacks clear policy, legislation, and licensing mechanisms that would enable farmers to certify their organic products for sale in international markets. The government and private sector stakeholders are reportedly working on developing organic standards and requirements. Currently, the Department of Livestock and Entomology within MAAIF oversees certification specifically for organic honey, but efforts to establish recognized standards for organic certification in other industries are spread among several government, NGO, and private sector institutions and lack an overarching certification scheme.[57]

CERTIFICATES FOR EXPORT

In the area of exports, Uganda replaced a complex export licensing system with a system of export certificates, which generally require less specificity about export content. The challenge for traders, however, is the number and variety of certificates that they must obtain, which vary by export. For all shipments, exporters must obtain a certificate of origin. Exporters can

56 *Status of Biotechnology Policies and BioSafety Legislation in the COMESA Countries, 2008.*

57 DSIP, *33.*

obtain these only from the Export Promotion Board in Kampala, a process some interviewees cite as an unnecessary burden in delay and travel time and cost. In addition, various agricultural exports also require a sanitary and phytosanitary (SPS) certificate from the Crop Protection Department in MAAIF, which exporters can obtain only at MAAIF headquarters in Entebbe. Some crops, such as cotton, require additional certificates. A one-stop shop for required agricultural licenses across all sectors would cut down significantly on the confusion and extra costs that exporters face.

SECTOR-SPECIFIC LICENSING

In addition to the general trading license and adherence to key laws pertaining to farm-product health and safety, most agricultural enterprises are required to obtain other, more specific licenses. Examples of these licensing regimes include the following:

- **Dairy. The Dairy Industry Act (1998)** governs regulation of the dairy industry and designates the Dairy Development Authority (DDA) as the regulating institution for the sector. Licensing requirements vary by size and type of dairy producer. For diary processors, the licensing requirements depend on production quantity. Large-scale processors with a daily volume of more than 30,000 liters pay U Sh 500,000 per year, while small-scale operators that process up to 2,000 liters of raw milk per day pay U Sh 150,000. Importers of dairy products such as UHT milk, cheeses, yogurt, ice cream, and condensed milk, are subject to a variety of licensing requirements. They need to acquire a license that costs U Sh 2 million per year. Dealers and importers of dairy equipment must also obtain a DDA license to operate, which costs U Sh 500,000 per year. DDA has authority to inspect equipment upon arrival to the country to ensure compliance with international safety and health standards. Companies with storage facilities for processed milk and trading companies must obtain a license that costs U Sh 150,000 per year. Importers of dairy additives are subject to licenses that cost U Sh 200,000 per year. These include stabilizers, flavors, starter cultures, and emulsifiers. The Dairy Industry Act also empowers the DDA to regulate milk transporters, requiring them to purchase an annual license, which costs U Sh 200,000.
- **Coffee.** Farmers do not need a license to grow coffee, and anyone can buy or trade from smallholders. Coffee processors must obtain two licenses from the Uganda Coffee Developers Association, a trading license (which costs U Sh 50,000) and a processing license (which costs U Sh 200,000). Both reportedly take one to two days to receive after the application is filed. Secondary processors also need a secondary processing license, which costs U Sh 1 million per year. Secondary processors that undertake cleaning, grading, and packing for exports and are themselves exporters need an export license, which costs US$1.5 million per year. Uganda's government also requires an insurance performance bond costing US$25,000 to be posted for all shipments. Interviewees involved in coffee exporting consider these bonds to be a scam but accept them as a necessary prerequisite for obtaining the bank financing that they need.
- **Cotton.** Pursuant to the **Cotton Development Act (1994)**, the Cotton Development Organization controls the licensing process for cotton seed.[58] It oversees licensing of the various phases of cotton production and marketing activities. These include licensing of cotton gins and other equipment. For MAAIF to undertake seed trials, producers must first obtain a license from the National Council of Science and Technology. Traders and sellers of conventional cotton seed must obtain their license from NARO. Cotton producers must obtain a phytosanitary certificate from the Commissioner of Crop Protection. This certificate is free

58 The Cotton Development Orgnization's Web site, which is considerably outdated, is found at http://cdouga.org/index.php?option=com_frontpage&Itemid=1.

and obtainable upon application if all the paperwork is complete. In the perception of cotton producers interviewed for this diagnostic, the system operates well.

IMPLEMENTING INSTITUTIONS

MUNICIPAL TRADE LICENSING AUTHORITIES

Implementing institutions that issue trade licenses vary from region to region, and, in some municipalities, obtaining a trading license is difficult and expensive for a newly formed business. It typically involves regulatory inspections for workplace health and safety. This process is an important revenue-generating tool for municipalities, and the fee structure varies. Unfortunately, contact with municipal offices also produces requests for bribes, further increasing the cost of compliance.

UGANDA INVESTMENT AUTHORITY

The UIA licenses foreign investors. The authority has representatives in each district of the country. Aiming to operate as a one-stop shop, it issues business and investment permits within two days and also assists with land acquisition. The main office in Kampala also includes representatives from other government agencies (such as the Uganda Revenue Authority, the Land Office, and Customs) in order to provide faster registration. The UIA also has a useful and user-friendly Web site where much information on permitting requirements and investing in Uganda is available.

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

MAAIF is the main regulatory institution for the agricultural sector in Uganda, and its departments and various sector regulatory bodies are the primary implementing institutions for specific agricultural licensing procedures. In addition to NARO and NAADS, which were discussed at length in the Starting a Business chapter, the following departments, boards, and committees register companies, grant licenses and permits, and inspect inputs, products, and equipment for compliance with safety and quality standards:

- The **Agriculture Chemicals Board**, given authority by the Agriculture Chemicals Control Law, regulates the inspection of premises and can seize and dispose of agricultural chemicals that contravene the statute or any regulations.
- The **National Seed Industry Authority** is endowed with authority by the Agriculture Seed and Plant Act and provides advice on national seed policy, oversees technical committees for seed policy implementation, reviews national seed supply, and monitors the public and private seed sector. Notably, the Agriculture Seed and Plant Act as enforced

KEY IMPLEMENTING INSTITUTIONS

- Municipalities
- Uganda Investment Authority
- Ministry of Agriculture, Animal Industry, and Fisheries (MAAIF)
- Agriculture Chemicals Board
- National Seed Industry Authority
- Variety Release Committee
- Export Promotion Board
- Uganda Bureau of Standards
- Cotton Development Organisation
- Coffee Development Authority
- Dairy Development Authority

THE COUNTERFEIT PROBLEM

Despite a sound legal regime meant to identify and prevent counterfeit inputs, there remains considerable corruption in the sale of seed and fertilizer. Old or inferior seed is often falsely labeled and sold as new seed, undermining farmers' confidence in the formal system for regulating seed. In some cases, inferior seed will be sold in bags that look similar to well-known and respected companies, causing problems for both farmers and respected companies' reputations. In the case of liquid pesticides, they are often diluted, falsely labeled, or transferred from their original container.

applies only to formal breeders' seed and plant varieties. It has only nominal, if any, relevance to casual (but prevalent) on-farm production of seed. As a result, local communities are not well connected to government policy pertaining to seed quality and development.

- The **National Seed Certification Service** is responsible for "the design, establishment and enforcement of certification standards, methods, and procedures." It also provides all registration and licensing services to seed producers, conditioners, and dealers.
- The **Variety Release Committee** is a key player in the seed certification and licensing process. Members of the committee include the NARO director, director of crop resources, directors of the five sanctioned research stations (Kalengyere, Kawanda, Nakawa, Namulonge, and Serere), a representative of private seed dealers, and a representative from the Ministry of Trade and Industry. The functions of this committee include reviewing and maintaining the national variety list, overseeing the testing of new varieties, and approving or rejecting new varieties for commercial production, While the new seed variety approval process is straightforward and not terribly costly, it can take up to three years from the time a seed is introduced into the system to when it is available for commercial production. In addition, the system is somewhat rigid and requires that every new seed variety, regardless of its viability and testing in countries with similar agricultural zones such as Kenya or Tanzania, go through the same process.

The various MAAIF sector-specific regulatory bodies include the Dairy Development Authority, the Uganda Coffee Development Authority, and the Cotton Development Organization.

- The **Dairy Development Authority** is the statutory body under MAAIF

established by the **Dairy Industrial Act of 1998.** The DDA is responsible for registering and inspecting all facilities handling and processing milk and milk products and issuing those facilities that meet the minimum requirements and that have paid the annual registration fee a certificate for operation.[59] There seems to be a cordial relationship between this organization and the private sector involved in the collection and processing of milk and the production of dairy products. DDA implements and monitors the standards and regulations in the dairy industry. It also acts as an arbitrator for disputes that occur between dairy farmers and processors.[60]
- The **Uganda Coffee Development Authority** issues licenses for primary and secondary coffee processors and traders, as well as quality certificates. Reportedly, the licensing process is relatively simple and quick. UCDA is also considered to be more easily accessible to the coffee industry than are regulatory bodies for other sectors. For most agricultural goods, import and export licenses and quality certificates are obtainable only through designated offices at MAAIF in Entebbe. UCDA, however, runs an office

59 Dairy Investment Opportunities in Uganda—SNV 2008
60 See http://www.ucccu.or.ug/.

in Kampala where licenses and certificates are more accessible to urban processors and traders. Interviewees complain, however, that UCDA's licensing and certification standards are too low; reportedly, UCDA approves the vast majority of applications it receives.
- The **Cotton Development Organization** monitors the production, processing, and marketing of cotton in Uganda. The organization promotes the distribution of high-quality cotton seed and generally facilitates the development of the cotton industry.

EXPORT PROMOTION BOARD

Uganda's Export Promotion Board was created by a parliamentary act of 1996; it is supervised by the Minister of Trade and Industry. The Export Promotion Board issues export certificates for certain products (see this report's chapter on trading across borders), among other roles. The ministry undertook a management restructuring process from 2000 to 2002 that consolidated investment, tourism, and export promotion functions. This merger ended in 2003 with the appointment of a new board of directors. The National Export Strategy names 12 priority sectors: coffee, cotton, tea, flowers, dairy, commercial grains, fish, fresh and dried fruits and vegetables, oil seeds, natural ingredients, and spices. From 1995 to 2010, the board supported an export-diversification drive, including promoting the organization of sectoral associations. The number of associations remains small, however, and they are primarily donor-funded.

UGANDA NATIONAL BUREAU OF STANDARDS

The UNBS establishes food-labeling requirements and ensures that all imported food meets its requirements. The bureau indicates that labeling standards throughout the EAC are similar and generally do not cause any trade problems. UNBS inspects imported dairy products for labeling and other standards, but there does not appear to be any residue testing. It also establishes domestic grades and standards for agricultural products, such as corn. If an EAC standard exists, UNBS reportedly adopts that standard. Currently, it is estimated that fewer than half of Uganda's standards are EAC standards. However, as part of the EAC Common Market Initiative, UNBS hopes to adopt all EAC standards within three years. The bureau also operates a product-certification scheme under the **UNBS Certification Regulations of 1995.** Under this scheme, qualifying manufacturers can receive a permit to use the Uganda Certification Mark on their products, including goods for export.

SUPPORTING INSTITUTIONS

Most of the supporting institutions encountered are member-based sector associations that provide services to their members to facilitate access to licenses, registration processes, and other permits of operation.

The Uganda Seed Traders Association is well positioned to advocate for increased clarity in complex licensing regulations that govern seed distribution and improved enforcement mechanisms to crack down on counterfeit seed sellers. The association was established in 1999 and has 19 seed companies as members. It recently and successfully lobbied for the import of new equipment to produce more sophisticated government labels made from more durable and unique material and containing bar codes. These are expected to come into use in August or September 2010.

The **Uganda National Agro-inputs Dealers Association** is also a member-based organization that brings together input suppliers

KEY SUPPORTING INSTITUTIONS

- Uganda National Agro-inputs Dealers Association
- Uganda Seed Traders Association
- Sector associations
- Donors

inclusive of seed, fertilizer, tools, agro-chemicals, and veterinary supplies. UNADA notes that obtaining a license to sell agro-inputs is a complicated process that can take up to a year, and, to this end, the association provides support to members to help explain and facilitate this process. The licensing process starts with a trip to Entebbe and a visit to MAAIF to pick up a deposit slip. The next stop is a bank where the applicant deposits U Sh 6,000, returning the receipt to MAAIF along with completed application forms. Some time afterward (UNADA says it can take months), an inspector visits the agro-dealer's premises and provides a written report to a review board that meets quarterly. If approved, the agro-dealer returns to MAAIF in Entebbe, picks up a deposit slip, and deposits U Sh 50,000 with a bank for the premise permit. Each time the agro-dealer expands the business, he or she must repeat the process. The process deters registration, which limits agro-dealers, restricts the reach to farmers (i.e., farmers have to travel farther to acquire inputs), and encourages "illegal" operations probably run by ill-informed dealers who are more likely, willingly or not, to deal in substandard, counterfeit products. UNADA is a fairly strong sector association but is struggling to keep up with additional demands of the market for its services. The association receives significant donor support to scale up service delivery and increase membership but needs increased internal capacity to be able to provide these functions.

SECTOR ASSOCIATIONS

Commodity associations such as the Uganda Flower Exporters Association, the East Africa Fine Coffee Association, the Uganda Fish Exporters and Processors Association, the Uganda Grain Traders Ltd are vehicles for supporting education of sectoral constituencies, including better understanding of licensing requirements and compliance. The Flower Growers Association, for example, has 18 members, which collectively employ 6,000 workers (80 percent of whom are women). The 18 members cultivate flowers on a total of 211 hectares of irrigated greenhouses. Although none are women owned, a women-owned flower operation was set to become a member in the near future. Flower exporters have registered significant growth; exports grew from $US15 million in 2000 to US$34 million in 2009. The Flower Growers Association provides business development services and lobbying for tax waivers. In addition, the association provides agricultural extension services in coordination with MAAIF and organizes training courses in cooperation with Makerere University.

DONORS

There are a significant number of NGOs across many sectors in Uganda, but they are especially prevalent in agriculture. While each aims to help a certain component of the agricultural sector, it is essential that the NGOs focus on facilitating a smooth transition from free distribution of inputs and foodstuffs to farmer self-reliance. Free distribution of resources, although essential under emergency conditions, tend to distort market conditions with long-term negative consequences.

Uganda has benefited from liberalization policies that encourage both domestic and foreign investments. Privatization, as an aspect of liberalization, attracted significant foreign investment in the dairy and vegetable oil industries. Of relevance to issues of licensing and standards, the World Bank has recently approved a US$120 million loan to Uganda to increase agricultural productivity and incomes over the next five years. The Agricultural Technology and Agribusiness Advisory Services Project will also receive a US$7.2 million grant from the World Bank Global Environment Facility. These two components, which total US$127.2 million, will be part of a larger US$665.5 million project that includes the government's US$497.3 million contribution. The first component (US$138 million) will focus on agricultural technologies and strengthening the National Agricultural Research System. The second component (US$72 million) will strengthen the linkages between agricultural research, advisory services, and other stakeholders and will be implemented jointly by NARO and NAADS. A third component (US$41 million) will be financed through IFAD ($US14 million), European Union (US$20 million), and DANIDA (US$7 million). If this project has a long-term technical assistance component active across the country, it may change Uganda's agricultural landscape.

SOCIAL DYNAMICS

A large number of reports have been written on Ugandan agriculture over the preceding 10 years. These reports demonstrate analytical ability, topical expertise, and serious intent to develop solutions for issues in Uganda's agricultural sector. The principal problem is slow program implementation, which delays the agricultural sector reform process. A lack of will and motivation prevail at middle and lower levels of government, which low salaries and prevalent corruption exacerbate.

Increases in crop production have primarily emanated from increases in cultivated land rather than from increases in yield. With a growing population, availability of cultivable land will become an economic constraint, particularly in the absence of land tenure security. Given that most land is held in common plots, it is imperative to initiate a cadastral and titling program in the rural sector to enable the small farmer to use his or her titled land as collateral. Land reform will be especially critical for head-of-household women farmers. Women's role in the agricultural sector seems to have improved over the past 20 years, but more rapid changes are needed in the next 20.

Although Ugandan farmers are adopting modern agricultural inputs such as improved seeds, fertilizer, chemicals, and better agronomic practices slowly, the private sector is well situated and the public institutions are in place for a smooth transition from subsistence to commercial agriculture in the next 10–25 years. Despite the enthusiasm exhibited for organic agriculture, however, this approach may not develop as rapidly as expected in the near future, given the lack of a legal framework for organic agriculture and little collective understanding of what role it could play in the country's economy.

Uganda exhibits the same negative attitudes toward traders that are prevalent in many developing countries. They are often considered parasitic, exploitative, and an unnecessary cost between farmers, processors, and the final consumer. Yet traders perform a necessary function as intermediaries. In Uganda, the emphasis should be not just on increasing production but also on enhancing the ability and capability of farmers and traders to expand markets for commercial crops.

EMPLOYING WORKERS

The vast majority of Uganda's agricultural workforce exists in the informal sector. These workers, approximately 80 percent of the agricultural workforce, toil on family farms, as casual laborers, on a seasonal or piecemeal basis, or as employees in small, family businesses of fewer than five dependent employees. As such, national employment policies carry little relevance, and the minimum national standards for compliance on wages, hours, safety, and health are rarely met. This section of the Uganda AgCLIR report focuses on labor policies and standards, employment, worker protection, and the development of a skilled agricultural workforce in Uganda.

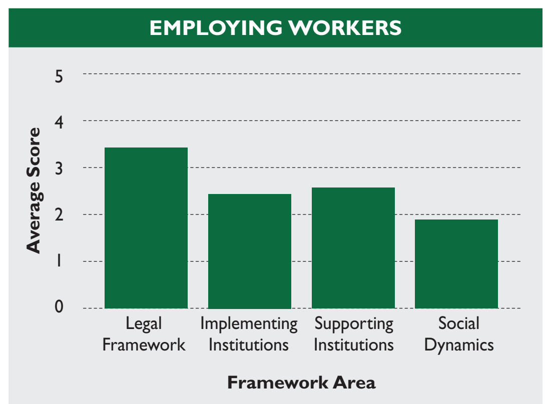
Child labor is common on small Ugandan farms, where there is an overt disregard for labor standards. The few large agricultural employers that do comply with the labor code are often complying with additional codes of conduct required by export markets. The Uganda African Peer Review Mechanism Commission estimated that roughly only one out of three firms (33 percent) in Uganda complies with labor and employment regulations.

In larger agribusinesses, employment policies are largely understood and relatively enforced, as these businesses are usually targeted by the few labor inspectors that exist. Recent changes in the legal framework have increased the stringency of worker protections and endowed unions with more official powers.

FOOD SECURITY AND LABOR

The most land-poor farmers are usually those that labor for other small farmers for tiny amounts of cash or in-kind contributions. As a result, these land-poor farmers are often late planting their own crops and miss the first rains, causing them to suffer the most severe productivity problems due to crop failure and therefore food shortages. They do not have the cash reserves or the surplus draw upon in times of crisis and thus remain in a downward cycle of poverty.

In 2006, Uganda revised many employment regulations, including the Employment Act, the

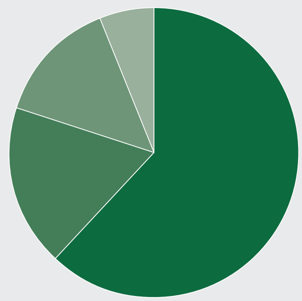


Labor Disputes (Arbitration and Settlement) Act, and the Occupational Safety and Health Act. The goal of this employment policy reform was to ratify and support the International Labour Organization (ILO) conventions and align Ugandan labor policy with the current employment realities. In general, Uganda's labor policies do equal the ILO conventions and modern international labor law. However, the enforcement, interpretation, and awareness of these laws and regulations are significantly lacking.

Doing Business 2010 ranked Uganda number seven for employing workers. The *Doing Business* metric, however, emphasizes labor-market flexibility, and thus Uganda's score indicates that, according to the law, it is relatively easy for employers to hire and fire workers with minimal cost and time expended.[61] However, interviews

61 The World Bank amended the Employing Workers methodology in its most recent *Doing Business* report, chiefly to ensure that no economy can achieve a better score by failing to comply with the conventions of the International Labour Organization pertaining to employee termination, weekend work, holiday with pay, and night work. See World Bank, "Employing Workers Methodology." (Web, 10 July. 2010)

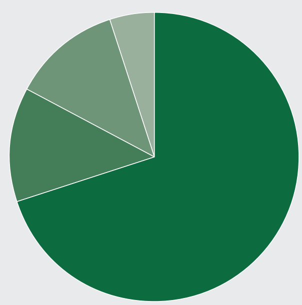
LABOR FORCE BY EDUCATION



- Primary, 62%
- Secondary, 18%
- None, 14%
- Higher, 6%

Source: Uganda Bureau of Statistics

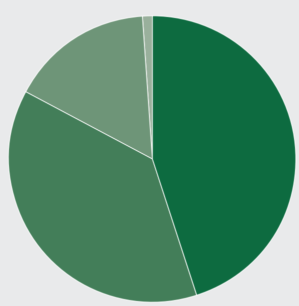
EMPLOYMENT STATUS



- Self employed in agriculture, 70%
- Self employed in non-agriculture, 13%
- Temporary employees, 12%
- Permanent employees, 5%

Source: Uganda Bureau of Statistics

LABOR FORCE BY ACTIVITY STATUS



- Own account workers, 45%
- Unpaid family workers, 38%
- Employees, 16%
- Employers, 1%

Source: Uganda Bureau of Statistics

for this diagnostic demonstrated that this not as true in practice; in fact, a different interpretation of the revised laws could discourage investment and lead to the export of jobs across the borders into Tanzania and Kenya.

Uganda's employment policies are irrelevant to a large portion of the agricultural labor force. The general public is almost entirely unaware of the labor regulations, workers' rights, and workplace standards. Only lawyers and a few legal aid organizations and NGOs are fully knowledgeable about labor code intricacies.

Moreover, Ugandan youth are decreasingly interested in staying on the farm and investing their skills in agriculture. Enrollment in agriculture technical schools has dropped, and rural urban migration rose from 4.1 percent in 2000 to 4.4 percent in 2008. As Uganda's population continues to grow and youth migrate away from agriculture and into the cities, leaving aging women to work on small farms, the agricultural workforce in Uganda faces considerable challenges.

LEGAL FRAMEWORK

The goal of the legal framework for employment is to protect workers and develop a workforce that can adapt to and change with a growing economy. For Uganda, it is also important for the legal framework to strike a balance between protecting workers, developing the workforce, and encouraging investment in the agribusiness sector.

Uganda recently revised many employment policies to align them with the ILO conventions and modern labor practices. These laws, including the **Employment Act (2006),** the **Labour Disputes Act (Arbitration and Settlement) (2006), the Occupational Safety and Health Act (2006),** and the **Labour Unions Act No. 7 (2006),** are generally well written and outline key employment provisions, such as wage payments, hours, health and safety, collective bargaining rights, and worker's compensation. The law includes definitions of "an employee," "a casual laborer," and "contracts of service." It outlines clear child and forced labor laws, termination procedures, and dispute mechanisms. The Workman's Compensation law is less clear on the responsibilities of the employer with employee injuries or accidents but does require employers to carry liability insurance. The law recognizes seasonal or casual laborers as "employees," but that is the only specific reference to the agricultural workforce.

The new revised law defines an employee as "any person who has entered into a contract of service or an apprenticeship contract including without limitation, any person who is employed by or for the Government of Uganda, including the Uganda Public Service, a local authority, or a parastatal organization but excludes members of the Uganda's People's Defense Forces [UPDF]." A contract of service is defined as "means of any contract whether oral or in writing, whether express or implied, where a person agrees in return for remuneration to work for an employer." This implies that all casual or seasonal agricultural workers are considered employees and should be protected by the Employment Act. However, the Employment Act also does not apply to employers who employ five or fewer family members.

Despite the updates to and improvement of these laws, few outside of Kampala are aware of the existence of these regulations and have even less capacity to interpret and enforce them.

KEY LAWS AND POLICIES

- The Employment Act (2006)
- The Labour Disputes Act (Arbitration and Settlement) (2006)
- The Labour Unions Act No. 7 (2006)
- The Occupational Safety and Health Act (2006)
- The Worker's Compensation Act (2000)
- National Social Security Act (1985)

UGANDA'S MINIMUM WAGE DEBATE

The minimum wage issue is debated consistently in the media in Uganda. There is no effective minimum wage in Uganda, as the last minimum wage was set by decree in 1984 at U Sh 6,000 per month, which after over 25 years of inflation is currently a negligible amount. The government argues that setting a minimum wage will deter investment. Labor unions argue that lack of minimum wage is advantageous to companies that seek to exploit workers. Many argue that the minimum wage should be set according to international best practice and should be set according to sector.

As of July 1 2010, however, in accordance with the EAC protocols, Uganda will begin to harmonize labor laws with the other EAC countries and reconsider a minimum wage.

LABOR OFFICER AUTHORITY AND LABOR DISPUTES

The new Employment Act (2006) invests an unusual amount of authority in the district labor officer. The officer is the first line of authority for any employment-related dispute and is vested by law to enter freely any work place for inspection, carry out any examination of the premises, demand company records, remove samples or materials, close a workplace due to health and safety violations, institute civil or criminal proceedings, attest to a "contract of service," and exempt or compel an employer on remuneration obligations. This is considerable authority and responsibility for which implementation capacity does not exist. Labor disputes are to be presented first to the labor officer, who is supposed to mediate the dispute. Where there is no resolution, the case is filed at the Industrial Court, which is also intended to hear all labor related cases. The new Labour Disputes Act (2006) elevated the Industrial Court to the position of a high court, but at the time of this report, a judge had not yet been appointed and no labor cases had been processed in the preceding four years.

TERMINATION

The ability to hire and fire employees easily is the metric the *Doing Business* Report uses. While Uganda's law gives employers the ability to dismiss employees for cause easily, separating a poor employee is not as easy as the *Doing*

Business ranking suggests. Employees, even those who have been "summarily dismissed" for misconduct, have a number of venues to dispute the claim and file for "unfair termination" with the labor officer. In addition, any group dismissal of employees requires notification and consent of the labor unions. The law leans toward worker and employee protections. However, several large agricultural employers reported that the termination proceedings made terminating employees so difficult (even those who were terminated for gross misconduct, such as theft), that they were considering opening businesses in nearby countries or hiring non-Ugandan nationals. Both the private sector and the Federation of Ugandan Employers claimed that the termination process is cumbersome, even though the *Doing Business* ranking indicates otherwise. Under the revised law, if a company wants to terminate an employee, it needs to consult the relevant labor union, and the employee receives an opportunity to defend himself or herself. To terminate any group of employees, such as in the case of layoffs, the company must notify the commissioner in writing of the plan, the process, and how it will compensate employees. The new law requires the payment of severance, but the amount of severance is negotiated between the employee and the employer. The right formula has not yet been worked out.

Regardless of the law, most workers hold a common perception that, as unskilled personnel, their expendability outweighs whatever rights they do have. The fact that, in smaller workplaces, including midsize farms, mills, and smaller processing operations, there is little or no chance that a labor inspector will ever visit the premises, review an enterprise's labor conditions, and take action where deficiencies are detected, reinforces this perception.

EAC AND THE FREE MOVEMENT OF LABOR AND SERVICES

The EAC Protocols that went into effect on July 1, 2010, allow for the free movement of labor between EAC countries. This means that any EAC national can work in any other EAC country without a work permit. What this means for Uganda in the long term is still unclear. Will Ugandans find better employment opportunities in other countries? Or will Kenyans and Tanzanians come across the border and take Ugandan jobs?

UNIONS

Another major change in the legal framework for employment is the power and authority vested in unions. The Labour Unions Act (2006) outlines the rights of employees to organize. As further detailed in this chapter's discussion of supporting institutions, the National Organization of Trade Unions is the apex organization for a number of sector-level labor unions.

CHILD LABOR AND FORCED LABOR

Uganda's Employment Act prohibits work without pay (i.e., forced labor). In addition, child labor laws comply with the ILO standards, which state that no child under the age of 12 should be employed in any business, undertaking, or workplace. This omits children who work in family businesses. Between the ages of 12 and 14, a child can undertake "light work" under supervision of an adult, provided this work does not interfere with the child's education. A child who is 14 years old or older can work as an adult. Other child labor provisions include restrictions on the times of day a child can work, the authority of the labor officer to define "light work," and restrictions on children's performing any kind of "hazardous work."

Despite the provisions in the law with respect to child workers, it is clear that child labor persists, particularly in the agricultural sector. In many cases, when asked about child labor in the rural areas on small farms, interviewees replied that this is widespread. It is widely understood that some child labor can be expected in rural environments, with children called on to help their families, particularly at harvest times or for other labor-intensive endeavors. In one instance, having many children was considered a

SUMMARY OF KEY LABOR PROVISIONS IN UGANDA'S LEGAL FRAMEWORK	
Issue	Policy
Work hours	Maximum of six consecutive days without a rest day (excluding persons holding high managerial positions and persons working in family businesses not employing more than five dependent relatives) Maximum of 56/hours per week and 10 hours/day
Weekly holiday	24 hours weekly rest
Overtime pay	Work in excess of 48 weekly hours—One and a half times pay Work in excess of 48 weekly hours on a holiday—two times pay
Annual leave	All employees entitled to seven days of holiday at full pay for each period of four months continuous service
Religious and/or official holidays; death of a relative	All public holidays
Maternity Leave	60 working days' leave
Paternity Leave	Four working days' leave per year to be taken directly after the birth of a child
Salary disbursement	Employees shall be paid at the end of each contract period (hour, day, week, fortnight, or month). Employees paid by the piece of work done shall be paid at intervals of not more than one fortnight.
Severance allowance	Employees entitled to severance pay after six months of continuous service. Employee dismissed for misconduct not eligible for severance pay. Amount of severance pay is negotiable between employer and employee.
Worker's accident insurance	Worker's Compensation law of 2006 requires employers to carry liability insurance. There is some coverage for short-term and long-term disability in case of accident. Includes "contract of service" employees who enter into work agreements by either written or verbal consent by both parties.
Minimum wage	No minimum wage
Social security and medical insurance	National Social Security Fund covers workers in the private sector and some employees in the civil service and parastatal organizations. Exempted employees include members of the Uganda Policy Force, Prisons, UPDF, and other employees eligible under the Pension Act, non-resident employees, employees not employed in Uganda. Employees must be over 16 years and under 55 years to contribute. Ministerial authority to declare nonresident employees eligible by statutory order.

benefit because if machinery, such as an ox plow, was available, the children could help open more land. School-aged children openly spend designated school hours working in fields and doing other agricultural jobs. Many children, including shepherds and farm workers, may be enrolled in school but rarely attend.

The National Social Security Fund is a corporate body the **National Social Security Act (1985)** created to manage employee contributions. NSSF received contributions from less than 30 percent of Ugandan companies and has experienced notorious mismanagement and corruption. It was formerly housed under the Department of Labor but moved recently to the Ministry of Finance and Economic Planning, following reports of mismanagement and abuse.

Pursuant to the law, employees between ages 15 and 55 are eligible to contribute, and government employees who receive pensions under the **Pension Act** and nonresident employees are excluded. Eligible employers and employees are required to register and contribute, although this is weakly enforced.

IMPLEMENTING INSTITUTIONS

Despite the relative strength and clarity of the legal framework for employment and labor, Uganda's labor regulations are poorly understood, implemented, and enforced. The most ubiquitous comment from interviews was that "the labor laws are there, enforcement is the problem." This is largely due to the weakness of the implementing institutions involved in labor policy.

The Ministry of Gender, Labor, and Social Development is largely responsible for implementing all labor-related regulations. Plagued by staff and resource shortages, however, the Department of Labor is widely acknowledged as lacking capacity to enforce regulations. Most of the department resources and formal employment sector energy and focus are directed toward the funding the National Social Security Fund. However, the department indicated that it was moving forward on a labor strategy focused on informal agriculture workers, although it was unclear what this strategy will yield and when it will be implemented.

KEY IMPLEMENTING INSTITUTIONS

- Ministry of Gender, Labor, and Community Development
- District labor offices/inspectors
- Industrial Court

As described above, district labor officers are endowed with most of the authority and responsibility for implementing the labor law. They are tasked with investigating and mediating labor disputes and therefore hold quasi-judiciary powers. Unfortunately, labor officers are too few and lack sufficient skills to perform their duties. For example, every district is supposed to have at least one labor officer. As of July 2010, there were over a hundred districts and only 30 labor officers. Furthermore, labor officers are unequipped to investigate, mediate, and adjudicate labor disputes. The Platform for Legal Action, a nonprofit organization, has developed an operations and training manual for labor officers and inspectors with support from the Legal Aid Basket Fund, but this does not address the low number of labor officers. To a limited degree, community development officers provide labor office services, but they are not legally authorized to do so.

Labor inspectors—who are often also the local labor officers—are tasked with ensuring that businesses, government, and institutions comply with labor regulations, health and safety standards, and working conditions. Labor inspections suffer from a similar lack of numbers and lack of capacity. Most small and medium agribusinesses have never received a visit from an inspector. Larger, higher-profile agribusinesses, however, receive annual visits.

Beyond the quasi-judicial function of the labor inspector, the **industrial court** is the implementing institution responsible for resolving labor disputes. The court, while vested with the powers of a "high court," lacks the capacity to hear or process cases. Industrial court judges were only recently reported to have been appointed, and thus it has been four years since any labor cases have been filed with the court. In general, Ugandan courts are ineffective with respect to employment disputes. Most lawyers advise their clients not to go to court if they can avoid it. A few NGOs and legal aid organizations, all of whom are located in Kampala, oversee the only real mediation and arbitration of labor disputes. Litigation is very expensive and often useless because of the length of time required to reach a decision.

SUPPORTING INSTITUTIONS

There is a wide variety of supporting institutions in Uganda's agriculture employment and labor environment, including labor unions, private sector agribusinesses, and educational institutions.

TRADE AND LABOR UNIONS

The Labour Unions Act of 2006 increased the authority and responsibilities of labor unions in Uganda. Although workers have the right to associate freely as part of the Employment Act, the actual effectiveness of unions as a means to protect workers' rights and bargain collectively for fair wages and decent working conditions is relatively weak. The **National Organization of Trade Unions** is the umbrella organization of trade unions and consists of 20 representative unions. Its mandate is to advocate in the government for policies advantageous to workers. Its representatives represent workers' issue as members of the National Social Security Fund board and elected members of Parliament. The major agricultural union is the **National Union of Plantation and Agricultural Workers**.

The National Organization of Trade Unions is also a member of the **EAC Trade Union Federation,** which will eventually oversee common labor issues and develop a protocol on harmonizing labor laws. Conversations with stakeholders indicate that this process is in preliminary stages and unlikely to move forward any time soon.

This diagnostic found that, while Uganda's labor unions have good intentions, they rarely focus on areas that are meaningful to the country's long-term economic development. One interviewee claimed that they are interested only in issues having to do with the National Organization of Trade Unions. Other agribusinesses felt that the unions are not sophisticated enough to understand the labor market vis-à-vis private sector investment and instead they raise in the media unsubstantiated claims of labor rights violations. Unions, though, are adamant that workers do not know their rights and that most investors seek to exploit them for cheap labor. Furthermore, they are lobbying the government to enforce ILO conventions and impose a minimum wage at the sector level.

CIVIL SOCIETY AND LEGAL AID

The legal community in Uganda is concentrated heavily in Kampala, and most lawyers, despite being aware of the labor laws, are loathe to take cases to court because of the expense, time, and ineffectiveness of court procedures. However, there are several legal aid and civil society organizations that will represent the disadvantaged in labor disputes. One such organization is the Platform for Labour Action, which provides alternative dispute resolution, mediation, and representation for disadvantaged people (women, children, and the disabled). The Platform for Labour Action conducts outreach and awareness campaigns in rural areas about labor rights as well as training for labor officers and inspectors. In addition, it

KEY SUPPORTING INSTITUTIONS

- Trade and labor unions
- Civil society and legal aid
- Private agribusiness
- Educational institutions
- Sector associations

FLOWER FARMS: EXPORTING JOBS TO TANZANIA?

Some flower farms tell a story of exporting more than 300 jobs to Tanzania because of perceived labor law restrictions, particularly on termination policy. In Uganda, it is very expensive and time-consuming to terminate an employee even for gross misconduct.

implements several community development programs on child exploitation, identifying high-risk children through the schools and working with law enforcement to understand child labor laws. It has programs that address HIV/AIDS in the workplace and works closely with local governments. Other similar organizations include the Legal Aid Society and the International Justice Mission.

PRIVATE AGRIBUSINESS

Uganda's large private agribusinesses understand their role in upholding and enforcing labor regulations. Some industries, such as the flower industry and other export-oriented sectors, are governed by their own market-determined codes of conduct, which are more stringent with respect to workers' rights and working conditions than the government of Uganda's. Others, however, avoid permanent employee relationships by hiring casual workers and are less diligent about working conditions. Given the capacity within the Department of Labour and the inspection regime, the government and unions frequently inspect only large agribusinesses.

The flower industry, represented by the Uganda Flower Exporters Association, complies with market-driven labor standards that include protocols for worker welfare, health and safety, and farm hygiene. The standard for the flower industry is called MPS Social Qualification or Fair Trade. The standard has provisions for fair wages, housing standards, medical care, allowing workers to freely organize, leave and maternity leave entitlements, and labor contacts. The Good Agricultural Practices standard specifies minimum wage, timely payment, and working hour requirements. Flower farms are strict about health and safety, requiring use of protective gear, training on chemical use, and storage guidelines. The association performs internal audits; employees sign agreements to comply with the safety requirements and are fired if they do not. Farms regularly test the workers doing the spraying to make sure they use correct and safe techniques. Most flower farms enforce well, although there is some variance. Eighty percent of on-farm workers are women.

AGRICULTURE EXTENSION WORKER RATIOS

The standard ratio for extension service workers to farmers in rural areas is on average between 50 and 100 farmers to each extension worker. For Uganda to reach these optimal ratios, there would have to be 100,000 extension jobs between the public and private sectors per number of farming households. MAAIF's target for NAADS coverage is 2,000 extension workers. Clearly, there is demand for extension workers, but the government does not have funds to hire more people. The private sector provides a type of extension, and most large agribusinesses that source from smallholders have small extension teams.

EDUCATIONAL INSTITUTIONS

While Uganda has several universities and vocational schools focused on agriculture, most are relatively weak, and enrollment in agriculture technical areas has dropped in recent years. Large agribusinesses, the Ministry of Agriculture, and the National Agriculture Advisory Development Services complain of a dearth of qualified managerial and technical applicants for vacant positions. Some large agribusinesses even claim that they have to source agricultural management-level staff from outside the country as the skills of applicants in Uganda are not sufficient.

There are 26 universities in Uganda, six agriculture and forestry colleges, and six technical colleges.[62] Makerere University is the premier private university in the country and has seven departments in the Faculty of Agriculture, including economics and agribusiness, animal science, agricultural engineering, soil science, food science, extension education, and crop science. The highest enrollment numbers exist in the economics and agribusiness department. Recently, in keeping with the government of Uganda's renewed focus on agriculture through the CAADP-signing process and the Development Strategy Investment Plan for agriculture, four agriculture technical colleges,

62 Uganda Bureau of Statistics.

which were previously overseen by the Ministry of Education, were transferred back to MAAIF. These four are Arapai Agriculture College, Bukalasa Agriculture College, Nyabyeya Forestry College, and a veterinary college in Entebbe. Lack of capacity in educational institutions and low enrollment hinder agricultural training. Students, especially girls, tend not to be interested in or prepared for agribusiness management as a career. In addition, while there is demand for farm managers, NAADS employees, and government and private sector extension services, there are not enough positions and the pay is considered too low.

SECTOR ASSOCIATIONS

Commodity associations such as the Uganda Flower Exporters Association, the East Africa Fine Coffee Association, the Uganda Fish Exporters and Processors Association, the Uganda Grain Traders Ltd, and other commodity sector associations are promising vehicles for supporting labor standards within the informal sector and developing the agricultural workforce. Currently, sector associations in the agricultural sector focus more on competitiveness, standards, and trade than employment issues.

UGANDA NATIONAL FARMERS ASSOCIATION

The Uganda National Farmers Association is an umbrella organization whose members are commodity associations, larger apex producer groups, and district farmers' associations. It advocates on behalf of its members. However, while the organization is nationally endorsed, the majority of its individual farmer members operate in the informal sector, rendering its effect on labor policy weak.

Federation of Uganda Employers

The members of the Federation of Uganda Employers include the largest companies and associations operating in Uganda. The federation advises members on labor issues, how to work with and negotiate with unions, and human resources management. It also informs members about relevant workplace policies, including HIV/AIDS in the workplace, gender, and health and safety standards.

The federation has 368 corporate members and 22 apex sector associations. Membership costs U Sh 100,000 for small organizations in rural areas and U Sh 200,000 for urban businesses. Large businesses pay an additional U Sh 4,000 per staff member. Membership is entirely voluntary, and the organization requires donors to fund operations.

SOCIAL DYNAMICS

YOUTH AND AGRICULTURE

Throughout this diagnostic, interviewees underscored the fact that Ugandan youth no longer want work in agriculture. It is perceived as hard work with little pay and is even referred to as "digging" rather than "farming." Most youth are eager to move to the cities and would rather scrape out meager livings doing odd jobs or driving a boda boda. In fact, in the past four years the number of boda bodas purchased in Uganda increased by 62 percent, while the number of tractors purchased increased by only 22 percent. The lack of youth interest and involvement in agriculture presents a problem for the future of Uganda's agricultural workforce.

IMMIGRATION AND THE EAC

As of July 1, 2010, labor and services (but not goods) will be able to freely cross the borders of EAC member countries. Nationals of Burundi, Kenya, Rwanda, and Tanzania will no longer need permits to work in Uganda. EAC member countries are supposed to harmonize labor policies and regulations in the near future, but so far each country is maintaining its own. Immigration policy and regulations on migrant workers and nonresident employees in Uganda may be affected. During this diagnostic, the team heard of many cases in which Kenyans were already working in Ugandan establishments, including many of the high-end hotels in Kampala. The notion is also widespread, whether real or perceived, that the Ugandan work ethic is lacking in comparison to some of the neighboring countries, especially Kenya. Free movement of labor around the region presents Ugandans with vast new employment opportunities. Thus, there is a need to consider how to develop Uganda's agricultural workforce such that workers are prepared to take advantage of these increased opportunities.

WOMEN WORKERS IN THE AGRICULTURE SECTOR

As discussed in this report's chapter on women in society, 70 percent of all smallholder farmers are women, and women are responsible for producing as much as 90 percent of Uganda's total food production. Yet women remain substantially underserved in terms of training and protections. Women tend to be among the only formal workers in the agriculture sector, such as in the flower industry, where they comprise 80 percent of flower plantation workers. As casual laborers for large agribusinesses, women are hired for specific jobs, such as sorting, grading, and cleaning bulk grains and seed, and are often paid piecemeal. One company pays its female sorters by the bag: U Sh 4,000 per bag for ground nuts, U Sh 3,000 per bag for beans, and U Sh 1,000 per bag for millet. Women typically face difficult working conditions both as workers and within family farming operations. Female literacy rates are low; at least 40 percent of women in urban Uganda, and more in the rural areas, lack functional literacy.

Awareness of rights is typically lacking among Uganda's female agricultural labor force, which enables abusive conditions to thrive.

Rural women in Uganda face particular hardships, which include discrimination in education and employment opportunities and other entrenched cultural and legal biases. There is little understanding of the true family dynamics at the household level in rural Ugandan that determine how household income is spent and how food and workloads are distributed within the family.

Most importantly, educational biases as early as primary education discourage the young girls who do attend school from pursuing courses in science and math that would prepare them for more professional roles in agriculture at the secondary, technical, and university levels.

HIV/AIDS, AGRICULTURE, AND THE WORKPLACE

Uganda was one of the earliest and most severely affected by the HIV/AIDS epidemic in Africa. While the country has been lauded for some successes in prevention, research, and lowering of the infection rate, HIV/AIDS is still a threat to agricultural productivity in rural areas. HIV/AIDS predominantly affects productive age groups (between 15 and 50) and is more prevalent in rural areas where education and information about the disease are less available. Beyond affecting the productive workforce, HIV/AIDS also affects labor markets by increasing absenteeism, loss of labor, and time and money spent caring for the sick and orphans and attending funerals.[63] The loss of productive labor can lead to decreases in food production, shifts into less labor-intensive crop varieties, and lower yields due to untimely planting and poor weeding practices.[64]

In Uganda, the NGO, donor, government ,and private sector communities in Kampala have sufficient knowledge about HIV/AIDS and its effects on agriculture. Awareness in the rural areas is significantly less. However, a large number of donor projects and NGOs stress HIV/AIDS prevention mechanisms in the workplace, through agricultural extension services, produce organizations, and radio broadcasts (the primary source of information for village dwellers). Many large agribusinesses and plantations have HIV/AIDS prevention strategies and manuals and provide workers with health care services for treatment.

63 See Sasfoundationafrica.org .
64 United Nations Department of Economic and Social Affairs/ Population Division 62, *The Impact of AIDS*.

REGISTERING PROPERTY

The development of commercial agriculture requires the availability of suitable land and people's willingness to buy and sell it efficiently. Where these conditions exist, land can be an excellent resource for securing finance to expand agricultural production and nonfarm businesses. Uganda is far from realizing this state of affairs. Over 70 percent of Ugandans make their living from agriculture; the sector accounts for approximately 25 percent of GDP. Most estimates agree that between 75 and 80 percent of land is under customary ownership and is not part of the statutory (formal) legal regime. This condition limits citizens' and foreign investors' ability to utilize fully one of Uganda's most valuable assets.

Land is a complicated issue in Uganda. Over a hundred years ago, through the Buganda Agreement of 1900, the British government allocated nearly 9,000 square miles of occupied land in the Kingdom of Buganda, a component of modern-day Uganda, under English freehold title. The British government gave the land to the Kabaka, chiefs, and notables in square-mile increments, thus giving birth to the term *mailo*. The British also allocated a portion of Bunyoro land as mailo to the Kingdom of Buganda as reward for taking the British side in their conflict with Bunyoro. This gave rise to the "lost counties" (present-day Kibaale) and deep resentment within the Bunyoro community, an issue that has yet to be resolved. The mailo is one of the four tenure categories that exist in Uganda today and falls under the *statutory regime* that has governed land tenure since land was surveyed and registered in 1935. The other two tenure categories within this regime are freehold and leasehold. The allocation of mailos, and rivalry with the Kingdom of Buganda overall, is a sensitive political issue for Uganda's government and is not likely to be resolved in the near future.

Similarly, but with even deeper roots, a *customary regime* has evolved over the past 20 years. Its varying principles and rules as applied across the country are strained by modern society and, in some cases, greed. Reconciliation between the two regimes has been debated for several decades, and it will take much more time to resolve because of the deep and complex social, cultural, and political dimensions.

Access to finance for agricultural development also has been a decades-long issue. Since 2007, total agricultural lending by regulated financial institutions and microfinance deposit-taking institutions has declined from U Sh 450 million to U Sh 291 million.[65] This is a troubling trend, given how important agriculture is for Uganda. By most accounts, the banking system has plenty of capital, but deeper penetration into agriculture has not occurred because of risk, cost, and better opportunities in other sectors of the economy. Product innovations have occurred over the past 10 years and a renewed government and donor effort to inject funds into the sector. However, the use of land for innovative financing has been slow as a result of stagnant land reform and the sometimes haphazard application of law to address perceived social injustices.

This chapter focuses on the near-term issues relevant to the eventual integration of the two land tenure regimes. In addition, it touches on agricultural financing in the context of land. The 2008 BizCLIR report provides an analysis of the

65 Bank of Uganda/GTZ Financial Services Development Program, *Agricultural Finance Yearbook 2009* (2009).

broader issue of registering property and getting credit in Uganda.

LEGAL FRAMEWORK

The absence of a comprehensive land policy in Uganda has led to a piecemeal approach to policy development through legislation that has been more reactive than systematic. As such, land issues across different sectors of the economy are inconsistent and addressed in different ways. The effect of this disorder spans sectors but is particularly acute in agriculture, deeply affecting women and the rural poor. Since the late 1980s, the World Bank has been involved in land tenure policy reform. Most recently, the World Bank has funded an effort to draft and adopt a comprehensive land policy with the Ministry of Lands, Housing, and Urban Development as part of its effort to help implement Uganda's Land Sector Strategic Plan, which began in 2004. In May 2010, draft four of the National Land Policy was released for public discussion, and draft 5 was scheduled for release in July 2010; draft 3 was issued in 2007. The time between the issuance of drafts indicates that momentum for reform is minimal. Realistically, no significant change to land policy should be expected until after the presidential election in 2011, owing to the political dimensions discussed above.

Draft 4 of the National Land Policy is a comprehensive attempt to reconcile land issues in Uganda and address many of the controversial concerns that have lingered over the past hundred years. The policy proposals contained therein "seek to re-orient the land sector in national development by reorienting the land sector in national development by articulating management coordination between the land sector and other productive sectors to enhance the contribution of the sector to social and economic development of the country."[66] The draft National Land Policy also attempts to address modern issues such as gender, land disputes and conflicts, oil in the Albertine Graben in western Uganda, and land rights of pastoral communities. Should the National Land Policy be adopted in a form that is similar to draft 4, Uganda must undertake a comprehensive review of related laws and regulations to reconcile them with the policy.

KEY POLICY AND LAWS
• National Land Policy Draft 4
• Constitution (1995)
• Land Act (1998)
• Land Amendment Acts (2004)
• Mortgage Act (2009)
• Draft Chattels Securities Bill

Chapter 15 of the Constitution deals with land and the environment. Article 237 of Chapter 15 sets forth the following:

(1) Land in Uganda belongs to the citizens of Uganda and shall vest in them in accordance with the land tenure systems provided for in this Constitution.

(2) Notwithstanding clause (1) of this article

- (a) the Government or a local government may, subject to article 26 of this Constitution, acquire land in the public interest; and the conditions governing such acquisition shall be as prescribed by Parliament
- (b) the Government or a local government as determined by Parliament by law, shall hold in trust for the people and protect, natural lakes, rivers, wetlands, forest reserves, game reserves, national parks and any land to be reserved for ecological and touristic purposes for the common good of all citizens
- (c) non-citizens may acquire leases in land in accordance with the laws prescribed by Parliament and the laws so prescribed shall define a non-citizen for the purposes of this paragraph.

(3) Land in Uganda shall be owned in accordance with the following land tenure systems

- (a) customary
- (b) freehold
- (c) mailo
- (d) leasehold

66 Draft four, National Land Policy, Republic of Uganda (May 14, 2010).

(4) On the coming into force of this Constitution
  (a) all Uganda citizens owning land under customary tenure may acquire certificates of ownership in a manner prescribed by Parliament
  (b) land under customary tenure may be converted to freehold land ownership by registration.

(5) Any lease that was granted to a Uganda citizen out of public land may be converted into freehold in accordance with a law which shall be made by Parliament.

(6) For the purposes of clause (5) of this article, "public land" includes statutory leases to urban authorities.

(7) Parliament shall make laws to enable urban authorities to enforce and to implement planning and development.

(8) Upon the coming into force of this Constitution and until Parliament enacts an appropriate law under clause (9) of this article, the lawful or bona fide occupants of mailo land, freehold, or leasehold land shall enjoy security of occupancy on the land.

(9) Within two years after the first sitting of Parliament elected under this Constitution, Parliament shall enact a law

(a) regulating the relationship between the lawful or bona fide occupants of land referred to in clause (8) of this article and the registered owners of that land

(b) providing for the acquisition of registrable interest in the land by the occupant.

Article 237 is significant for several reasons. Most notable are its statements that land in Uganda belongs to the country's citizens (and not the state, as before), the formal recognition of customary land as a form of ownership for the first time in Uganda's history, and the provision that certificates of ownership may be acquired or may be converted to freehold land ownership (to establish security within the statutory regime). Although Article 237 is groundbreaking, implementing its provisions is extremely complicated because of opposing political will, bureaucratic infighting, corruption, misunderstanding, and general lack of coordination.

Outside of public land (government owned), Clause 3 established the four tenure categories that exist today:

- **Mailo:** Land held under mailo tenure is mainly in Buganda (central region). It provides for absolute ownership and recognizes occupancy by tenants. Mailo and freehold are registered under the Registration of Titles Act and guaranteed by the state. All transactions must therefore be entered in a register guaranteed by the state.
- **Leasehold:** Land is held as leasehold for a definite period of time (49–99 years). A leasehold may be obtained from the government or an individual. The owner of freehold, customary, and mailo or the Uganda Land Commission can grant land to lease. The leaser is entitled to a certificate of title.
- **Freehold:** This category provides for registration of title in perpetuity and full powers of ownership (use, disposition, etc.). Land in this category is governed by the **Registration of Titles Act (Cap. 230)**. Freehold is not common in Uganda.
- **Customary:** Land is owned communally, and its utilization is usually controlled by elders, clan leaders, or a group having a defined administrative structure. Eighty percent of land falls into this category and is widespread throughout Uganda.

The **Land Act (1998)** is an extension of Clause 9 and is the basis on which land in Uganda is managed today. Unfortunately, implementation of the Land Act has been difficult. At first, donors rallied to help Uganda's government implement the law, hoping that it would resolve the land tenure issues that plagued the country. Vested interests, bureaucratic infighting, low capacity, and lack of government funds allocated to implementing institutions (Uganda Land Commission, district land boards, and land tribunals for dispute resolution) all contributed to the failure to implement the Land Act. Today, the World Bank leads national-level land tenure reform, including work that helps implement the system outlined in the Land Act. The work is primarily undertaken through the Private Sector Competitiveness Project II, which is due to end in 2012. The project has a land subcomponent focused on four main objectives: rehabilitation of existing Land Registry records and upgrading of unsurveyed mailo titles, establishment of a land information system, expansion of the coverage of land information in eight districts, and strengthening the capacity of the land sector, including the rehabilitation of the Survey School and a complete inventory of government land.

According to Section 20 of the **Land Amendment Act (2004)**, one cannot sell, exchange, transfer, pledge, mortgage, or lease any family land without prior spousal consent. However, few involved in land transactions take that into consideration. Marriage registration is not required, and men may have more than one wife, rendering verifying spousal consent nearly impossible. Spousal approval clauses will have little effect in practice until marriage registration is required.

The **Mortgage Act (2009)** and the **draft Chattels Security Bill** are attempts to amend existing laws and reconcile inconsistencies in key areas of finance. Most bankers interviewed did not consider either of any consequence; they deem current laws adequate and expressed little belief that either law would be implemented strictly. One of the act's primary accomplishments is to recognize customary ownership and the rights of women. According to most sources, the government is waiting until the implementing regulations are drafted before allowing the law to come into force.

The **Land Amendment Act (2010)** amended the Land Act (1998) to enhance the security of occupancy of lawful and bona fide occupants on registered land in accordance with Article 237, Clause 8, of the Constitution. The act is designed to ensure that tenants are assured of land tenure security in response to the eviction of so-called squatters. Many feel that the act was politically motivated to curry favor with rural poor, the National Resistance Movement's traditional supporters. It is too early to judge the law's effect before knowing the implementation specifics.

There is no universal application of customary law in Uganda, and there are many misconceptions about its application. Customary ownership is often equated directly with communal ownership, which is not legally true. Most land used for farming is owned by individuals or families, and they have guaranteed tenure. For land that has common use such as grazing and gathering of firewood, a village will often set it aside for communal use. In addition, with village leaders' approval, customary land can be bought, sold, and rented. This practice was observed in western Uganda, where farmers grow perennial crops such as tea, cotton, and matoke. The practice is sufficiently common that Centenary Bank uses sales agreements for land as collateral for loans; however, this is an anomaly as most financial institutions will accept only clear title.

Certificates of customary ownership are a worthy attempt at bringing land held under the customary regime into the statutory regime. However, the certificates still lack credibility with most financial institutions in Uganda. Some bankers noted that certificates were "as good as not having title as they are used multiple times to access financial services" and banks had no way to ascertain if any encumbrances existed. These issues indicate that the system for recording and tracking certificates needs strengthening.

IMPLEMENTING INSTITUTIONS

The 2008 BizCLIR report provides an overview of the primary implementing institutions for property registration and access to credit (Land Registry, Uganda Land Commission, commercial banks, Bank of Uganda, and collateral registries). The profiles of these institutions have not changed significantly since then.

The **Uganda Land Registry** receives assistance from the World Bank. The registry has made some progress; for instance, it recently signed a three-year, US$10.5 million contract with a French firm to design and implement the land information system. The goal of the effort is to secure land records and to improve the process of accessing and securing information. If successful, this effort should significantly reduce the instances of fraud and speed titled land transactions. According to the Daily Monitor, an independent local newspaper, in 2009 the Land Registry discovered 8,000 forged land titles in Kampala District alone. Given this fact, it is not surprising that financial institutions are reluctant to use land titles to secure loans.

The **Ministry of Land, Housing, and Urban Development,** like most government entities at the national level, has both positive and negative qualities. A cadre of capable professional staff would like to make a difference. However, many do not seem to be interested in their jobs. Many idealistic, educated young people who join the ministry soon lose their enthusiasm and seek employment elsewhere. The ministry adheres to processes and procedures that could be improved through streamlining and automation. While not unique in this aspect, the entity with primary responsibility for resolving one of Uganda's most urgently needed reforms could be improved.

This is particularly true with the recent effort to decentralize land administration. The ministry

KEY IMPLEMENTING INSTITUTIONS

- Uganda Land Registry
- Ministry of Land, Housing, and Urban Development
- Regional land offices and district land boards
- Local customary and statutory governance structures
- Financial Institutions

announced in June 2010 that it had constructed 13 new regional land offices (Arua, Gulu, Jinja, Kabarole, Kampala, Kibaale, Lira, Masaka, Masindi, Mbale, Mbarara, Mukono, and Wakiso). In theory, this is excellent news; however, experience has demonstrated that capacity at the regional and local levels is weak. In a regional land office, two kilometers off the main road, one person was present during a weekday that was able to provide information. The office was in generally good order, but there were at least five foot-high stacks of unprocessed applications for certificates of customary ownership. When asked about the backlog, the response was that the registrar had not yet assumed his or her post and it was not clear exactly when the person would arrive.

In terms of access to agricultural finance, Centenary Bank is very active. Its mission is "to provide appropriate financial services, especially microfinance, to all people of Uganda particularly in rural areas, in a sustainable manner and in accordance with the law." The bank's primary shareholders are the Catholic Diocese, Uganda Catholic Secretariat, a subsidiary of a Dutch investment bank, and SIDI, a French investment bank. Centenary has focused on rural development for over 20 years and offers products for crop and animal production, fishing and aquaculture, and basic food processing. Under its agricultural loan portfolio, the bank will lend to owners or renters of land and will use land titles, unregistered land, and movable property to secure loans. The bank has worked with USAID and other donors. For instance, one program with DANIDA provides partial financing for the purchase and leasing of fixed assets and equipment to increase agricultural productivity (pens, coolers, mills, and the like).

The Microfinance Support Centre, Ltd., is a government-owned entity charged with providing financial and business development services to all types of cooperatives and MFIs. Of its 754 clients, 648 are savings and credit cooperative societies, and 74 are MFIs. The vast majority of their funds are provided to these credit and cooperative societies SACCOs for onward lending to their members for agricultural loans. Wholesale loans are offered at a rate of 9 percent per annum for a period of two to four years. Loan recipients can use the funds for productivity enhancement, asset finance, collective marketing, farm housing and facilities, and bridge financing to ensure household cash flow to stabilize food prices under the warehouse receipt system. The center also provides loan products for energy efficiency initiatives, commercial forestry, water conservation, and special programs directed toward women and youth.

SUPPORTING INSTITUTIONS

The 2008 BizCLIR report provides an overview of the primary supporting institutions for property registration. This section discusses supporting institutions that play a role in Uganda's land regime as they pertain directly to the agriculture sector.

KEY SUPPORTING INSTITUTIONS

- Private Sector Foundation
- Institution of Surveyors of Uganda
- Surveyors Registration Board
- Uganda Land Alliance
- Land and Equity Movement in Uganda

PRIVATE SECTOR FOUNDATION

The Private Sector Foundation of Uganda is an apex organization that consists of over 140 business associations, corporate bodies, and public sector agencies dedicated to private sector development. The foundation focuses on advocacy through dialogue with the government of Uganda. It also serves as a partner for the government in the implementation of donor government–funded projects designed to strengthen Uganda's competitiveness. The foundation also manages the US$71 million in World Bank funding for the Private Sector Competitiveness Project II discussed previously. Under its March 2010 *Private Sector Platform for Action*, PSFU makes several recommendations related to land reform and access to finance for agricultural production. For instance, it recommends the expansion of the government's U Sh 30 billion Agricultural Loan Facility for commercial banks that provide cofinancing, which brings the sum to U Sh 60 billion. Other recommendations include expediting the passage of the Chattels Security Bill, improving the Land Registry, and expediting the adoption of the comprehensive Uganda Land Policy.

SURVEYORS REGISTRATION BOARD

The Survey Registration Board provides licenses to surveyors that allow them to practice and regulates the profession. Recently trained surveyors filed a petition with the President's Office complaining that they did not obtain jobs because the registration board will not certify them even though they were technically qualified. It is estimated that in 2005 there are fewer than hundred surveyors qualified from Makerere University. The severe lack of qualified, certified surveyors in Uganda reduces the quantity and quality of surveys for land titling. Through the Private Sector Competitiveness Project II, the World Bank is addressing this issue.

The lack of qualified surveyors and assessors in Uganda has thwarted attempts to bring the land under customary ownership into the statutory regime. For over a year, Post Bank, a tier-2 credit institution, has provided a government-sponsored product for titling customary land as freehold through its 29 branches. The US$3.5 billion allocated for the Kyapa Loan Program is almost depleted, which indicates that it has had some measure of success. Under the program, tenants who wish to acquire freehold titles from land owners take out loans at 10 percent with repayment periods of up to 10 years, as long as they have consent of the land owner. The loan funds are used to conduct surveys of the land and pay landlords, associated fees, and taxes. The borrower never actually has access to the funds; Post Bank contracts with a pool of about 20 surveyors and pays fees directly. The quantity and quality of surveyors is an issue that Post Bank needs to address; it has been estimated that only 10 percent are of good quality. In addition, district land boards must issue a final decision on the request for title. The committee that evaluates the requests for title meets sporadically, which lengthens the time required for issuing approvals.

UGANDA LAND ALLIANCE

A consortium of nearly 50 NGOs and 20 individuals established this apex organization to advocate and lobby for fair land laws and policies. Its focus is on improving the security of the poor through land ownership. The alliance is active in customary land tenure issues, awareness campaigns, advocacy, and legal aid. Several donors are working with the organization, which is also active in advocacy related to the development of the Uganda Land Policy. Its extensive reach into certain regions of Uganda facilitates its roles as a conduit for information dissemination.

Land and Equity Movement in Uganda

The Land and Equity Movement in Uganda is a local NGO that has worked on social equity and land rights issues for many years. It provides analysis, information dissemination, advocacy, and consensus building, primarily at the local level.

The movement regards itself as a bridge for understanding between government and local communities. The organization's focus is primarily on customary ownership and misconceptions about its role in modern society. It works with local communities in the northern and eastern subregions of Acholiland (Gulu, Kitgum, and Pader districts), Lango (Amolatar, Apac, Dokolo, Lira, and Oyam districts), and Teso (Amuria, Bukedea, Kaberamaido, Katakwi, Kumi, and Soroti districts). Over 90 percent of the land in these subregions is under customary ownership. The alliance works with local communities to document the principles, practices, rights, and responsibilities of customary tenure. Because traditionally rules were understood rather than written, this is an important initiative. Over the long term, this initiative could assist in securing the rights of citizens and harmonize the customary regime with the statutory regime.

SOCIAL DYNAMICS

The political and social dynamics surrounding land ownership are acute, and only made more so by the impending 2011 presidential election. Resolution of issues relating to multiple ownership of land under community and statutory regimes will take a long time, but there should be a window of opportunity immediately after the election. A well-intentioned effort by the government to amend the Land Act to protect tenants only increased tensions between title-holding landlords and their tenants. Moreover, it created uncertainty and risks for banks.

Moving from the customary regime to a statutory regime is not as simple as converting one form of ownership to another. The application of the rules for each regime is different, so patience and a gradual migration are required. For instance, under customary ownership an individual or family may own and farm a land plot. However, for the family to sell the land, it must receive community consent. This need for consensus can complicate transactions even when a community grants permission. In addition, according to anecdotal evidence, surveyors have been chased out of a village when they have come to survey land for conversion to freehold title. In some areas of Uganda, communities have a deep distrust of surveyors because they sees surveying the land as the first step in government acquisition of the land.

Many proponents of customary ownership also believe that that form of ownership provides the best protection of the rights of women and children. The basis of the argument is that although they do not own land, they do have the right to use it based on marriage. It is felt that under titled land where the owner is an individual, the husband could violate their rights. In theory, the husband could also mortgage the land and lose it in case of a bad crop or spend the loan unwisely by taking a girlfriend or a second wife. If the husband is not able to repay the loan, the entire family could lose their land. From this perspective, one can see why some Ugandans are skeptical of converting land to freehold.

PROTECTING INVESTORS

Uganda's *Doing Business* ranking for Protecting Investors has fallen slightly, from 127th out of 183 in 2009 to 132nd out of 185 in 2010. However, this is not because Uganda's environment has changed; Uganda has the same numerical scores, but other countries have moved ahead.

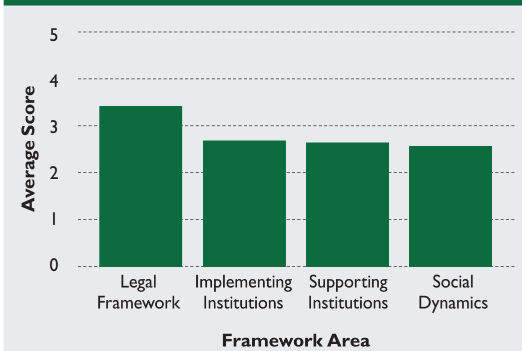
That said, this ranking may not reflect accurately the situation in Uganda. The World Bank indicators place heavy emphasis on the accountability of corporate directors, and this is indeed a weakness. But the general climate for investment is not as bad as these indicators suggest. Uganda has seen a steady increase in inward foreign direct investment over the last several years, and interviews suggest that most investors feel reasonably secure. Most of the problems they cite pertain to the general business environment—corruption, red tape, access to land and credit—rather than to specific issues of corporate governance, protection of shareholder rights, and corporate transparency. The agricultural sector, in particular, is dominated by a mixture of small and medium enterprises and closely held corporations, so that corporate governance issues are relatively secondary.

Formally, Uganda welcomes all forms of investment. Businesses conducted or owned by foreign investors face no discrimination. No barriers prevent 100 percent foreign ownership of agriculture. The country has no recent history of expropriation or nationalization, and no restrictions limit the transfer or repatriation of capital and income earned.

Corruption is a problem, but it is not high by regional standards. Transparency International ranks Uganda as 130th in the world. This is a poor score, but it is slightly above average for the region;[67] Uganda ranks in the middle of the five EAC countries and well above its neighbors DR Congo and Sudan.

Uganda's company law and its accompanying institutions have significant problems.[68]

PROTECTING INVESTORS



UGANDA AND ITS NEIGHBORS: RANK ON THE TRANSPARENCY INTERNATIONAL CORRUPTION PERCEPTIONS INDEX (2009)

Malawi	89
Rwanda	89 (tie)
Ethiopia	120
Tanzania	126
Uganda	**130**
Mozambique	130 (tie)
Kenya	146
DR Congo	162
Burundi	168
Sudan	176

However, the corporate governance factors *Doing Business* assesses represent an advanced level of investor protections that are generally beyond what Uganda prioritizes in this area. Most Ugandan businesses, especially in the agricultural sector, need to address basic good business practices—bookkeeping and management—rather than disclosure duties and shareholder protections. Certainly corporate governance is a necessary part of a modern commercial legal framework, and it will increase in importance as Uganda's economy continues to grow. Ensuring that an adequate structure

67 However, Uganda's rank on the Transparency International Corruption Perceptions Index has been falling in recent years: from 105 in 2006 to 111 in 2007, then 126 in 2008, and 130 in 2009. Unlike its fall in the *Doing Business* rankings, this drop is absolute as well as relative; the country's score has fallen from 2.8 in 2007 to 2.5 in the most recent report. It also reflects the views of at least some interviewees, who feel that corruption has grown somewhat worse in the last few years.

68 For a detailed discussion of this, see the 2008 BizCLIR report. Nearly two years have passed since that analysis, but very little has changed.

is in place as the need for stronger corporate governance develops will be important. In the meantime, Uganda should support and encourage a culture of good business management, which will benefit the broader business community and lay the foundation for more advanced corporate governance practices in the future.

Amending the company law is not currently a priority in Uganda. Given the limited resources available, this is probably a reasonable policy choice, although, as discussed in this report's chapter on starting a business, overall conditions for smaller, rural enterprises to enter the formal sector are poor.

LEGAL FRAMEWORK

COMPANY LAW

The Ugandan "company law" consists largely of the **Uganda Companies Act (1961)**, which is based on the 1948 Companies Act of the United Kingdom. Although the United Kingdom has long since revised and amended this law, the Companies Act in Uganda has only had minor and isolated amendments since its passage in 1961. Revision of the law has been underway since 2005. A new law was expected to pass Parliament in 2009, but, as of this writing (July 2010), has not yet done so.

In many respects the company law reads like an outdated version of British corporate law. Overall, it falls far short of best-practice standards and is often unclear and cumbersome. There is a need to add provisions that will increase investor protection, that will adapt the law to current international and Ugandan business practice, and that will add flexibility for SMEs.[69]

Passing the new law does not appear to be a top priority in Uganda. Interviewees who work with the law—lawyers, accountants, and the Uganda Investment Authority—agree that it has many flaws, but most do not see fixing the law as a pressing matter "given all the other issues that we have." This perception may help explain why a new law has not passed despite being under consideration for almost five years.

KEY LAWS

- Companies Act (1961)
- Copyright Act (2006)
- Industrial Property Law (2009)
- Trademarks Act (2010)
- Capital Markets Authority Act (1996)
- The Collective Investment Schemes Act (2003)
- Investment Code (1991)
- Draft investment code amendment bill
- Bilateral investment treaties

INTELLECTUAL PROPERTY

The legal framework for intellectual property is in a state of flux. The **Copyright Act** was updated with a new law passed in 2006; regulations in support of it were just published in February 2010. The **Industrial Property Law,** which includes patents and trade secrets, was passed in 2009. And a new **Trademarks Act** was just passed in April 2010, replacing a much older law from the 1960s.

However, from the point of view of agribusiness, little of substance has changed. The Industrial Property law does not cover plant cultivars; legally, these remain in limbo. Uganda has not passed a **Plant Variety Protection Act**, although it has committed to do so as part of its obligations under the World Trade Organization Trade-Related Aspects of Intellectual Property Rights.[70] A draft bill has been before Parliament for nearly a decade but has never passed.[71] There is thus no clear legal protection for ownership of plant cultivars. Uganda has been a signatory of the International Treaty on Plant Genetic Resources for Food and Agriculture since 2003, but the treaty's provisions are fairly broad and so provide only limited protection. Uganda has also endorsed the African Model Legislation for the Protection of the Rights of Local Communities, Farmers, and Breeders and for the Regulation of Access to Biological Resources; unfortunately, however, this endorsement is not legally binding as law in Uganda.[72]

69 Issues with the Companies Act were discussed in detail in the 2008 BizCLIR report. In the two years since then, there have been no major changes to that law.

70 Article 27(3) b of the Trade-Related Aspects of Intellectual Property Rights Agreement requires states party to the agreement to provide for the protection of new plant varieties either by patents, by a specialized system, or by a combination of both. It is generally acknowledged that Uganda's patent system does not provide adequate coverage, so the passage of a special law is necessary.

71 For a discussion of the history and current status of the draft law, see Ronald Naluwairo and Edgar Tabaro, "In Defense of Farmers and Community Rights: A Commentary on Uganda's Plant Protection Bill" (ACODE Policy Briefing Paper 21, 2010), available at http://www.acode-u.org/documents/PBP_21.pdf.

72 A detailed discussion of the Model Law would be outside the scope of this report. That said, it includes reasonably good protections for intellectual property in agriculture. However, it will probably never have legal effect in Uganda, because it is not currently binding and will be superseded anyway by Uganda's own Plant Variety Protection Act—when and if that passes.

The Uganda Law Reform Commission, which promotes updated laws in a variety of commercial areas, has proposed several new intellectual property (IP) laws. These laws are meant to be fast-tracked in Parliament, but it is unclear when they may be heard. Their status does not appear to have changed since the 2008 BizCLIR report.

Overall, the state of IP protection in Uganda is weak, both in the law itself and in its enforcement. The Global Competitiveness Report for 2009 rated Uganda 114th out of 133 countries for IP protection; this ranking may be generous.

SECURITIES LAW

The Uganda Securities Exchange (USE), Uganda's stock exchange, is governed by the **Capital Markets Authority Act** and the **Collective Investment Schemes Act** (which governs mutual funds). A wide range of regulations, laws, and rules affects the stock exchange. These can be found on the Capital Markets Authority (CMA) Web site (www.cmauganda.co.ug).

The CMA was established in 1996 after the Capital Markets Authority Act was enacted. Although the CMA regulates and oversees the capital markets industry, the stock exchange is the actual market where the products are traded. The market has three products: shares, collective investment schemes, and government and corporate bonds. All three are intermittently active, but at a low level; there are only 11 companies listed for share trading, for instance, and this number has not changed in several years.[73] CMA and USE appear to be small but well-functioning entities that operate under clear, well-drafted laws and guidelines and that have good and supportive relationships with their customers and the general public. However, they have only a tangential relationship to the agricultural sector. None of the companies traded on the CME are agribusinesses. No agribusiness has issued bonds on the USE nor has any financial institution that invests heavily in agriculture.

The **Investment Code (1991)** established the UIA, Uganda's investment promotion agency, which is also charged with providing investment licenses and assisting investors with various regulatory activities associated with their investments. Foreign investors must have an investment of at least US$100,000 to obtain an investment license, and local investors must have a minimum of US$50,000 (although a license is not required for local investors). No charge is applied in obtaining the investment license.

Although foreign investors in Uganda claim to be satisfied with the assistance they receive from the UIA and with the government's generally pro-investment position, many commented on the lack of investment incentives within the law, such as tax breaks, that reportedly make Uganda less appealing than some other comparable economies. The current Investment Code provides few tax incentives, although a new investment incentive regime was introduced in the **1997 Income Tax Act** and established substantially greater tax breaks for investors. Experience and research have shown that "tax holidays" are ineffective in attracting investment and that it is better to have a lower overall tax rate and a sound investment environment. The experiences of other countries in using tax incentives to boost investment should be carefully considered before revamping the current incentives structure.

Another frequently cited disincentive for foreign investors in the legal framework was the inability of foreigners to own property. This constraint, set forth within the Constitution and the Land Act, creates a challenge and risk for foreign investors. This issue is discussed further in the chapter on registering property. Notably, the Investment Code does not require foreign businesses to have local partners. Expropriation of property and business, another common investor concern, is also addressed in the Investment Code and Constitution. Expropriation is not allowed except in specified circumstances, and prompt and fair compensation is required if expropriation

73 Six local companies and five cross-border listings. There have been no new listings since 2008.

occurs. No one consulted in this study raised this issue as a concern.

The government hopes to improve Uganda's appeal to investors through the **Investment Code Amendment Bill,** which has been under consideration for more than two years. This bill seeks to amend the Investment Code to establish UIA as a one-stop shop for investment and ease the registration process. Although the UIA purports to be a one-stop facilitator for investment, this new law could give it authority to take action on many regulatory issues investors face, such as sector-specific licensing. The Amendment Bill also creates additional incentives in rural areas and provides for quick procurement of secondary permits for investors. The bill includes local investors in the incentives regime and increases facilitation for foreign investors. The bill is before the cabinet for consideration.

Uganda has signed bilateral investment treaties with a number of European countries, including France, Germany, and the Netherlands. The treaties provide for most-favored-nation treatment for investors, internationally recognized standards of compensation in the event of expropriation, free transfer of capital and profits, and procedures for dispute settlement. Uganda does not currently have a bilateral investment treaty with the United States.

Uganda has been a member of the WTO since 1995. It has never filed a complaint, nor had one filed against it. Uganda is a founding member of the East African Community. It has signed the Convention on Settlement of Investment Disputes between States and Nationals of Other States.

In theory, Uganda's legal system enforces private property rights, including intellectual property. Uganda is a member of the World Intellectual Property Organization and of the Bern Copyright Convention. Local statutes recognize reciprocal protection for authors or artists who are nationals of countries adhering to the 1991 Paris Convention on Intellectual Property Rights.

In practice, enforcement is almost nonexistent. Public awareness of IP issues is very limited, and Ugandan Customs has a limited ability to enforce IP laws.

Corporate governance is still a somewhat new concept in Uganda. Only a few businesses are of a size to require or implement advanced corporate governance procedures. In the long term, education on its importance and its requirements may be necessary. Given the current state of the economy in Uganda and the small number of companies to which complicated corporate governance procedures would apply, this issue is not a top priority today, but training and awareness programs and simple educational materials for judges, attorneys, and businesspeople will eventually be required.

IMPLEMENTING INSTITUTIONS

UGANDA INVESTMENT AUTHORITY

The UIA is meant to be a resource to assist in obtaining land, work permits, utility services, and other requirements for investors. It aspires to be a one-stop shop. While it falls somewhat short of that goal, it is clearly useful to a wide range of investors across many different sectors.

The UIA has representatives in each district of the country. It provides business registration within two days and investment permits within two days and also assists with land acquisition. It has been trying to build a land bank, but so far with limited success. The main office in Kampala also includes representatives from other government agencies (e.g., the Uganda Revenue Authority, the Land Office, and Customs) to provide faster registration. The UIA also has a useful and user-friendly Web site where much information on investing in Uganda is available.

There is some concern in the business community that UIA favors foreigners over local investors. The UIA has a specific Uganda Desk focused on assisting local investors, but discussion with the local business community suggests that it is limited and largely unknown. This issue is a particular problem in the agricultural sector, which has relatively few large foreign investors but many local investors in the US$5,000–100,000 range.

COURTS

Investors are generally interested in the ease of dispute resolution. This issue remains a challenge in the commercial sector and a disincentive to investing in Uganda. Uganda's courts are slow, inconsistent, and unreliable. Although the system has some bright spots, overall it is troubled and has only a limited capacity to protect investors. For a more detailed discussion of the court system, see this report's chapter on enforcing contracts.

CAPITAL MARKETS AUTHORITY AND UGANDA SECURITIES EXCHANGE

CMA, the supervisory body of the stock exchange., has appellate review and appellate authority over stock exchange sanctions, such as delisting, suspension of trading, and fines. CMA also has comprehensive licensing and regulatory authority pertaining to broker-dealers and investment advisers. Because the Uganda Stock Exchange is still quite small, CMA is not particularly active, but the authority members do meet regularly and CMA has a small but vigorous public education and outreach program.

USE is the enforcement body for the stock exchange and is regulated by the CMA. The rules and requirements for listed companies, as well as other information about the stock exchange, are available on the USE's Web site (www.use.or.ug), which is informative and easy to navigate. The USE works closely with the East African Securities Exchange Association to work toward international best practices and to benefit from the knowledge of more experienced exchanges in the region.

KEY IMPLEMENTING INSTITUTIONS

- Uganda Investment Authority
- Courts
- Capital Markets Authority
- Uganda Stock Exchange
- Competitiveness and Investment Climate Strategy Secretariat

Although the USE is still young, interest in using it as an avenue for raising capital and for savings and investment is increasing. Currently, the main products of the stock exchange are equity and corporate bonds; government bonds are under the Central Bank's regulation. From the point of view of the agricultural sector, both CMA and USE are somewhat irrelevant so far; no listed companies are agribusinesses. However, this may change at some point, and meanwhile the CMA exercises an indirect influence across sectors through its education and public relations efforts and the promotion of good corporate governance and simply by existing and showing that Uganda can support a small but well-regulated stock exchange.

Competitiveness and Investment Climate Strategy Secretariat

The Competitiveness and Investment Climate Strategy Secretariat, which receives support from donors and the Ugandan government, is charged with promoting reforms necessary to improve the investment climate and is supposed to serve as a central body linking the government, private sector, and donor community to support the implementation of Uganda's Competitiveness and Investment Climate Strategy. The investment climate strategy is a series of five-year plans that describe a framework for improving competitiveness; it is currently nearing the end of the second five-year cycle (2006–2010). It is intended to address, among other things, Pillar II of Uganda's Poverty Eradication Action Plan.

Although it has been successful in building dialogue, the secretariat has had limited impact because it has no enforcement or implementation capabilities. It must thus rely on what it can convince the government to do. Action beyond dialogue has been limited, and reforms in this area have been slow.

The secretariat does show a strong interest in agricultural issues, which is why it is included here. If in the next five-year cycle, it is afforded power beyond the ability to initiate dialogue and make recommendations, it could evolve into a potentially useful institution. It maintains a helpful Web site with a number of interesting links at www.cics.go.ug.

SUPPORTING INSTITUTIONS

LAWYERS

Uganda has a small but experienced and sophisticated body of private lawyers and accountants, mostly concentrated in and around Kampala. Those interviewed were familiar with the issues this chapter discusses. Both domestic and foreign investors seek their advice in company organization and structuring. While there is a great deal of dissatisfaction with the court system, both local and foreign investors reported that they were able to find competent legal advice and representation.

The Uganda Law Society (ULS) is the primary professional lawyers' organization in Uganda. It has offered continuing legal education in commercial law topics for several years; the quality of these courses is reported to be high. The only other significant bar association of lawyers operating in Uganda is the regional **East Africa Law Society (EALS)**. It appears focused primarily on human rights, constitutionalism, good governance, and other broad rule–of-law concepts. Although the society does not currently engage in commercial law-related efforts, it may be a useful forum in the future.

ACCOUNTANTS

Uganda appears to have an adequate supply of qualified auditors and accountants. However, the need for these will certainly increase. Geographical distribution remains an issue; as noted above, most of the country's accountants are concentrated in and around Kampala.

The "big four" accounting firms are present, and they audit all of the Uganda Stock Exchange–listed firms as well as most of the financial institutions, multinationals, and other large companies in Uganda. There are many local accounting firms, particularly in Kampala; they audit mainly SMEs. Uganda uses International Financial Reporting Standards.[74]

KEY SUPPORTING INSTITUTIONS

- Lawyers and associations of lawyers
- Accountants
- Bookkeepers
- Private Sector Foundation of Uganda
- Institute of Corporate Governance
- Donors and NGOS
- Media

BOOKKEEPERS

While accountants are not a major problem, bookkeepers are. Only a relatively small number of larger firms need professional accountants, but hundreds of thousands of businesses need one or more employees with bookkeeping skills. Both large and small firms report problems with this shortage, but the problem is most acute with SMEs. While basic bookkeeping is offered as a course in several universities, most of the medium and large firms interviewed reported that they were training their own bookkeepers on the job.

PRESIDENTIAL INVESTORS ROUNDTABLE

The Presidential Investors Roundtable is in its fourth year. It convenes every six months to allow the business community an opportunity to discuss major business constraints directly with President Museveni. The UIA is the secretariat and chooses the sectors of focus each year. Each year, 20 local and foreign investors are chosen to participate, and this group makes

74 This is not the case throughout the region. For instance, DR Congo, Burundi, and Mozambique have not yet adopted International Financial Reporting Standards.

recommendations to the president on what business environment reform activities should be prioritized. The selection process is perceived to favor large investors.

Both public and private sector representatives agree that the roundtable allows for ample and open discussion. However, lack of progress beyond dialogue has been a source of frustration for the private sector. Specifically, little action has been taken on most of the recommendations made so far. Each year, roundtable participants present a new set of recommendations without any conclusions drawn on the ones offered the year before. Agriculture was the topic of one past roundtable, but it does not appear that any of its recommendations ever translated into government action.

INSTITUTE OF CORPORATE GOVERNANCE

The Institute of Corporate Governance is a private institution supported almost entirely by membership and training fees. The institute focuses on building awareness and conducting training on corporate governance. It conducts between three and five seminars a month, with most seminars lasting two days. The fact that demand from private businesses and other organizations seeking training and support on corporate governance is enough to keep this institution afloat suggests that the corporate governance culture in Uganda is growing. Because there is no real enforcement of corporate governance outside particular sectors (such as banking), much of the interest in these trainings seems to come from a desire to have better business practices rather than as a response to outside incentives.

Although most of the training is conducted in Uganda, the institute has conducted trainings in south Sudan, South Africa, and Tanzania as well and is hoping to become a resource across the region. Trainings thus far have focused on basic principles and practices, such as the role of the board, competencies for board members, business strategy, ICT, the law, director duties, conflicts of interest, and financial statements. After trainings, trainees are encouraged to stay in touch with the institute and follow up on corporate governance progress.

DONORS AND NGOS

Many donors are working on business-related development in Uganda, although none are currently working in the agricultural sector directly with the investor-protection issues covered in this chapter.

MEDIA

Newspapers and magazines are an important source of business information in Uganda; at 7.7 percent, the country's Internet penetration is still low. Several local business periodicals and the major daily papers all report regularly on investor-related issues. The process of formal privatization is nearly complete, with almost all major media outlets now in private hands. Although some newspapers may be reluctant to report on issues that are seen as politically sensitive, overall the discussion of business events and issues is lively.

SOCIAL DYNAMICS

Most farms, herds, and fisheries in Uganda are small. Typically they are family owned and operated and are focused on making enough profit to meet the family's immediate needs. Sizable investments, whether foreign or local, are still rare. Because of this small scale, a "business culture" has been slow to develop in the agricultural sector. Small farmers tend to lack business skills and sophistication and may often view service providers and middlemen as parasitic rather than useful.

Investment—particularly foreign investment—has been increasing in Uganda. The current government is seen as investor friendly. Corruption is a concern, but it is not seen as a major obstacle to investment.

THE ROLE OF ASIAN-UGANDANS

The Asian-Ugandans have a special relationship with the agricultural sector. Asians are disproportionately represented among agricultural middlemen (buyers, wholesalers, and distributors) and also among millers, canners, and other food processors. To give a single example, currently 20 fish-processing plants are on the shores of Lake Tanganyika. Twelve are owned, in whole or part, by Asian-Ugandans, four by foreign investors, and only four by African Ugandans. Asian-Ugandans own the country's largest tea plantation and its two largest sugar plantations. Asians also are disproportionately involved with foreign investment, even foreign investments that do not originate from South Asia.

Asian-Ugandans are not subject to persecution or official discrimination. However, there is definitely a feeling among many Ugandans that Asians are "different." Perceived standoffishness, stereotypes, and unofficial discrimination are all real issues. Farmers, in particular, may combine economic concerns with ethnic stereotypes: "the large Asian millers are cooperating to take advantage of the growers," and such. It is difficult to say whether this attitude influences official policy. Certainly, the Ugandan government is formally color-blind, and it bears emphasizing that there is no official discrimination. However, the perception that certain parts of the supply chain are dominated by an "alien" group may have a subtle effect on official priorities.

"UGANDAN MINDSET"

Ugandan society is complex, and a sociological analysis would be well beyond the scope of this chapter. However, multiple interviewees alluded to a "Ugandan mindset" as part of Uganda's social dynamics. This perception is expressed in various ways, but common examples include the ones below:

- "Ugandans are more easygoing and less aggressive then their neighbors": this view was commonly stated in the context of comparing Uganda to Kenya.
- "Ugandans are less quick to grasp and exploit business opportunities": again, usually stated as a contrast to Kenyans.
- "Small Ugandan farmers are not commercially minded; if they are able to produce for subsistence plus a small surplus to provide needed cash for clothes and school fees, they are content": usually stated as an explanation for why small farmers are slow to adopt inputs.
- "Uganda's mild climate and rich soil do not encourage hard work": typically given as an explanation for low farm productivity, but sometimes raised more generally in the context of work ethics.
- "Ugandans are rarely in a hurry and are culturally inclined to procrastinate and put off difficult decisions": raised in many different contexts, from work ethics to explaining why the government has taken many years to pass a much-needed law.

Obviously these statements are anecdotal. However, they are so prevalent, and repeated so frequently, that they are part of the social dynamics, regardless of whether there is any truth to them. Also, in some cases they reflect real underlying concerns. For example, many Ugandans are sincerely worried that they will be unable to compete with Kenyans once there is free trade in services in the EAC. Whether this fear is well founded, and regardless of whether Ugandans are "less aggressive" than Kenyans, the underlying concern is real. Similarly, the common statements about Ugandan farmers reflect a tendency to blame the farmers themselves—rather than poor infrastructure, poor incentives, collusion among traders, or lack of investments—for the weak performance of the agricultural sector.

CORPORATE GOVERNANCE AWARENESS

For the great majority of businesses, sound corporate governance practice is not a priority. Outside investors should keep this in mind: Ugandan partners may just not be engaged with minority shareholders, for instance. As discussed in this chapter's section on legal framework, the most pressing corporate governance issue in the country today is simply promoting good basic business practices, such as bookkeeping and financial management.

"DUTCH DISEASE," AGRICULTURE, AND UGANDA

"Dutch disease" is a term used by some economists to describe changes to a country's trade and production patterns after it becomes a major exporter of oil or gas. In its simplest form, Dutch disease assumes the following:

- When a country becomes a major oil exporter, demand for that country's currency increases.
- As a result, the exchange rate for that currency tends to rise.
- As a result, the country's other, non-oil exports —whether manufacturing, agriculture, or services—become more expensive and less competitive.

The details of Dutch disease are debated among economists, but many believe see that the effect is real. An overvalued currency was the first symptom associated with Dutch disease, but subsequently several other symptoms have been identified. Oil prices, for instance, are notoriously volatile. The resulting fluctuations in export earnings trigger exchange rate volatility. Unstable exchange rates create uncertainty that tends to hurt exports and other trade, including foreign investment. Further, the oil industry is able to pay higher wages and also provide higher returns on investment than other local industries. It thus tends to soak up the limited supply of skilled workers and investment capital, making it even more difficult for the latter to remain competitive.

A number of African countries—notably Equatorial Guinea, Gabon, and Nigeria—have shown strong evidence, of Dutch disease. In those countries, large oil exports have been identified as a factor in severe underperformance of various non-oil sectors, particularly manufacturing and export agriculture.

Uganda is about to begin oil production. Initial production will be low, but the best available estimates suggest that by 2015–2020, oil will account for at least 5 percent and possibly as much as 10 percent of the country's GDP, and oil will dominate all other exports. Uganda is thus an excellent candidate for Dutch disease.

Dutch disease is not inevitable. One way to inoculate against it is to "sterilize" the capital inflows by diverting them to investments abroad. In the case of oil revenues, this approach typically means some type of sovereign wealth fund. Outside Africa, most large oil producers have such funds. The larger ones, such as Norway's and Saudi Arabia's, have assets measured in hundreds of billions of dollars. But even mid-level oil producers can have significant sovereign wealth funds; Trinidad and Tobago, for instance, have a Heritage and Stabilization Fund of about US $2.5 billion, which produces about US$200 million of income for the island nation every year.

Unfortunately, these funds do not have a very good track record in Africa. Only a few African oil producers have created them, and with just one or two exceptions—most notably Botswana, where the Pula Fund has been investing diamond revenues since the 1990s—they are not considered particularly safe, politically neutral, or well managed. The oil issue is politically sensitive, and it may not be appropriate to raise it at the level of a bilateral donor. That said, it seems very likely that by the end of this decade, the oil industry will be exercising an indirect, but very powerful, influence on Uganda's agricultural sector.

Training in basic business skill is, accordingly, a great need.

PREDICTABLE INVESTMENT ENVIRONMENT

Uganda enjoys, by regional standards, a relatively stable and predictable environment for investment. The country is macroeconomically stable, the currency is relatively sound, inflation has been under control for most of this decade, and the international financial crisis has slowed growth but has not resulted in any major collapses or catastrophes within Uganda. Uganda's government has become tolerant of foreign investors. The country has no recent history of nationalization or expropriation, and most investors are allowed to conduct business in peace without major political harassment. The government's policy making process is not at all transparent, but this is typical across East Africa, with the partial exception of Tanzania. On the positive side, the media provide considerable discussion of business issues. And unpleasant sur-

CORRUPTION AND INVESTMENT IN UGANDA

Corruption is a complex topic, and a broad discussion of it is beyond the scope of this section. However, over the course of more than 50 interviews with investors, one slightly surprising fact became clear: within the agricultural sector, *most investors do not consider corruption to be a major obstacle to investment in Uganda.*

This view does not mean that corruption is not a problem; it certainly is. Bureaucratic and administrative forms of corruption are widespread in the Ugandan administration, with bribery, nepotism, and misuse of official positions and resources. The perception is widespread perception that the police and judiciary are corrupt. And in March 2010, the World Bank, which has estimated that corruption costs the country US$250 million per year, threatened to reduce assistance if no concrete steps were taken. Most investors report multiple encounters with "speed money" and other forms of petty corruption. And several reported that corruption had a detrimental effect on their businesses. For instance, a miller acknowledged that "the big money is in selling to institutions—schools, jails, hospitals—and for that, you must pay. It doesn't matter who has the best flour, or the cheapest. You must find the right person and make him happy." And many businesses acknowledge keeping two sets of books "because everyone does it."

However, most investors interviewed said that corruption was a nuisance rather than a serious problem. Many investors drew favorable comparisons between Uganda and its neighbors, particularly Kenya and the DR Congo: "It's crooked, but it's not dirty. Nobody's going to come and kill you"; "In Kenya, they'll use fake papers to drive you out of business. Here they're just very slow. You can slip some money to have an issue resolved quickly, or you can wait"; "The inspectors are poor, so they take money, but they're trying to do their jobs. If they found a real problem they would try to fix it"; "Most of the really dirty stuff is in government procurement, which has nothing do with us."

One area that did arise repeatedly was the intersection of corruption and security: theft, pilferage, and fraud. "Most people don't think it's wrong to steal from a warehouse, a big corporation, or the government"; "You have to watch your workers constantly"; "You don't call the police, because you can't trust the police." However, this was in most cases cited as a nuisance or a normal cost of doing business rather than an extraordinary problem.

Of course, a selection effect may be at work here: investors who have decided to invest in Uganda are going to be relatively inured to corruption and more inclined to view it as an annoying but normal part of the business environment. Nevertheless, most investors stated that corruption was less a problem than, for instance, access to finance, access to land, or infrastructure issues. When informally asked to name their top three problems in Uganda, only about half even mentioned corruption as an issue. Only three said they might warn off potential investors because of corruption and related issues.

prises from the government, such as a sudden change in law or policy, are fairly rare.

Nonetheless, the business environment faces some challenges. Business opportunities are sometimes unclear because the private sector perceives public procurement to be unpredictable, politically driven, or corrupt. Ministers and other public sector officials are sometimes changed without warning, resulting in a loss of efficiency and a need to develop new relationships and knowledge. Costs of doing business can be difficult to judge, especially for a foreign investor. And while the country has been politically stable for some time, the upcoming elections in the spring of 2011—particularly combined with the referendum on independence for South Sudan, which will take place almost at the same time—are injecting an element of political uncertainty.

With particular regard to agriculture, government policy can be opaque and unpredictable. The private sector remains largely unconvinced that the government is truly committed to prioritizing this sector's development. And some subsectors are highly politicized. For instance, grain supply chains are resistant to outside investment and reform in part because they are dominated by a few large, well-connected grain traders who form de facto cartels. Stability is, in this case, not a virtue; the current system is inefficient but also resistant to change.

TRADING ACROSS BORDERS

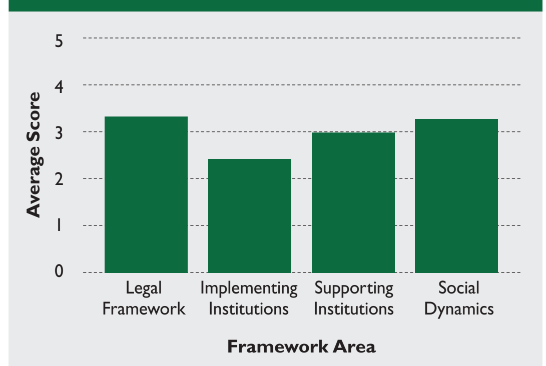
In 2009, Uganda's GDP increased by 6.6 percent (based on constant 2002 prices). This performance—enviable against a backdrop of worldwide recession—was due to growth in manufacturing, wholesale and retail trades, construction, transport, and communications. Services have become the mainstay of Uganda's economy, accounting for half the country's GDP. In contrast, agriculture, forestry, and fishing, which employ a far greater segment of the population, account for 22–24 percent of GDP, a slight decline in recent years. Uganda's GDP is about US$15 billion, and the country has an overall account deficit (reflecting its net trade in goods and services) of US$10 billion. At least 70 percent of the working population is involved in agriculture, although estimates of go as high as 82 percent.

Exports play an increasingly significant role in Uganda's economy. According to data from the Uganda Bureau of Statistics, formal total goods exports increased from US$1.4 billion in 2007 to US$1.7 billion in 2008. In addition, a large amount of unrecorded trade crosses borders with neighboring counties. UBOS estimates informal exports at US$0.8 billion in 2007 and US$1.3 billion in 2008, putting total formal and informal goods exports for all products at an estimated US$2.1 and US$3.0 billion in 2007 and 2008, respectively.

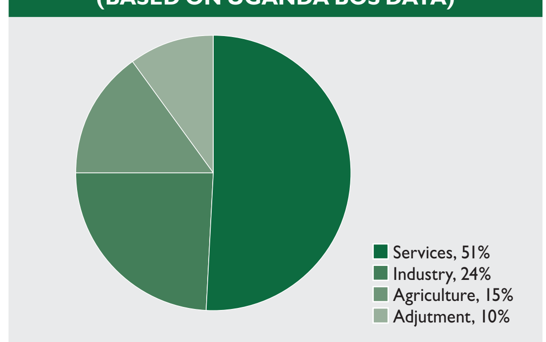
Agricultural, fish, and forest products accounted for approximately 60 percent and 57 percent of Uganda's formal total exports in 2007 and 2008, respectively, adding to the traditional export crops of coffee, tea, tobacco, cotton, fish, cut flowers, and corn. Cocoa bean exports have increased significantly in the past five years, surpassing cotton, which has trended downward.

Reflecting their increasing importance, formal total goods exports were 10.4 percent of GDP in 2008, up from 7.9 percent in 2004. Formal and informal total goods exports accounted for 18.3 percent of GDP in 2008. Formal agricultural, fish, and forest product exports were 6 percent of GDP in 2008. Applying agriculture's 57 percent share of formal total goods exports in 2008 to the formal and estimated informal total goods exports, agricultural, fish, and forest product exports accounted for 10.5 percent of GDP in 2008.

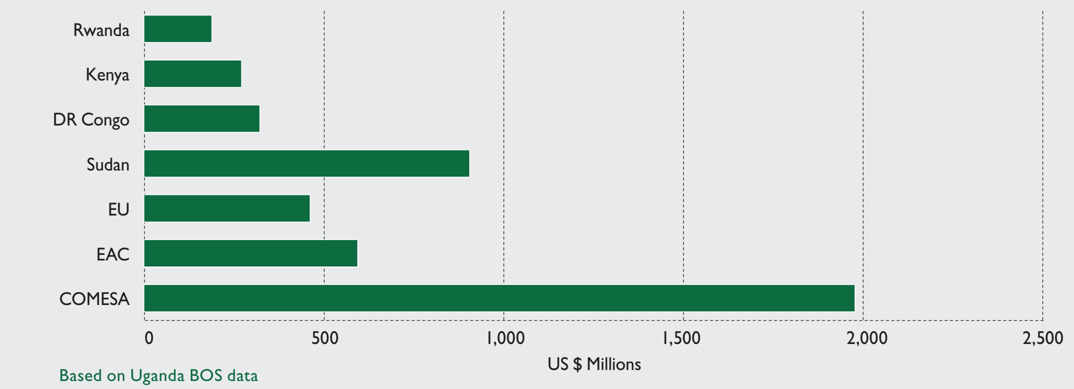
TRADING ACROSS BORDERS



PERCENT OF FY 2008/09 GDP BY SECTOR (BASED ON UGANDA BOS DATA)

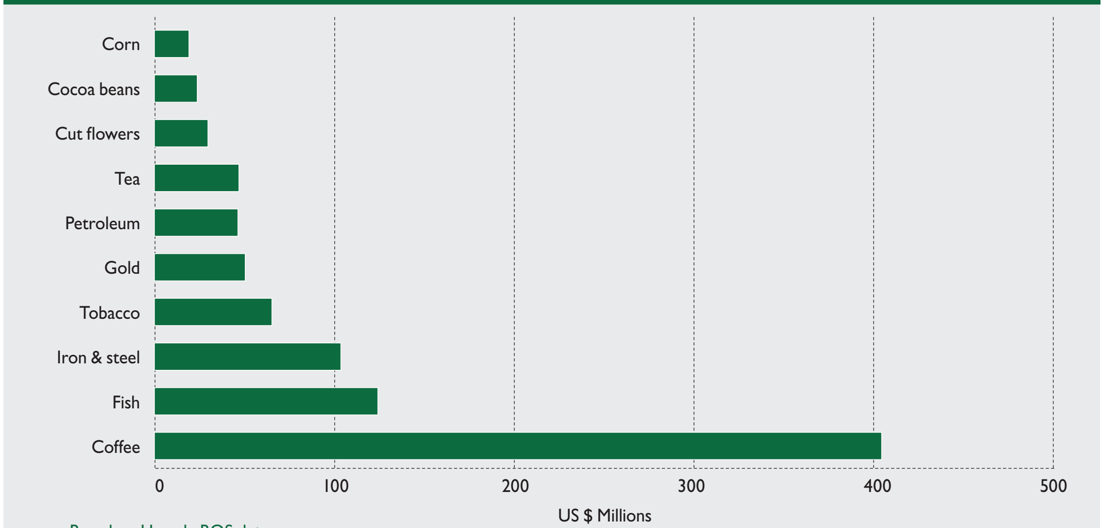


PRINCIPAL 2008 REGIONAL AND COUNTRY EXPORT MARKETS (FORMAL & INFORMAL)



Based on Uganda BOS data

PRINCIPAL 2008 FORMAL EXPORTS



Based on Uganda BOS data

Uganda's main regional goods export market is the Common Market for Eastern and Southern Africa,[75] which has overtaken the European Union. COMESA's role as the top market is even stronger when informal trade is included. In 2008, COMESA countries received 65 percent of Uganda's formal and informal goods exports. Other EAC countries—Burundi, Kenya, Rwanda, and Tanzania—accounted for 19 percent of Uganda's formal and informal goods exports.[76] The European Union purchased 15 percent of Uganda's formal and informal exports. Sudan was the largest individual country market, followed by the DR Congo and Kenya. Recovery efforts in Sudan have increased the demand for Ugandan goods.

Uganda's formal goods imports increased considerably from US$3.5 billion in 2007 to US$4.5 billion in 2008, fueled by higher import values for petroleum, road vehicles, iron and steel, vegetable fats and oils, and medical products. UBOS estimates informal imports at US$57.5 million and US$73.5 million for 2007 and 2008, respectively; estimated total imports were US$3.6 billion in 2007 and US$4.6 billion in 2008. Agriculture, fish, and forestry accounted for approximately 13 percent of Uganda's imports in 2008. Uganda's major agricultural imports are vegetable fats and oils, cereals, and sugars.

In 2008, Asia continued as the top regional source (34 percent) of Uganda's formal and informal goods imports, followed by Africa (23 percent), the European Union (19 percent),

75 The member states of COMESA are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

76 Among the EAC member states, Tanzania is the only one that does not also belong to COMESA.

and the Middle East (16 percent). COMESA member states supplied 14 percent of Uganda's goods imports. Among individual countries, Kenya was the top source of imported goods, followed closely by the United Arab Emirates, India, China, and South Africa.

As a landlocked country, Uganda's exports flow by truck into neighboring counties and the port at Mombasa, Kenya, to more distant destinations. Shipments transit through Kenya by truck to Mombasa's port in about 48 hours. Uganda's rail system is in need of extensive repair and does not play a significant role in transport. Some high-value products, such as fresh flowers, are exported via air carrier through the international airport at Entebbe. COMESA and the EAC are now Uganda's largest regional markets, replacing the European Union.

The 2008 BizCLIR report provides an extensive analysis of the trade policy and trade facilitation environment in Uganda, and most of what is set forth there remains applicable today. Most major changes that have taken place since that report was issued pertain to the regional trade environment, including a movement toward harmonizing overlapping regional trade pacts, including the EAC, COMESA, and the South African Development Community, which has 19 member states, including South Africa, the region's largest and most influential economy.[77] Accordingly, this analysis centers on issues of particular relevance to the agricultural sector and food security in Uganda.

TRADE POLICY

LEGAL FRAMEWORK

International trade commitments. Uganda is a member of the World Trade Organization. It qualifies for duty-free access to the United States under the **Africa Growth and Opportunity Act** and from the European Union under the Everything But Arms initiative. It also benefits from duty-free access to Australia, Belarus, Canada, Iceland, Japan, New Zealand, Norway, Russia, Switzerland, and Turkey under the Generalized System of Preference Schemes.[78] With respect to its agricultural sector, Uganda belongs to the World Organization for Animal Health (OIE) and is a signatory to the International Plant Protection Convention (IPPC). The OIE and IPPC provide the basis for international guidelines in establishing sanitary and phytosanitary import requirements for animal and plant products in such a way as to avoid unjustified trade barriers. The OIE and IPPC also play roles in the international harmonization of SPS requirements.

KEY LAWS AND AGREEMENTS

- WTO founding member (1995)
- COMESA Treaty signed 1993, ratified 1994
- 1999 Treaty for the Establishment of the East African Community, effective 2000
- EAC Common External Tariff

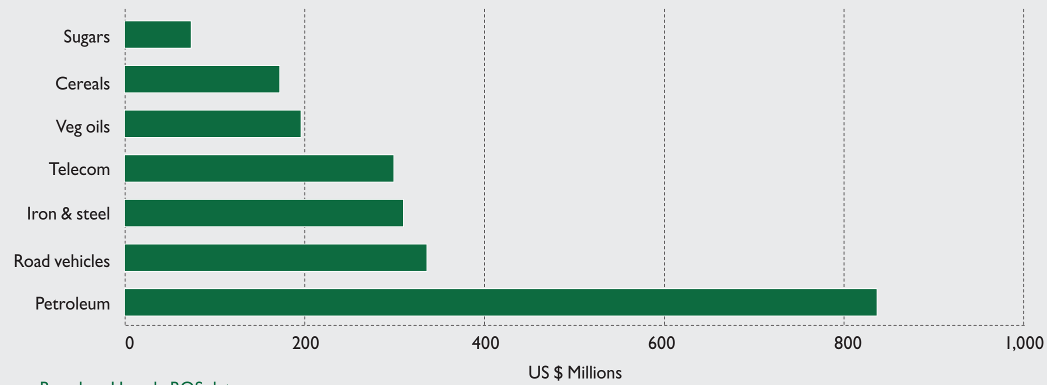
Regional trade agreements. Uganda is a full member of the EAC. The community's agricultural tariffs are already at zero (although unprocessed fish is not allowed to be exported). On July 1, 2010, the EAC launched its implementation of the EAC Common Market. This initial stage frees the movement of people, finances, and services across the borders of EAC member countries but does not affect the movement of goods. Also, trucks hauling products from neighboring countries into Uganda are not allowed to distribute these products in Uganda.

For now, each country will continue to operate its own customs system and entry points, even for those goods imported from other EAC members. The EAC has not yet developed a formula for revenue sharing among its members for tariff payments received from products entering the EAC Common Market. The EAC also needs to decide whether it will create an EAC customs authority or if all EAC countries will work together using their own respective systems. The EAC aims to resolve these in the next few years to further integrate the EAC Common Market.

77 Regional issues pertaining to trade are set forth in another recent BizCLIR publication, Cross-border Trade in East African Countries: Shared Issues and Priorities for Reform (June 2009), available at *http://www.bizclir.com/galleries/publications/Cross%20Border%20Trade%20in%20East%20African%20Countries.pdf.*

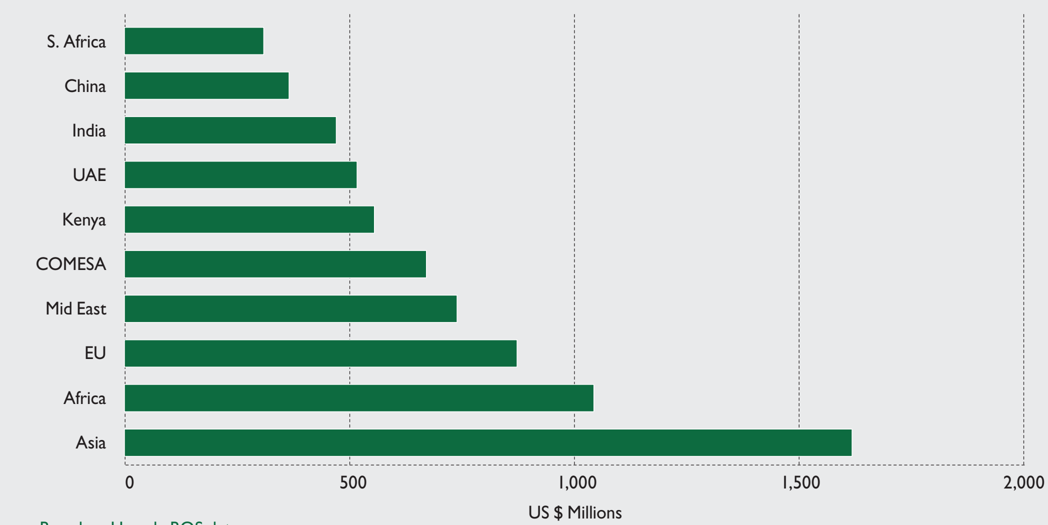
78 WTO Uganda Trade Policy Review (2006).

PRINCIPAL 2008 FORMAL IMPORTS



Based on Uganda BOS data

PRINCIPAL 2008 REGIONAL AND COUNTRY IMPORT SOURCES (FORMAL & INFORMAL)



Based on Uganda BOS data

Uganda is also a member of COMESA but does not belong to COMESA's free-trade area; as a result, tariffs of about 6 percent are applied by COMESA countries. According to the URA, the rules of origin for EAC and COMESA are nearly the same, with only a few small exceptions. Some members of the EAC and COMESA also belong to the South African Development Community. Given this overlap, discussions on unifying the three regions by way of a larger Africa Free Trade Zone (AFTZ) are slowly progressing. The AFTZ aspires to reconcile various opportunities and conflicts that exist under the current set of trade pacts. However, the AFTZ and its member countries face the same challenges of institutional development, harmonization of practices, and member buy-in that undermine the effectiveness of existing regional institutions. Recently, a draft protocol for a free-trade area and proposed rules of origin were developed for further discussion.

Agricultural trade policy. Uganda has demonstrated a willingness to step up trade with other African countries through its membership in regional trade groups. Government officials indicate that they plan to continue improving Uganda's international trade environment. Some observers believe that President Museveni is the driving force behind Uganda's move toward freer trade. Uganda reported to the WTO that it does not provide export subsidies.[79]

79 Ibid.

A notable recent policy change was Uganda's decision to import biotechnology seeds for testing and possible approval for crop production. Under current regulations, a trader must obtain a license from the Uganda National Council for Science and Technology (UNCST) to import biotech seed. The importer must then pay a fee for the National Agricultural Research Organization to conduct field trials. This process could take about three years. One company has already imported biotech cotton seeds for testing and hopes to obtain approval for commercial planting by 2013. It has also received approval from UNCST to begin testing of a biotech drought-resistant corn; official trials could start in 2010. This company believes biotech soybeans have a future in Uganda as well. Uganda's decision to consider biotech crop production is an important and positive step.

Uganda's government has drafted a bio-safety law that is on the cabinet's agenda and could come to a vote in Parliament by October 2010. The seed industry has worked closely with the government on this issue. COMESA members, including Uganda, keep each other informed on their respective biotech legislation in an effort to have similar laws. Kenya, which passed its biotech law in early 2010 and is now working on regulations, has influenced Uganda's effort to enact its biotech law. Uganda's draft law is reportedly similar to Kenya's law. Since regulations are not yet developed, the possible effect on imports cannot yet be determined. Currently, agricultural biotech products and food derived from biotech products are not allowed to be imported into Uganda, with the exception of seed for trials.

Agricultural tariffs. As of 2010, all agricultural imports from EAC member countries enter duty free. According to the URA, agricultural imports from COMESA member countries enter Uganda at a 6 percent tariff. Ugandan officials believe the low EAC and COMESA tariffs help attract investment. In 2005, Uganda adopted the EAC's common external tariff, which resulted in an overall increase in average import duties. Uganda has maintained relatively high tariffs on agricultural products sourced outside of Africa. Uganda's WTO simple-average final bound agricultural tariff is 77.7 percent. However, its WTO simple-average most-favored-nation applied agricultural import tariff is 19 percent (2007).[80]

KEY IMPLEMENTING INSTITUTIONS

- Ministry of Tourism, Trade, and Industry
- Ministry of Finance, Planning, and Economic Development

Nontariff trade barriers. Some traders complained about fees, and sometimes bribes, at weigh stations (mainly in Kenya), as well bribes and lost time at security roadblocks. Some shipments encounter long queues at border points owing to inadequate staff, and there are reports of occasional bribes to obtain or speed clearance. A 2008 survey of the East African Business Council found that the costs and time lost by trucks forced to stop for random police checks result in lost money and time at rates that are far higher than in developed economies that are less tolerant of petty corruption.[81] Specifically, truckers traveling west from landlocked countries to Mombasa or Dar es Salaam report an average of 19 roadblocks and 4.4 weigh stations per trip, for a total of nearly 12 hours spent on such diversions. At one count, there were 47 roadblocks and weigh stations between Kigali and Mombasa.[82] Although individual bribes routinely sought from truckers are usually not large, they accumulate dramatically—nearly US$8 million was reportedly paid at the roadblocks and weigh stations per year in the EAC countries alone. More importantly, the time lost in transport presents trade opportunity costs: fresh agricultural goods that might otherwise be suitable for market—whether domestic or international, exported processed or raw—are vulnerable to loss as a result of these delays.

Governments, donors, and investors have sought to build better roads and bridges, improve

80 WTO Tariff Profiles (2009).
81 East African Business Council, *The Business Climate Index—Survey 2008* (October 2008): 28.
82 "Network Effects—Logistics in Africa," Economist (October 16, 2008).

customs and other border processes, and otherwise strengthen the facilitation of transport in East Africa. Yet smooth passage along domestic roads is generally neglected as a trade policy issue. In fact, outsiders in a position to influence the practice may not appreciate the extent of the problem, as diplomatic license plates and tourist vehicles are more likely to be waved through roadblocks. For the remaining road users, however, when their vehicles are stopped by armed officers, the intimidation level is high.

Exporters also confront other issues. For each shipment, they must obtain a certificate of origin, which they can obtain only in Kampala. Some interviewees cited this as an unnecessary burden, delaying trade and costing traders in time and cost to travel to and from Kampala. These certificates should be available electronically or at multiple locations around the country. In addition, various agricultural exports also require an SPS certificate from MAAIF. These can be obtained only at MAAIF headquarters in Entebbe. The ability to obtain both certificates in the same office (one-stop service) at multiple locations throughout Uganda would facilitate trade.

Export restrictions on agricultural products. Uganda has generally not used quantitative restrictions on agricultural exports. However, it does not allow the export of unprocessed fish and has a 20 percent export tax on raw hides and skins to encourage further processing within Uganda. The Uganda Coffee Development Authority collects a 1 percent export tax on coffee, and the Cotton Development Organization collects a 2 percent export tax on cotton to support market promotion.[83]

IMPLEMENTING INSTITUTIONS

Ministry of Tourism, Trade and Industry. MTTI is responsible for the development and negotiation of Uganda's international trade policy. Its mandate includes the expansion of Uganda's export markets. MTTI's Regional and Bilateral Trade Division covers Uganda's important regional agreements, such as the EAC and COMESA. The Multilateral Trade Division is responsible for issues pertaining to the WTO and other international institutions, such as the United Nations Conference on Trade and Development, the World Intellectual Property Organization, the Food and Agriculture Organization of the United Nations, and the International Monetary Fund.[84] MTTI lacks adequate staff and funding. Current staff displays a wide skill variation. In recent years, the MTTI has hired new staff and provided training on trade policy. One of MTTI's stronger units is the Uganda Export Promotion Board, which has developed a strong online presence and informational capacity that is useful to traders, including those trading in agricultural projects.

Ministry of Finance, Planning, and Economic Development. MoFPED plays an important role in trade policy development. Proposals for tariffs and tax changes originate there. The ministry also has two representatives (as does MTTI) on the eight-member National Trade Negotiations Team. MoFPED conducts periodic reviews and assessments of trade-related policies.

SUPPORTING INSTITUTIONS

Inter-Institutional Trade Committee. The Inter-Institutional Trade Committee (IITC)was established in 2003 and consists of approximately 50 representatives from government, statutory bodies, the private sector, academia, and Parliament. Its purpose is to advise Uganda's government on trade-related issues, review WTO agreements, and provide support for negotiations.

UGANDA NATIONAL CHAMBER OF COMMERCE AND INDUSTRY

An MTTI official indicated that the ministry works with the Uganda National Chamber of Commerce and Industry (UNCCI) on international trade policy issues. UNCCI supports its members by addressing international trade issues, including agricultural issues such as quality and grading SPS requirements. UNCCI supports SMEs. The president of the UNCCI is a woman.

83 Ibid.
84 MTTI Web site.

SOCIAL DYNAMICS

Government-trader relations. Traders indicate that Uganda's government has made efforts in recent years to improve the export environment. Some exchange of views on trade policy and issues between the private and government sectors through the IITC and UNCCI is also apparent. However, the agricultural trade industry feels that it needs a more direct and established forum with the government to discuss trade policy and the use of government funds related to trade policy. Uganda's upcoming policy decisions pertaining to the EAC's Common Market Initiative heightens the need for such a forum.

TRADE FACILITATION

As detailed at length in the 2008 BizCLIR report, Uganda has demonstrated its willingness to facilitate international trade by lowering its barriers to regional trade within the EAC and COMESA. On July 1, 2010, the EAC initiated its common market, which should eventually ease the flow of goods across borders.

LEGAL FRAMEWORK

Uganda signed the International Convention on the **Simplification and Harmonization of Customs Procedures** (also known as the "Kyoto Convention") in 2002, and was the first EAC country to do so. The convention seeks to improve international trade and cooperation by harmonizing and simplifying customs procedures. In 2001, Uganda accepted the **WTO Agreement on Customs Valuation** as its basis for customs valuation. This agreement provides a set of valuation rules, lending greater precision to the provisions on customs valuation in the original General Agreement on Tariffs and Trade.[85] MAAIF and UNBS administer several acts and regulations that seek to ensure that imported plant, animal, and food products are safe and meet Uganda's sanitary and phytosanitary requirements.

Key laws are listed in the box on this page. For a detailed discussion of each, see the 2008 BizCLIR report.

IMPLEMENTING INSTITUTIONS

Ugandan Revenue Authority—Customs Department. The legal framework for customs administration in the EAC is the **Customs Management Act of 2004**. The act is substantially based on laws that existed until 1977, when the former EAC was dissolved. The Customs Management Act was recently updated and amended in 2008. As of 2010, URA Customs is still considering but has not yet established export-processing zones. The COMESA bond guarantee, which would permit one bond to cover both Uganda and Kenya, is not yet operational. URA Customs claims that it does have the authority to fine violators and require importers to maintain records for five years, which would make traceback possible. For more details on these issues, please see BIZCLR Uganda 2008.

Customs is now using the ASYCUDA++ system at 32 of its 34 ports, up from 26 only two years ago. ASYCUDA is a computerized customs management system that covers most

KEY LAWS

- International Convention on the Simplification and Harmonization of Customs Procedures (2002)
- WTO Agreement on Customs Valuation
- EAC Customs Management Act amended 2008
- Plant Protection Act (1962)
- Seed and Plant Act (2006)
- Animal Disease Control Act
- Uganda National Bureau of Standards Act (1983)
- EAC Standards, Quality Assurance, Metrology Act (2006)
- Agricultural Chemicals Control Act (2006)
- UNBS Certification Regulations (1995)

KEY IMPLEMENTING INSTITUTIONS

- Customs Department of the Uganda Revenue Authority
- Ministry of Agriculture, Animal Industry, and Fisheries

85 WTO Web site.

foreign trade procedures. The system handles manifests and customs declarations, accounting procedures, transit, and suspense procedures. ASYCUDA generates trade data that can be used for statistical economic analysis. ASYCUDA takes into account the International Organization for Standardization, World Customs Organization, and the United Nations international codes and standards.[86]

With its use of the ASYCUDA++ customs declaration system, URA Customs claims that its evaluation of imports and the resulting tariffs are no longer major contentious issues. For the most part, importers agree. One port posts a several months-old notice apologizing for its ASYCUDA++ system being unusable from time to time. When queried, a customs official indicated that it inquires about shipments with the central office by phone, then clears the shipment and keeps a paper record until the ASYCUDA system is operating. Although this post had a few computers, modern electronic office equipment appeared sparse.

In 2006, the URA implemented a modernization plan to facilitate the clearance of goods and reduce corruption. In an effort to expedite import clearance, customs developed a risk management–based, four-channel system. The green channel requires no inspection of goods or documents, the blue channel examines import documents after the goods have entered, the yellow channel examines trade documents but not the goods, and red channel requires inspection of both the documents and the goods before entry. Customs evaluated past history of the importer and the products involved to determine through which track goods enter.

Although further improvements are needed, traders indicate that customs has improved its operations over the past five years and that cross-border trade is flowing better. As such, customs is continuing with its modernization program. The goal is to speed clearance through the use of automation, simplified documents, and harmonization with other EAC countries. Customs officials are now being trained on new processes that result from the program. The "single window" approach, which involves linking to ASYCUDA other government agencies that work with imports and exports, is part of the modernization program. However, this project has not gone forward because of a lack of funding.

Some traders report that customs and the Uganda Bureau of Standards need more staff and inspectors to speed the clearance process. MAAIF inspectors (for plant and animal diseases) are not located at all ports, particularly those with little traffic in agricultural products. Customs reportedly calls an MAAIF official from the closest MAAIF extension office to perform an inspection when necessary. Customs has been successful in reducing corruption, but it is still an issue.

At times, shipments can get delayed at the port in Mombasa for two to three weeks. Traders indicate that Uganda's government has been more proactive in addressing this issue with Kenya. The URA also oversees the operation of nearly 40 bonded warehouses. These warehouses are used to store imported goods before customs clearance. However, traders opined that Uganda has a shortage of warehouses, including cold storage warehouses.

Ministry of Agriculture, Animal Industry, and Fisheries. Trade regulations involving plant and animal health are the responsibility of MAAIF. Under the **Plant Protection Act,** MAAIF establishes disease and pest requirements for the importation of plants and plant products. According to MAAIF, these requirements comply with the International Plant Protection Convention. MAAIF issues import permits and inspects the imported product for verification. Parliament is currently considering an updated version of the Plant Protection Act; however, the draft law has been under consideration since at least 2002, and there is no reason to expect its near-term approval.

86 UNCTAD ASYCUDA Web site.

MAAIF implements the **Seed and Plant Act (2006)**, which contains requirements for seed importation and certification. However, the Council of Science and Technology must approve the import of biotechnology seed, which is currently allowed only for test trials. The seed industry is promoting a **Plant Variety Protection Law**, now before Parliament, in an effort to combat the relatively high level of counterfeit seed sales. MAAIF also inspects imported animals and fresh, chilled, and frozen meat to ensure that they comply with the **Animal Disease Control Act.** This inspection does not appear to include residue testing. Uganda is a signatory of the OIE and believes its import requirements are in accordance with OIE guidelines. All imports of live animals, plants, and seeds are subject to quarantine regulations and, as of 2006, could enter only through one designated post.[87] Fish is a significant export for Uganda. MAAIF's Department of Fisheries inspects and certifies fish for export, including to the European Union. According to the fish industry, this process includes laboratory testing.

MAAIF facilitates exports by certifying that plant and animal product exports are in compliance with the disease safety requirements of destination countries. MAAIF is willing to assist agricultural product exporters in certifying that products meet other types of standards, through joint programs. For example, if an exporter is shipping organic products to the European Union, MAAIF indicated it would consider creating a joint program with the exporter, under which Uganda would officially certify that the products meet the standard. These projects will require that exporters pay a fee to help cover the cost of this certification.

Official and private sources indicated that Uganda does not have a true SPS system (pertaining to food safety standards) that can operate at an internationally accepted level. In 2005, the government noted that the enforcement of food safety is cumbersome and that legislation needs to be revised.[88] MAAIF is reportedly working with MTTI to develop an SPS international trade policy framework. Private and official contacts also indicated that MAAIF does not have sufficient trained staff or resources to carry out its inspection and certification responsibilities, particularly at the border.

Uganda National Bureau of Standards. The UNBS establishes food-labeling requirements and ensures that all imported food meets UNBS requirements. UNBS indicates that labeling standards throughout the EAC are similar and generally do not cause any trade problems. UNBS inspects imported dairy products for labeling and other standards but does not appear to conduct any residue testing. The UNBS also establishes domestic grades and standards for agricultural products, such as corn. The **Agricultural Chemical Controls Act** requires prior approval and a permit to import fertilizer and pesticides.

As a result of the EAC's standards, including the **Quality Assurance and Metrology Act,** standards have been harmonized somewhat across the region, thereby easing trade flows. When the EAC sets a standard, UNBS reportedly adopts that standard. Currently, it is estimated that fewer than half of Uganda's standards are EAC standards. However, as part of the EAC Common Market Initiative, UNBS hopes to have all EAC standards within three years.

UNBS also operates a product certification scheme under the **UNBS Certification Regulations of 1995**. Under this scheme, qualifying manufacturers can be granted a permit to use the Uganda Certification Mark on their products, including exports. As of June 2006, UNBS had certified 113 products.[89]

During this diagnostic, UNBS held an international conference in Kampala to develop standards for sustainable SME growth. The forum was open to private enterprise, local and federal government representatives, academics, and the general public. Key speakers included officials from Burundi, Kenya, Rwanda, and Tanzania.

87 WTO Uganda Trade Policy Report (2006).
88 Ibid.
89 WTO Uganda Trade Policy Review (2006).

SUPPORTING INSTITUTIONS

Uganda Export Promotion Board. As noted previously, the Uganda Export Promotion Board (UEPB) is a public trade promotion organization that operates under MTTI. It is charged with the development and promotion of Uganda's exports. The UEPB has created a detailed gender dimension as part of its export strategy.[90] Some agricultural exporters work closely with UEPB.

The UEPB offers services in five major areas:

- *Market research and product development.* UEPB assists in developing export marketing plans and strategies, facilitating buyer-seller relationships, advising on packaging and labeling, and encouraging the formation of trade associations to enable sectors to collectively market their products internationally.
- *Trade promotion services.* UEPB facilitates participation in trade fairs and exhibitions and advises on media strategy.
- *Trade policy initiation and advocacy.* UEPB monitors domestic and international trade policy and recommends strategies for competitiveness. UEPB provides a forum for dialogue between exporters and relevant public organizations.
- *Trade information generation and dissemination services.* UEPB provides information on foreign markets and helps exporters find distributors or buyers.
- *Export skills development.* UEPB offers training on export marketing.

Some interviewees indicated that the UEPB has been effective in convincing the government to improve its export-related functions, such as customs. Others commented that the UEPB is a useful organization but that it is not a public advisory group and does not have enough capacity.

KEY SUPPORTING INSTITUTIONS

- Uganda Export Promotion Board
- Uganda Investment Authority
- Uganda National Chamber of Commerce and Industry
- Uganda Freight Forwarders Association
- Bank of Uganda
- Private sector interventions
- Agriculture boards

Uganda National Chamber of Commerce and Industry. The UNCCI supports Ugandan companies, including SMEs, in export marketing. UNCCI offers information on foreign joint venture opportunities, match making with foreign companies, discounts at UNCCI exhibits, and subsidized certificates of origin. UNCCI is also a member of the International Chamber of Commerce, the Association of East African Chambers of Commerce Industry and Agriculture, and the East African Business Council.

Uganda Investment Authority. The Uganda Investment Authority is a semi-autonomous government agency that assists companies interested in investing in Uganda. It facilitates agricultural trade by finding large tracts of land for investors who want to produce crops for export and also assists in finding sites for agricultural processing facilities.

Uganda Freight Forwarders Association. The Freight Forwarders Association has 72 members that together handle about 90 percent of Uganda's import and export trade. The association aspires to promote professionalism and integrity in the freight-forwarding industry and to advocate for good trade policy. It indicated that it has frequent contact with Uganda's government and meets regularly with representatives of the Ministry of Finance. The association has embarked on the East African Harmonized Curriculum Training program for the Eastern Africa Revenue Authorities, and the Federation of East African Freight Forwarders Associations. The result of this project will be a mandatory practicing certificate, known as the East African Customs and Freight Forwarding Practicing Certificate, for all customs agents in the region. The Freight Forwarders Association representative is a woman, and the association has indicated that women are involved in Uganda's import and export trade.

90 See Uganda Export Promotion Board and International Trade Centre, *National Export Strategy: Gender Dimension* (2008) available at http://www.ugandaexportsonline.com/2009/documents/strategy/engendering_nes.pdf.

Bank of Uganda. The Bank of Uganda finances and administers the Export Refinance Scheme, which provides export finance support for non-traditional exports (excludes coffee, cotton, tea, and tobacco in raw form). Credits are channeled through commercial banks.[91]

African Trade Insurance Agency. Created in 2001 with the support of the World Bank and seven African countries, the agency is a multilateral financial institution that provides export credit insurance in Uganda. It facilitates exports and trade flows within Africa.

Private sector interventions. Some companies work with a large number of small farmers to produce a specialized product for export. One company is reportedly supplying sunflower seed to 80,000 farmers, processing the resulting crop, and then exporting the oil. Another company organizes small coffee farmers to produce coffee to particular grades for export. They feel that the public needs to be better informed about the benefits of international agreements.

Agricultural boards. The Uganda Coffee Development Authority promotes and certifies the quality of coffee exports. The Ugandan Cotton Organization promotes the marketing of cotton.

SOCIAL DYNAMICS

Women and trade. In 2008, a multistakeholder consultative effort that included government officials, private sector representatives, civil society members, academics, development partners, and gender-sensitive business and trade networks worked to incorporate gender into the National Export Strategy that had been developed in 2007. This effort received the technical and financial support of the International Trade Centre and incorporated the center's new gender methodology. The Uganda Export Promotion Board led the development of strategies that focus on four sectors—coffee, tourism, commercial crafts, and dairy—and form the basis of pilot projects. This effort undertook detailed gender-sensitive value chain analyses and identified cross-sectoral

issues to support the potential of women in these sectors.[92]

The following cross-cutting sector constraints were identified as limiting women's participation in exports:

- Lack of access to affordable energy
- Unequal land accessibility
- Unfair commercial environment
- Lack of access to credit finance
- Lack of access to information
- Lack of export competence among women

Strategies to address these issues include expansion of management and related skills; business counseling by trade-related agencies, ministries, private sector actors, and associations; the building of competencies in financial management; and support for women entrepreneurs through business coaching, mentoring, and training programs. According the Export Promotion Board's Web site, no activities under the National Export Strategy Gender Dimensions (NESGD) have been announced. In the case of coffee, the NESGD does indicate that, although most work at the farm level, some women have been successful at processing and exporting coffee. However, there is only 1 woman out of 20 coffee exporters,

91 WTO Uganda Trade Policy Review (2006).

92 See Uganda Export Promotion Board and International Trade Centre, *National Export Strategy: Gender Dimension* (2008) available at http://www.ugandaexportsonline.com/2009/documents/strategy/engendering_nes.pdf.

which underscores the need to develop specific programs for exporters. At present, dairy exports are limited (about US$90,000 in 2006). Uganda's Dairy Development Authority promotes the sector, but has no programs that specifically target women entrepreneurs. At least one woman has established a milk collection center.

Transport. Uganda's rail system is in disrepair and therefore does not play a significant role in transporting goods. Most commercial products are transported by truck. Traders report that the main roads have improved significantly over the past three years. However, secondary and tertiary roads in parts of the countryside are in need of repair. The government continues to dedicate funds for road improvement.

Corruption. There is considerable corruption in the sale of seed and fertilizer. Old or inferior seed is often falsely labeled and sold as new seed, causing problems for the farmers. In some cases, inferior seed is sold in bags that look similar to those of well-known and respected companies, causing problems for both farmers and company reputations. Liquid pesticides are often diluted, labels are falsified, and some are transferred from their original container.

Now that customs is using the electronic ASYCUDA++ customs declaration system, bribery to reduce tariffs has decreased. However, bribery to speed the clearance of imports occurs, reportedly in part because of inadequate inspection staff. There are complaints about bribes at the weigh stations between Uganda and Mombasa.

ENFORCING CONTRACTS

The concept of contracts and their enforcement is considered differently in various contexts. The World Bank *Doing Business* rankings view contracts from the enforcement perspective: the ability to force a business partner to adhere to the terms and spirit of an agreement. This approach typically requires a deep look at the courts and alternative dispute resolution systems, as well as the enforcement of judgments. The assumption inherent in this view is that if contracts can be enforced efficiently, business people will use them and be comfortable participating in more sophisticated business relationships. This assumption is true to a degree, but principally for the already more sophisticated levels of commerce. It is important to examine the overall contract environment before looking specifically at agriculture to understand the context in which agriculture fits.

AgCLIR examines contract enforcement from a more comprehensive perspective. In the AgCLIR methodology, contracts are the core feature of any business transaction, and an appraisal of enforcement is incomplete without an adequate understanding of the entire contracting environment, particularly in the lower levels of the value chain where even farmers cultivating less than a hectare may benefit from using contracts. AgCLIR asks fundamental questions about the relationships businesspeople maintain:

- Do businesspeople even enter into contracts?
- How sophisticated are the contracts? Are they used for inputs or outputs?
- Is there societal or economic motivation for adhering to agreements?
- How are contracts and negotiations used?
- Does an agricultural contract have the same success rate in court as a nonagricultural contract?
- Are there judges, lawyers, and others who are versed in agricultural contracts?
- Is there any difference in the use or enforcement of contracts between men and women farmers?

Uganda's poor score in the *Doing Business* Report of 2009 and 2010 indicates the contracting environment is not strong. Compared to other countries in the region, Uganda scores poorly; Tanzania and Rwanda rank much higher. With the average cost of enforcing a claim at almost half the claim's value, it is no surprise that very few actors try to enforce them. It is no surprise that because of the costly and lengthy process for gaining justice Ugandan agricultural businesspeople and farmers rarely enter into written contracts. It is also not surprising that when they do enter into contracts, they rarely bring a claim for breach in the courts or in alternative dispute resolution settings.

LEGAL FRAMEWORK

Access to law. Although Uganda has been undergoing a legal reform process, access to the country's legal framework is very poor. Outside Kampala, particularly in rural areas, very few people have access to copies of laws and regulations, including key provisions that pertain to contracts. As the chart below describes in detail, some laws are available on the Internet, but Internet penetration in the country is very limited and no single repository of laws in the country maintained by either a public or private actor exists. The decisions of several courts are updated on the Internet, but laws are not. As a result, except for the largest companies, the majority of farmers do not have access to the laws and are unable to understand them. As the 2008 BizCLIR report noted, access to hard copies of laws and court opinions is particularly difficult in Uganda's rural areas and lower courts, although there are a number of law libraries attached to courts and law faculties throughout the country. This void also creates a significant problem for judges who sit in more remote magistrate courts as they do not have access to court opinions.

Contract law and practice in Uganda's agricultural sector. The 2008 BizCLIR report sets forth a history of contract law reform that has created current contracts law. The new **Contracts Bill,** developed with donor support, was published in the Official Gazette on January 18, 2008, introduced in Parliament and was first read on June 17, 2008. It was then sent to the Legal and Parliamentary Affairs Committee, which received input and memoranda from: the minister of justice and constitutional affairs, the Uganda Law Reform Commission, the Uganda Law Society, and the Uganda National Chamber of Commerce. The committee also carried out a comparative study of contracts legislation in various jurisdictions. The bill seeks to provide for the first time a comprehensive contract law for Uganda and to codify contracts law. It also seeks to repeal the **Contract Act, Cap. 73.** The bill has consolidated the different types of contracts in addition to the general principles of the law of contract, including bailment, indemnity, guarantee, and agency, to create a comprehensive contract law for Uganda. The committee recommended that the bill be passed into law subject to a series of proposed amendments. On October 13, 2009, Parliament passed the Contracts Bill.[93]

KEY LAWS

- The Contracts Bill (2008)
- The Contracts Bill (2009)
- The Contracts Act (1963)
- The Constitution (1995, amended 2005)
- Arbitration and Conciliation Act (2000)
- Rules on Court Annexed Mediation (2008)
- The Civil Procedures Act (including Part II, Enforcement) and accompanying rules
- Uganda Law Reform Commission Act (1990)

Although the Contracts Bill has passed, there are other significant dimensions in the legal framework that affect contracts in agriculture. As the 2008 BizCLIR report noted, in general, there is a freedom of contract in Uganda without significant state interference or overly burdensome regulations. However, in agriculture, Uganda does not have a culture of contract use, and a general business environment based on contract is underdeveloped. Because "fake contracts" not drawn by lawyers or based on legal premises are fairly common, many fear that a contract might not be valid. In addition, model contracts that provide the basic clauses, such as those that assign risks and responsibilities, are not available. While valid contracts that could be enforced in court do exist, there is little evidence that either party to the agreement ever intended to use them as enforceable documents. Several large businesses noted that they send out "thousands of contracts" to induce farmers to grow a crop and give a floor price to ensure sufficient production of the crop. The majority of other transactions did not use contracts.

In addition, many anecdotes told of companies that had advanced seeds, fertilizer, equipment, and other inputs to farmers as part of a contract farming arrangement. But when the companies attempted to collect on their investments, they discovered that the product that they had supported was sold to another purchaser. This problem of side-selling is pervasive throughout the agricultural sector, and nothing indicated that there was any effort at enforcing such agreements by either party. Often purchasers from southern Sudan would come and buy everything the farmers had on hand, including the plants and seeds, so neither the farmer nor the companies felt or acted as if the contracts signified a concrete deal. Uganda's system

93 There is no online version of the Contracts Bill (2009) so it is unclear which of the proposed amendments were adopted or if it is different from the previous Contracts Bill (2008).

KEY IMPLEMENTING INSTITUTIONS

- Supreme Court
- Court of Appeals
- High courts (civil, family, commercial, criminal, and land)
- Magistrate courts and other subordinate courts
- Other judicial and quasi-judicial institutions

of agricultural "contracting" on a smaller scale is very close to having no system at all. Uganda's updated law on contracting, the existence of the Commercial Court, and the Centre for Alternative Dispute Resolution appear to have no bearing on decisions that traders, farmers, or larger companies make in regard to small-scale trading.

A system of contracts that can be appropriately tailored to a transaction, with clear assignment of risks and responsibilities, could help increase the quality of production (e.g., meeting grades and standards requirements) as well as the quantity of production. And a system of recourse to deal with broken contracts would also reduce risk and add certainty to transactions. This system would be important for both larger business and the small-scale farmers. In particular, women farmers could benefit as they are the most vulnerable in these transactions and often rely on the person who transports good to the market (husbands or third parties) to negotiate the price and to deliver the payment.

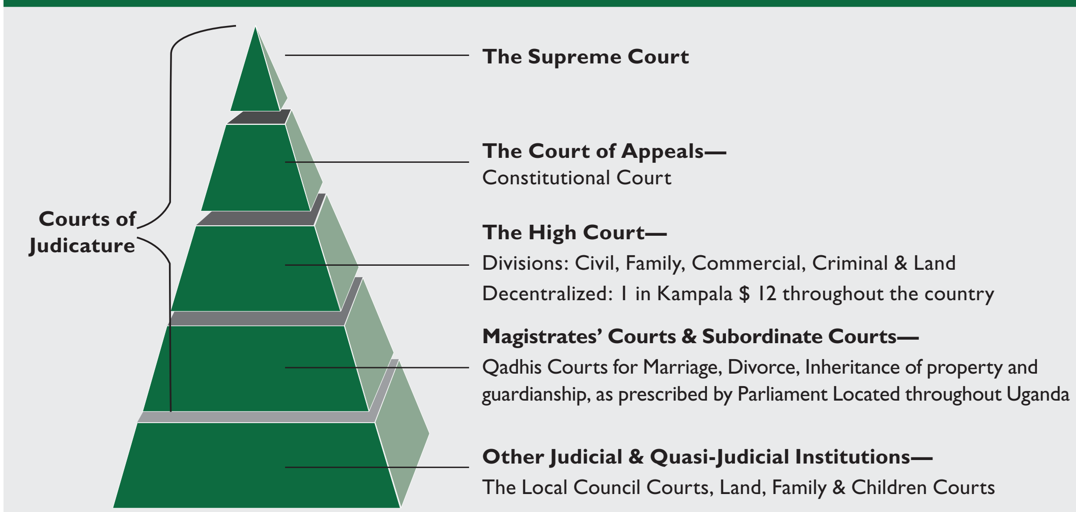
IMPLEMENTING INSTITUTIONS

Courts. The government has been pursuing a major reform program in the justice, law, and order sector (JLOS). The commercial justice system now includes mandatory mediation for all commercial disputes. This procedure is meant to reduce the current case backlog. In 1999, Uganda opened its first Commercial Court, which handles a significant caseload. It also publishes and updates its decisions in a timely fashion. In 2007, a new law allowed for chief magistrates and grade-one magistrates to adjudicate more commercial disputes, easing the burden on commercial court judges.

While the reform of the Commercial Court has been considered a success, the court is inaccessible to most businesses in Uganda. Rural and agricultural businesses turn to magistrate and local council courts. These courts formally apply statutory law but often use customary laws to guide their deliberations, despite Judicature Act provisions.

The Commercial Court strives to deliver to the commercial community an efficient, expeditious, and cost-effective mode of adjudicating disputes. Most Commercial Court decisions of the past several years that were posted online were focused on nonagricultural business transactions.

UGANDA COURT SYSTEM



THE COMMERCIAL COURT OF UGANDA SUMMARY OF PERFORMANCE		
Year	Cases filed	Cases determined
2003	1,606	1,484
2004	1,973	1,994
2005	1,703	2,193
2006	1,817	1,772
2007	1,747	2,077
TOTAL	8,846	9,520

This reinforces the lack of a contract culture in agriculture: very few cases are taken to court, which results in a lack of precedent for agricultural cases. The Commercial Court has an active User Committee, which includes women users. The Commercial Court is seen as gender neutral.

While the reform that extended to the Commercial Court has been touted as a success, it was also meant to serve as the reform model for other High Court divisions and the magistrate courts.

Magistrate and local council courts are the courts that most commonly handle agriculture disputes and are most conveniently located for the disagreeing parties. The JLOS Gender Desk Review suggests that, for most women, the magistrates courts are largely inaccessible, but the local council courts are more accessible. While these may be more accessible in terms of affordability, proximity, and user friendliness and more participatory and effective, the JLOS Gender Review and the Local Council Court baseline survey suggest that the use of customary law may result in bias against women. Although a growing number of women have served on the local council courts, the customary law that is applied does not reflect equality in status between the two sexes. Local council courts often are not aware of the legislation or rules that should govern their proceedings.

The issue of land and title in Uganda is complicated by the four different types of land tenure systems: customary, "mailo," freehold, and leasehold. Customary land refers to generally rural land governed by the unwritten, customary laws of a Ugandan tribe in a specific area. Such land is typically easy to obtain but difficult to use, as no titles or surveys of such land exist and contracts are difficult to enforce in courts. This report's chapter on registering property details the resolution of land and property issues.

SUPPORTING INSTITUTIONS

The Legal Profession tends to be distributed in Kampala and major cities in part because larger cities attract more commerce and more lawyers. The practical impact of this lack of lawyers in the rural areas is that useful legal practices, such as the use of contracts, are not supported by a group of professionals who could provide guidance and support. This, coupled with the lack of access to legal materials, increases the divide between the rural agricultural areas and the commercial cities.

Uganda Law Society. The Uganda Law Society is the primary institution supporting the practice of law. The ULS was established by Parliament in 1956 by the **Uganda Law Society Act (Cap. 276)** with perpetual succession and a common seal. The ULS has a membership of over 1,350 members and is increasing each year. Its statutory objectives include oversight of the standard of conduct and learning of the legal profession, the facilitation of the acquisition of legal knowledge by the members of the bar, the representation and assistance of members of the bar, and the protection of the public in Uganda for any matters touching, ancillary or incidental to the practice of law. It has over 12 committees, but currently none of them focus on agriculture. In two particular areas, the ULS play a role: in the nexus of law and agriculture and in the

KEY SUPPORTING INSTITUTIONS

- Uganda Law Society
- Commercial Courts Users Committee
- Center for Arbitration and Dispute Resolution
- Uganda Law Reform Commission
- International Law Institute
- Law Development Center
- Association of Women Lawyers in Uganda

Legal Aid Project and the Legal Resource Center, both of which have reach into the rural areas.

The Legal Aid Project was established by the Uganda Law Society in 1992, with assistance from the Norwegian Bar Association, to provide legal assistance to indigent and vulnerable Ugandans. The project grew out of the realization that apart from the state brief system that handles only capital offences, there is no statutory, free legal aid provision in Uganda, despite Uganda's high levels of poverty. The project has helped thousands of indigent men, women, and children realize their legal and human rights. The project has branches in Gulu, Jinja, Kabale, Kabarole, Luzira, and Masindi and a head office in Kampala.

The Legal Resource Centre aims to empower legal practitioners in Uganda with easily accessible, current legal resource materials and texts (electronic and hard copy) and to establish and maintain an effective information system. It has established regional legal resource centers in the high court circuits of Arua, Jinja, Kabale, Kabarole, Masaka, Masindi, Mbale, Mbarara, and Soroti Gulu. The centers belong to the judiciary but the ULS provides reference materials.

Center for Arbitration and Dispute Resolution. CADER is a statutory corporation established under the Arbitration and Conciliation Act of 2000 to facilitate arbitration and conciliation proceedings. Its offices are in the same building as the Commercial Court. The decisions are announced in a timely manner on the Web site,[94] and public cases from 2008 and 2009 are posted. A significant number of the mediators are women. The legal reform process has focused significant attention on CADER.

International Law Institute–African Center for Law Excellence. The International Law Institute's presence in Africa began in 1997 as a training center for the government of Uganda as a part of the World Bank's Institutional Capacity Building project. The institute expanded its mandate in 1998. Over the past 10 years, the institute has established itself as one of the most respected providers of professional certificate training seminars, technical assistance and advisory programs, conferences, and workshops in finance, law, management, and governance. It conducts approximately 22 seminars annually at its training center in Kampala, including technical assistance services and workshops. In June 2010, the institute conducted a workshop entitled "Roles and Responsibilities of Local Council Court Members: Strengthening Access to Justice for Uganda's Most Vulnerable Populations." This was the first workshop to reach into rural areas and work directly with local council court members.

Association of Women Lawyers in Uganda. The Federecion International De Abogadas (FIDA)-U was established in 1974 by a group of women lawyers with the primary objective of promoting their professional and intellectual growth. In 1988, FIDA-U established its first legal aid clinic in Kampala to provide indigent women with legal services. Since then, it has established offices in other regions of the country. In 2005–2006, the organization handled 200 court cases, and in 2006–2007 handled over 15,000 alternative dispute resolution cases. This report's chapter on women in society provides additional information.

SOCIAL DYNAMICS

The lack of a "culture of contracts" in Uganda's agricultural sector. The issue of contracting in the agricultural sector was a consistently hidden problem. Large millers and buyers as well as traders and farmers did not consider lack of enforceable contracts to be their biggest challenge. In fact, the practice of sending out "thousands of contracts" to encourage production of a particular crop to meet the demand of the larger purchaser sends a strong message that the contract means nothing. The small farmer is at a disadvantage and glad to take the inputs, if offered, sign the contract, and look for the best price at harvest time. This cycle of unpredictability adds to the uncertainty that is already inherent in agriculture. There is little faith that either party will honor other

94 The decisions of the Commercial Court can be found at http://www.ulii.org/ug/cases/ .

GENDER AND ACCESS TO JUSTICE—DISPUTE RESOLUTION

The justice, law, and order sector in Uganda conducted a study in 2002 on gender and access to justice in Uganda, which demonstrated that there are four times more cases brought to the tribunals by men than by women. Many women and some poor men who are unable to access and afford tribunals have sought to resolve disputes at other forums or have simply given up fighting for their rights.

In Uganda, women's low status and general lack of power and control over decision making are widespread. Legal constraints range from the immediate, such as the foreign language of the court system, to the structural, such as institutional bias in administration of justice. Analysis of the legal system shows that inequalities exist because of discriminatory laws and gaps related to laws that are not gender responsive. Thus, de facto, existing legislation that on the surface may appear to be gender neutral does not in reality address inequality. Such gender-neutral laws include property and land laws, which prima facie may not appear to be discriminatory but in effect enable de facto discrimination against females to continue by failing to cater for women's gendered realities and experiences. Enforcement of the law can also perpetuate subordination of women. Thus, even where positive legislation exists that protects the rights of women, these laws are not always implemented. Poor implementation is often attributable to negative attitudes and gender bias, emanating from socio-cultural norms and beliefs, which may be found in the general public or in law enforcement agents, leading to biased interpretation or administration of the law.

Gender Monitoring Baseline Survey for the Land Sector Strategic Plan in 20 Districts, Ministry of Water, Lands and Environment, Land Tenure Reform Project, March 2006

contracts. This method of "contracting" with a fixed-price contract undermines the spirit of contract and becomes pervasive in the system. Creating a floor price in the contract to provide certainty would be a better possible contract. No set of model contracts exists for different transactions, and few have an understanding of what the terms of a contract mean or of the repercussions of breaking a contract.

A strong deterrent discourages taking anyone to court to claim a breach of contract. Despite the evidence that the dispute could cost more time and money than the deal was worth, a court proceeding can also damage the buyer's reputation and relationship with other suppliers. While a large purchaser may be able to win a contracts case, it would harm its reputation in the future and discourage other farmers from working with the company.

The lack of a nexus between agriculture and law. In order to transition from subsistence farming to commercial farming, Uganda needs an agribusiness-enabling environment in place, where the law supports the agricultural sector. Here, there is a complete disconnect between agriculture and the law. No where among the legal institutions is there any focus on agriculture, and, likewise, the agricultural ministries do not focus on law. Even supporting institutions focus on either law or agriculture. Universities need to begin to cross-teach ito cultivate that relationship. Building a strong link between business and agriculture is important for creating value in the marketplace, to access external markets, and to grow beyond smallholder farming. In addition, because most agriculture is in the rural area, the extension of legal information to rural areas is strongly needed.

Women and the courts. The Ugandan legal system is the beginning of a bright spot for women. The quota system in the government is working, women sit on the courts across all levels as jurists, and women serve in the ULS and other associations that support the law. Although the public lacks the full understanding of the rights of women under the law, the country's corps of judges and magistrates is relatively well informed and trained on equality issues. Currently, women are being admitted to law school in record numbers.

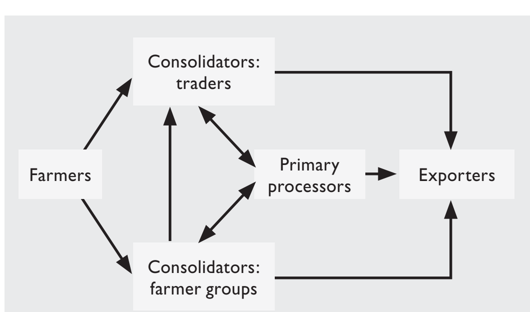
REPRESENTATIVE VALUE CHAINS: KEY TRENDS AND ISSUES

COFFEE

Coffee is an oft-studied commodity in Uganda. It is the most important export crop, earning US$388 million in 2007–2008 and benefiting directly and indirectly 3.5 million households. Despite some early setbacks, if the share of freight-on-board price that goes to smallholders is any indication (around 75 percent), liberalization has evidently helped the Ugandan smallholder producer. Whatever policy or regulatory improvements are necessary are not largely those related only to coffee, but rather those related to agriculture in general. As such, the paragraphs that follow focus on industry management and market approach.

Uganda's coffee production and exports are 85 percent Robusta with the remainder Arabica. Arabica coffees are typically referred to as "fine" or "specialty" and receive a premium price on the world market. Robusta coffees, on the other hand, are the blended and soluble—and less trendy—coffees. International marketing of the two is quite different.

Uganda's Arabica coffees struggle to stand out in the specialty market. However, Uganda's Robusta coffee often receives a premium price over other Robusta coffees. Within its market, it is a standard setter. The remainder of this review concentrates on Robusta.



THE VALUE CHAIN

At the production level, there are a few estate-type operations, which contribute little to overall volume. Otherwise, coffee is nearly entirely a smallholder-produced commodity grown by an estimated 500,000 farmers. One individual described the coffee chain as more like an intricate web than a linear structure. With that as a backdrop, the following illustration is an obvious and simplistic depiction of the value chain for coffee.

Robusta farmers sell dried coffee cherries to kiboko traders, who collect and mill the cherries. The millers either return the coffee, now called fair average quantity (FAQ) coffee, to the traders who sell the coffee to other traders who collect large volumes for sale to exporters. Alternatively, millers amass a volume for trading themselves either to other traders or directly to exporters. Some cooperatives and other farmer groups have taken on the role of traders, moving coffee from farm to huller to exporter.

According to the 2007–2008 annual report from the Uganda Coffee Development Authority (UCDA), there were, at the end of the reporting period, 30 exporters, 19 export-grade factories, 271 hullers, and four roasters operating in Uganda. Traders, those who move coffee from the most remote point up through the chain to exporters, number in the hundreds and maybe thousands, as it takes little more than a pickup truck and some cash to participate in coffee trading. Indeed, because this aspect of the value chain is not regulated, many traders play only a limited role. This has led to significant competition among traders.

UCDA oversees this chain. It oversees all regulatory aspects of the industry, including quality monitoring, regulatory enforcement, statistics collection, marketing and promotion, research, and special programs such as the replanting program. In some respects, the coffee value chain is highly effective, in that it does move coffee from the remote locale to the exporter. It would also appear to be efficient given the relatively high FOB price the smallholder receives.

PRODUCTION

Roasting alone does not define a coffee's qualities. Good farming practices play an important role, and, when a smallholder tends his or her trees carefully, they are more likely to receive a better return. The majority of Ugandan coffee growers do not follow good agricultural practices.

Ugandan production is fairly quick to react to price signals. Farmers can and do manage their cost of production in relation to the market price. Over the past several years, in light of strong and steady worldwide demand and rising prices, Uganda's production has increased:[95]

Fiscal Year	04/05	05/06	06/07	07/08
Volume*	2.5	2.0	2.7	3.2
of which: Robusta	2.0	1.4	2.1	2.7
Value**	$162.1	$170.3	$256.6	$388.4
of which Robusta	$105.9	$103.9	$192.8	$316.0

*millions of 60-kg bags;
**millions

However, at around a half-ton per hectare on average, smallholder coffee yields are low as a result of poor farming practices and low input use. Coffee wilt disease reduces Uganda's coffee production.

By comparison, Robusta farmers in Vietnam achieve 2 to 2.5 tons per hectare. While Ugandan smallholders believe that they mitigate risks through mixed farming and a low-input investment approach, many Vietnamese farmers specialize in coffee as a monoculture and mitigate their risks by increasing yields, making Vietnamese farmers, over a relatively short period of time, among the most productive coffee growers in the world.[96]

These data suggest that many Ugandan coffee farmers do not fully comprehend the advantages of proper husbandry practices and the use of inputs. In combination, the two can increase yields that return more net per acre or hectare even at lower market prices than when not following best practices and not using inputs.

Why is this important? Farmers already receive 70 percent or more of the FOB price, which is among the highest worldwide. This fact suggests then that there is little room to increase margins from the traders, processors, and exporters. As a result, increased farmer income will be driven by rising world market prices, lower overall costs of production, or deeper participation into the value chain. Farmers cannot control the first factor but can control the second and third.

Coffee is a commodity. Many Arabica coffees have found niches that demand higher prices. Uganda is fortunate to grow a Robusta coffee that is well respected in the marketplace. However, Robusta is the more basic variety of what is already a commodity. This factor suggests that it will not be through improved market positioning that the majority of Robusta farmers will benefit but rather through improved crop husbandry practices, better quality within the Robusta varieties, improved yields, or participation farther into the marketing chain, with its attendant risks and rewards.

One avenue to better yields is the replanting program with coffee wilt–resistant varieties. The program seeks to achieve 200 million new plantings by 2015. Using a medium input package, yields from new trees can be up to five times those of old trees.[97] How well the replanting program is penetrating the smallholder producer market is beyond this analysis. Early on there were complaints that it was not effective.

95 Uganda Coffee Development Authority, *Annual Report, October 1, 2007–September 30, 2008*.
96 Anthony Marsh, *Diversification by Smallholder Farmers: Viet Nam Robusta Coffee, Food and Agriculture Organization* (2007).

TAKING MORE RISKS FOR GREATER RETURNS

The Busiki Coffee Company is a group of coffee farmers that formed as a business rather than as a cooperative or an association. Their combined numbers bring benefits in training, input access and cost, and output volume, which reduces processing and transport costs. They negotiate these advantages into savings for shareholders and members. They also take advantage of their proximity to Kampala (two hours, but less once the road that is under construction is finished) to market their volume directly to exporters. As a result, the Busiki Coffee Company generates as much as an additional 25 percent for its members (in comparison to other coffee smallholders) through savings, better quality, increased yields, direct marketing, and higher sales prices.

Replanting is a key target of the current five-year Development and Strategy Investment Plan. Whatever the current effectiveness of the replanting program may be, the benefits of the program outweigh the costs by almost a four-to-one margin and suggest that the program is very beneficial to the livelihoods of coffee farmers, the coffee subsector, and the economy as a whole.[98]

In conjunction with the replanting program, it is critical that research on coffee wilt–resistant varieties continue. UCDA's total research and development costs as reported in the 2007–2008 annual report reached just over U Sh 1 billion. It is unclear from the statements how much went to coffee wilt research, though U Sh 361 million of the total reportedly went to the replanting program. Total UCDA revenue, which is based on a 1 percent export levy, came to slightly more than U Sh 8 billion in the 2007–2008 fiscal year, with operating expenses of just less than U Sh 7 billion.

MARKETING

Sales to the European Union account for nearly 80 percent of Ugandan coffee exports, with Sudan accounting for nearly 15 percent. Shipments to the European Union often become part of espresso blend formulations. Ugandan Robusta also is blended for soluble coffee. Some in the industry believe that Uganda could export up to 4.5 million bags of Robusta by 2015 without risking the premium price Ugandan Robust receives for its Robusta against other Robusta coffees.

With this simplistic and brief market introduction, where might be the opportunities for Ugandan Robusta coffee? Several ideas have emerged over the years that fall into two camps: lowering costs to increase margins and seeking new markets to increase prices.

COST-BASED SOLUTIONS

Improve marketing efficiencies. Uganda's marketing chain is effective at moving a bag of coffee from a remote locale to an exporter. It would appear on the surface though to be inefficient because it moves limited volume—a few bags at a time—early in the collection process. But given that the coffee sector depends on dispersed smallholder farmers, it is not surprising that a large number of small traders are involved in moving small volumes from dispersed producers up the chain. Again, the fact that the smallholder receives such a significant percentage of the FOB price suggests that perhaps the chain is efficient, despite appearances to the contrary.

Increase yields. While coffee, particularly Robusta, is a commodity, Uganda is in a relatively enviable position when compared to other principally Robust-producing nations because the market wants more of what Uganda produces. As one interviewee rhetorically asked, "Will people stop drinking coffee? No." Moreover, it appears that Uganda can provide more without driving down the price.

Ugandan farmers seem to have room to improve their yields significantly to meet demand while still earning more. Among all the possible market actions, short of getting more involved in the marketing channel à la Bugisi Coffee Company, improving yields will have the most direct benefit to the smallholder producer. Two factors that

97 Uganda Coffee Development Authority, *Annual Report, October 1, 2007–September 30, 2008*.

98 Samuel and Liangzhi You, *Benefit-Cost Analysis of Uganda's Clonal Coffee Replanting Program, Benin* (IFPRI Discussion Paper 00744, December 2007).

will improve yields are tree replanting and use of inputs. (For a review of inputs in general please see chapter on starting a business.)

MARKET-BASED SOLUTIONS

Niche markets. Niche channels may be considered from two perspectives. One perspective views the positioning of Robusta as a specialty coffee. The other views the niche markets that are defined by social consciousness, e.g., organic, fair trade, shade grown, and bird friendly.

Specialty Robusta. A international conference in Kampala in August 2009 took the first steps toward defining Robusta's fine coffee characteristics. The event generated excitement about the possibility of earning specialty coffee prices for some Robusta.

However, the marketing of specialty coffee is different from how all but a small percentage of Ugandan coffee is sold. It requires a volume and an image sufficient to compete as an origin coffee.

Specialty Robusta, and the implication for improved prices, could be intriguing to some smallholders to the extent that they maintain their roughly 75 percent portion of FOB prices. Low yields indicate that smallholders have not paid sufficient attention to coffee, and it is clear that only the best smallholders are likely to receive such specialty coffee prices. Moreover, there is also the possibility that as Robusta profiles are developed, some countries may actually increase their competitive stance vis-à-vis Uganda's image of better quality Robusta coffee, which could hurt all smallholders.

Social consciousness markets. The movement toward the promotion of social consciousness coffees in Uganda, in particular organic coffee, is growing. By virtue of the lack of input use, most agriculture in Uganda may be considered organic. Organic farming is not costless, however, because it comes at the expense of lower yields. It is not clear that the organic premium, which some interviewed believe will narrow over time, offers a better return on investment than an improved yield that uses inputs, even if sold at a lower price. The average price in 2007–2008 for organic Robusta was US$2.31; it was US$2.08 for screen 18 Robusta. However, organic coffee was sold in only 6 of 12 months and across these 6 months the difference in organic to screen 18 Robusta ranged from +US$0.21 to US$0.19 per kilogram.[99] Although there are no figures for bird-friendly, fair-traded, or shade-grown coffee, one could assume a similar relationship.

However, one report cautions that organic is sometimes considered a substitute for poor crop husbandry practices:

> When most exporters were asked candidly about the organic market, all agreed that organic was not the best option for Uganda. They all contended that organic was the best you could do in this situation where input use was low and the problem of supplying inputs was seemingly insolvable. The best solution for Uganda, all agreed, would be to increase yields with fertilizers and proper picking practices and thereby capture greater revenue from an ongoing seller's market for Uganda's conventional coffees.[100]

Moreover, interviews suggest that the premium paid on social coffees is declining. One exporter expects premiums for environmental sustainability to disappear over time, as they will become the minimum standard expected. This possibility suggests that better crop husbandry practices will be a key factor for coffee growers in the future.

Generally speaking, efforts to diversify export markets and products are not positive for a basic commodity such as Robusta coffee. Some small improvement may take place at the margins, but for the majority of smallholder producers such efforts will not reduce poverty levels.

Increased local consumption. Promoting local consumption as a way to support volume and prices in times of decreasing world demand has been a topic of discussion. While marketing is easy to understand, and typically more publicly visible and therefore more compelling,

99 Uganda Coffee Development Authority, *Annual Report, October 1, 2007–September 30, 2008*.

100 Richard John Pelrind and Asaph Besigye, *Financing Analysis for LEAD's Targeted Value Chains: Coffee* (INSPIRED Associates, March 2009).

Uganda's population is too small and too rural to expect increases in local consumption to buffer worldwide decreases in demand. Such efforts are better for private investors looking to develop small, loyal followings at their cafés rather than efforts worthy of Ugandan government resources.

Value-added processing. On the surface, value-added processing would appear to be an intriguing idea. However, in the soluble market, the volume required to be a significant seller is out of reach for Uganda. Moreover, it is best to blend varieties, which means Uganda would need to import coffee for processing; as a land-locked country, that cost would be burdensome. In addition, to acquire high-quality coffee, processors would need to be willing to pay the export parity price, which for some Uganda Robusta coffees represents a premium price that would further increase the costs of production.

Increased quality. Quality is not the issue; Uganda simply does not produce sufficient volume to meet global demand. However, smallholders can benefit from improved quality. One expression of quality for Robusta coffees is screen size. For example, 2007–2008 average export prices per kilo for screen 18, 17, 15, and 12 were, respectively, US$2.08, US$2.04, US$2.01, and US$1.86. For the same period, the percentage of volume sold by screen size 18, 17, 15, and 12 was 11.6 percent, 2.3 percent, 53.4 percent, and 20.4 percent. These numbers suggest room for improvement. While the difference in price between individual screen sizes is small, better farming procedures, rather than increased inputs, could enable smallholders to attain screen 18 coffee.

MAIZE

Maize is grown across most of Uganda. It is an export crop and a significant part of the diet of both rural and urban communities.[101] It is therefore an important crop from food security and income-generation perspectives.

Ugandan farmers can grow two crops of maize per year, with harvests typically in January–February and July–August. Small farmers produce most maize on plots between 0.2 and 2.0 hectares. However, a significant part—perhaps 20 percent of total production—is grown on larger farms of up to 50 hectares, mostly located in the central and western regions. However, regardless of farm size, maize production is generally characterized by low yields, resulting in high unit costs and low returns. Typical yield levels for maize range between 1.0 and 2.5 metric tons per hectare. A few farms use hybrid seed, fertilizer, and other inputs to achieve yields in the range of 4–6 metric tons per hectare; however, these farms are a small minority, representing roughly 1 percent of farm area and perhaps 3 percent of total output.

Maize is largely an export crop; the largest export market is Kenya, followed by south Sudan. There are also some modest imports of maize products such as corn oil. Demand for maize is largely price driven. Because maize is both a food and an export crop, there is some elasticity; if prices drop too far, small farmers will begin eating their maize. That said, production and trading are largely price driven, and in recent years prices have been highly volatile.

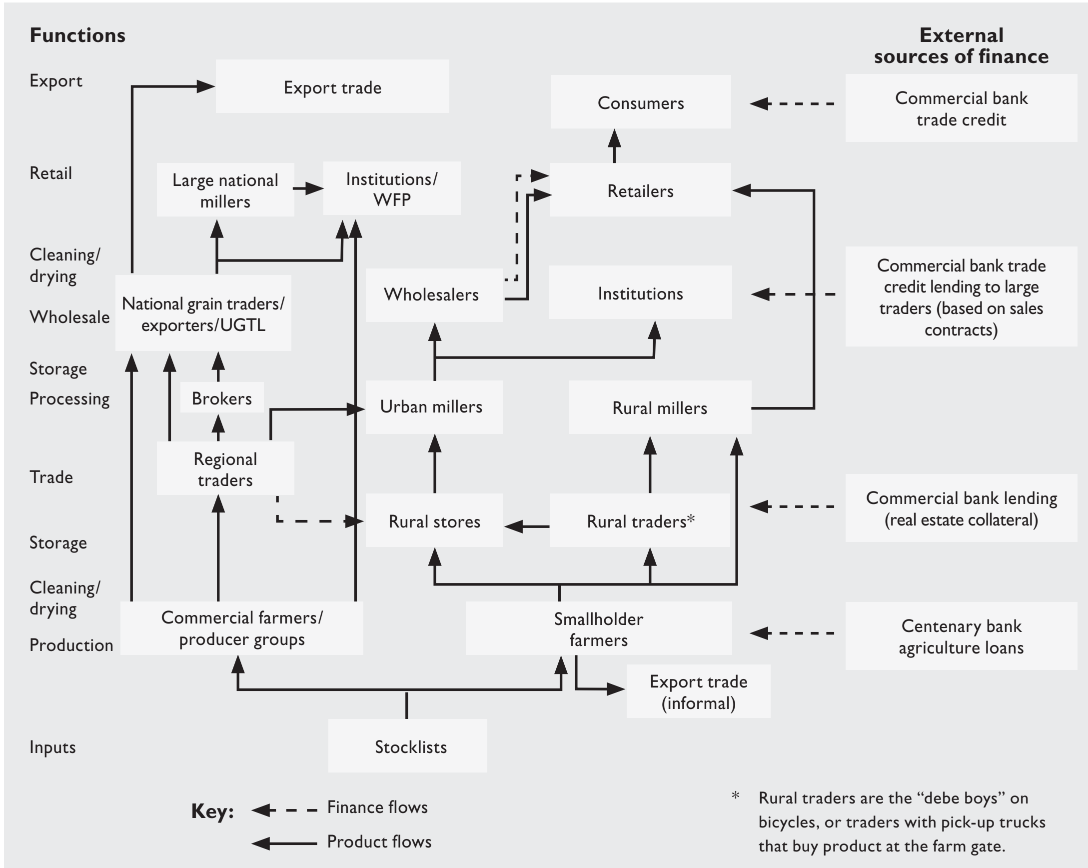
Uganda's maize value chain is complex. One recent analysis produced the diagram shown on the next page.:[102]

Although the graph is complex, it shows two markets that are more or less separate, although with occasional overlap. One is the market for export traders, large-scale millers, and the World Food Programme. The other is the local market for rural maize consumers and local institutions, such as schools, jails, and the army. It is this second supply chain that purchases, mills, and consumes lower-quality maize.

A number of donor-driven interventions have occurred in the maize industry over the past 15 years. These have tended to focus on increasing production, typically trying to address farmers'

101 The largest ethnic groups in Uganda view maize somewhat askance, as an "institutional" food forced upon them in schools, jails, or the army. In popularity, it ranks well behind bananas andplantains, yams, rice, and even cassava. Nonetheless, most Ugandans eat it at least occasionally. Maize is most commonly consumed in the form of posho (corn grits).

102USAID, *Value Chain Governance and Access to Finance: Maize, Sugar Cane and Sunflower Oil in Uganda* (microREPORT 88, USAID, September 2007).



constraints and supporting them through extension services. None of these seem to have had large-scale and lasting effects. It is worth noting that donors have tended to neglect the local-consumption supply chain mentioned above, focusing instead on exporters, large traders, and the various entities that do business with the WFP.

SUPPLY OF INPUTS

Ugandan maize farmers use very few inputs. Irrigation is almost unknown. Use of even the cheapest and simplest fertilizers is rare. The most common input is spraying of basic pesticides, but even this is an input that fewer than 10 percent of all farmers use, perhaps on 25 percent of the total maize crop. Fewer than half of maize farmers purchase seed, and only about 20 percent use hybrid seeds. For the vast majority of Ugandan maize farmers, the only inputs are family labor and home-saved seed.

Lack of finance for inputs. It is almost impossible for small farmers to receive financing for inputs. Only the very largest maize producers can receive financing from microfinance institutions or banks. A few small farmers can purchase inputs on credit through cooperatives, but this is unusual.

Lack of finance is also an issue for stockists, who claim that they could increase their business dramatically if afforded access to working capital, or at least to trade credit (suppliers generally do not extend credit to stockists). UNADA manages an input guarantee scheme, but it does not appear to be effective for smaller stockists.

Lack of access to inputs. In much of Uganda, maize farmers are physically distant from the nearest stockist. The supply network for inputs has improved somewhat in recent years, but it remains patchy.

Concerns about quality of inputs. Counterfeit and adulterated inputs are a major issue in Uganda. The actual scope of the problem remains unclear, but it is a major shaping factor in farmers' behavior. Almost every interviewee had a story about sprays that did not kill weeds or pests, seeds that would not sprout, and the like. Fear of counterfeits appears to be a significant disincentive to farmers. MAAIF has responsibility for regulating and certifying seeds and chemicals, but it does not seem capable of carrying out this function effectively. A number of recommendations have been made over the years for reforming MAAIF's oversight arm and building regulatory capacity, but MAAIF has not implemented them.

Reluctance of farmers to buy inputs. This issue arose repeatedly: Ugandan maize farmers simply lack enthusiasm for purchasing inputs. Reasons ranged from cultural (Ugandan small farmers are not commercially minded) to economic (low profit margins on maize do not make inputs worthwhile). Whatever the reason, input uptake levels are low even by regional standards and have not risen significantly in the past decade.

POSTHARVEST HANDLING

Postharvest losses are high. Estimates vary from a low of 10 percent up to 25 percent. These are incurred in various ways, including losses to birds and vermin and losses from poor handling. However, the single largest factor is spoilage from inadequate or improper storage.

Lack of access to drying and storage. Uganda's maize tends to have a high moisture content, and so spoilage and fermentation begin shortly after harvest. If maize is not dried, it needs to be moved along the value chain rapidly. Unfortunately, most small producers have no access to a dryer other than a simple plastic tarpaulin, nor to storage more effective than a wooden-and-slat corn crib. Warehouses do exist, but even small farmers who live in their capture zones are reluctant to pay the necessary fees. There is a shortage of small warehouses in the villages and towns.

The issues of drying, warehousing, and storage are well known, and a number of donor programs address them. At the moment, however, most small farmers still do not have access to effective storage. This factor sharply reduces their bargaining power and squeezes most maize purchasing into two annual "selling frenzies" immediately after the two annual harvests, as farmers hasten to sell their maize for much-needed cash.

THE WORLD FOOD PROGRAMME AND PURCHASE FOR PROGRESS

The World Food Programme (WFP) is a major participant in Uganda's maize market. Over the last three years, the WFP has consistently purchased approximately 10 percent of the country's total maize production. Most of these purchases are from large traders, but the WFP also has a program—Purchase for Progress (P4P)—to buy directly from farmers. WFP is also deeply involved in the development of large warehouses for storage around the country.

TRANSPORTATION SERVICE PROVIDERS

Small-scale farmers usually sell their maize to small local traders or agents. Urban maize traders and millers often choose these middlemen to act as their agents. The urban traders and processors often provide the agents with the crop finance at the peak maize harvesting seasons. These agents then traverse villages on bicycles and pickup trucks, procuring maize at farm gates and rural markets. Small farmers sell to these agents on a cash basis. After purchase, the buyers then transport the maize on bicycles and pickup trucks to the nearest trading centers for bulking. The widespread perception holds that these buyers collude to drive down farm gate prices and also use their market power and greater access to information to reduce prices even further.

Bulking. Uganda has few rural bulking and processing operations because there is not enough raw maize throughput to reliably cover the fixed costs of such operations. Small processors and small-scale traders increase the number of times maize is handled, driving up costs. It would certainly be desirable to have rural bulking centers closer to the farmers, but these can survive only if volumes of maize in the region are high enough. The development of bulking facilities is thus constrained by low on-farm productivity and by the relatively low intensity of maize production.[103] Yet another constraint is that bulking operations are expensive; they require long-term capital investments that cannot be paid for without incomes generated through consistent high-volume throughput. It is thus not surprising that there is little commercial bulking in Uganda and that what exists is mostly concentrated in the Corn Belt and close to Kampala.

VALUE-ADDITION PROCESSING

Maize processing currently consists only of milling maize into flour or grits (posho) for animal feed or local consumption. There is no processing of maize into other secondary products such as corn oil, corn starch, corn, or syrup, although several investors have seriously considered this idea. The only significant by-product of the maize grain is the bran, which is separated during milling and usually sold as animal feed.

Maize flour is not exported, only kernel maize. Small maize mills are very common and are spread throughout the country, but most small mills have old equipment, limited output, little or no quality control, and a capacity of less than 10 tons per day. Competition between small millers is very intense, and profit margins are low. These millers usually do not stock or buy grain and instead mill for farmers, traders, or consumers on a contract basis. These mills are characterized by old milling technology, poor maintenance, and poor control of premilling activities, which lead to poor-quality products and low yields. These small, local millers make a profit by keeping their overhead and processing costs low.

Uganda also has a handful of large-scale millers based primarily in Kampala. These large millers usually work directly with urban traders who often act as millers' agents in the respective districts. They sell maize flour to local businesses such as supermarkets and bakeries but do not export it.

ACCESS TO MARKETS AND EXPORTING OF RAW AND PROCESSED GOODS

Maize trading currently is dominated by small traders at farm-gate, who in turn feed a limited number of larger traders who dominate the export market. The traders provide a vital service but also exploit the farmers by leveraging superior resources, greater market knowledge, access to storage, and time pressure. Evidence of collusion exists at both the local and the national level. Traders have also taken over most postharvest handling, including cleaning, drying, and storage, depressing farm-gate prices even further.

Farmers are price-takers. Only the largest maize farmers have significant market power. All others must take the price that the local trader offers. In many villages, traders are monopsonists—one buyer for many sellers. In a few locations, a farmer can sell directly to a small local miller; however, since the millers are also price takers and operate in a highly competitive market with low profit margins, this is unlikely to be an improvement.

Small and medium traders have some bargaining power but are handicapped by lack of finance. Small and medium traders typically pay cash but must wait 7–10 days for payment from their buyers (large mills or consolidators in Kampala). This lag tends to make them short of cash, especially at harvest season. In addition, their equipment (trucks, godowns, and the like) are often old and in need of maintenance.

103 Most small farmers grow maize as a secondary cash crop, after one or more food crops. This means that not only is maize productivity low per hectare but that maize production outside of Uganda's "corn belt" tends to be widely but thinly spread.

PROGRAMMING FOR REFORM: AgCLIR RECOMMENDATIONS

NEAR-TERM RECOMMENDATIONS (0–2 YEARS)

ASSESS THE COST TO THE ECONOMY OF COUNTERFEIT INPUTS

Rationale: Stories abound of the farmer who planted improved seed that did not germinate or who sprayed an herbicide on the weeds only to watch them grow and thrive. Such stories range from one side of Uganda to the other. Seed producers and chemical importers in particular cry foul. Not only do such counterfeits cost them sales now, but also they cost them sales later as farmers, slow to adapt in the best of times, once burned by fake inputs shy away from future purchases. This reaction in turn costs the economy through lower yields, lost jobs, and less investment. Such anecdotal evidence fails to put more than a notional price tag on "proliferation" of counterfeits. Determining a cost to the economy of such fake goods will increase pressure on the government to work with the private sector to curb the counterfeit availability by cracking down on such illegal sales. Or, if the cost is low, it will end the notion that Uganda is awash in counterfeits and help refocus attention on better quality and service throughout the input chain.

Steps to take: Construct a valuation model that includes assumptions on total loss to the economy, including losses from failed usage attempts, loss in revenue to the seed companies and input suppliers, lost jobs, loss in revenue to agro-input dealers, and loss in overall yield due to farmers' lost confidence in inputs and forgoing future purchases. Complete a statistically rigorous sampling of data to feed the model. Conduct the analysis in coordination with the Uganda Seed Traders Association and the Uganda National Agro-inputs Dealers Association to empower them to use the results as an advocacy platform. While this exercise is a one-off effort with regard to counterfeit inputs, the analysis and the approach can be replicated for other advocacy campaigns that are more powerful when supported by solid data and analysis.

Time frame: Near term (6 months)

AgCLIR section: Starting a Business, Protecting Investors

ANALYZE SMALLHOLDER SEGMENTATION

Rationale: The smallholder is often described in generalities, which feeds the notion that they are largely homogeneous. Yet, household attributes and decision making processes are not well understood. Understanding such will enable a better understanding purchasing decision factors and segment and locate the more progressive farmers. The goal is to understand smallholder drivers, assign such farmers into defined marketable and viable groups, and locate and map them. Such "market" information will lead to better targeting of efforts and messaging.

Steps to take: In some respects, this is a simple consumer market survey. But a sound survey can be complex and costly to implement. One place to start is with the agriculture household census and to include a segment geared toward understanding household expenditure decisions. In the near term, the process can be outlined as:

- Define outcome (in conjunction with likely users)
- Compare outcome with existing information sets
- Design survey instrument to fill in the gaps and verify existing and critical data points
- Train enumerators
- Test and refine survey
- Provide for disaggregation of data by gender
- Carry out survey, with periodic testing of quality; complete analysis; and disseminate to stakeholders

Time frame: Near term (1–2 years)

AgCLIR section: Addressing Food Insecurity, Starting a Business, Women in Ugandan Society

CREATE A FINANCIAL WAREHOUSE MODEL ACCESSIBLE BY INVESTORS AND BANKERS

Rationale: The lack of an appropriately placed, sized, and managed warehouse network increases on-farm losses (currently 30–40 percent), limits buyer competition, and lengthens the market chain (from farm to bicycle to motorcycle to pickup to lorry). In turn, these losses decrease farm-gate prices and limit market options to harvest season, when prices are their lowest. Right-sized, well-run certified warehouses located at critical nodes in the marketing value chain should improve efficiencies, lead to better prices and greater volumes, and become a magnet for other services. The goal is to reduce the perception of risk for financial institutions through a user-friendly, "20-questions" type of financial model. The model should provide greater clarity of risks and risk mitigation measures and increase investor and lender comfort. Such models, for example, contributed significantly to the expansion of wet processing coffee stations in Rwanda, contributing in turn to Rwanda's (re)emergence on the international coffee stage. In Uganda, such models led to an explosion of flower enterprises in the 1990s.

Steps to take:

- Assess warehouse construction costs, operating costs, and benefit streams; define catchment area, taking into consideration actual and potential production, road network, other warehouses in catchment, and commodities to be purchased.
- Create an Excel financial model to estimate construction costs, cost and benefit streams, and measures of project worth (integrated financial statements, discounted cash flow value, financial ratios, and internal rate of return) as well as loan repayment schedules.
- Emphasize user-friendly models that requires minimal Excel and computer skills.
- Write an instructional manual to support training and serve as a reference.
- Provide training on analytic tool use.

Time frame: Near term (6 months)

AgCLIR section: Starting a Business, Protecting Investors

MOVE RESPONSIBILITY FOR AGRICULTURE STATISTICS TO UBOS

Rationale: Government, donors, NGOs and the private sector use statistics to make decisions about where to place incentives in project designs, which regions to assist, and what investments to make. Poor statistics mislead, conceal, and complicate. UBOS is the professional entity with respect to statistics and is a better independent voice on actual performance of agricultural initiatives. The goal is to ensure accurate and timely collection and dissemination of agriculture statistics as defined by

- Integrity (validity of the data)
- Timeliness (period between collection and dissemination)
- Periodicity (useful frequency)
- Coverage (comprehensiveness, level of detail)
- Quality (checks and control procedures)
- Inclusiveness (disaggregation by gender)

Steps to take: MAAIF's office of statistics is small and essentially nonfunctional. The few people in the office could be seconded to UBOS so that no jobs are lost. In the process, UBOS needs to improve its business processes, technology, performance measures, and staff skills. The report *An Annual agricultural Production Statistics System for Uganda—Design Considerations,*[104] which summarizes the results of a 2009 workshop, provides a road map for actions to take to achieve reliable agricultural statistics.

Time frame: Near term (1–2 years)

AgCLIR section: Addressing Food Insecurity, Starting a Business, Women in Ugandan Society

DECENTRALIZE BUSINESS REGISTRATION

Rationale: Ease of registration and access to registration are proven to increase the number of businesses that register. The benefits for businesses that do formally register are equally proven, such as increased access to financing, greater opportunities for growth, and greater job creation—the very thing needed to provide for the chronically food-insecure subsistence farmer.

Steps to take: With the Office of the Registrar reportedly becoming a semi-autonomous operation responsible for its own budget and programming, it is time to decentralize the operation. This process can be done through the following steps:

- Assess the current technology and business process; answer questions such as how many locations, how complex is the data requirement, is there more than one database, what are the business processes and approval phases, how many people will have entry responsibilities, what is the level of security required, and so forth
- Scope the project
- Set goals and establish performance metrics, such as reducing processing times, increasing customer satisfaction, lowering costs, and increasing revenue
- Develop organizational, personnel, and system resource requirements
- Procure equipment, system development and integration, and support services
- Develop a remote-access interface
- Document the system and procedures
- Train users, such as data entry specialists, supervisors, and management
- Implement an outreach program
- Monitor, evaluate, and support the program

Time frame: Near term (1–2 years)

AgCLIR section: Starting a Business, Dealing with Licenses

DO NOT DECENTRALIZE COOPERATIVE REGISTRATION…YET.

As with the Office of the Registrar, at some point decentralizing the cooperative registry process will be beneficial, but perhaps not just yet. Currently, the registry is still in the process of computerizing its Kampala operation and other records. When this task is complete, a plan for decentralization and concomitant computerization of field offices would be appropriate.

ASSESS THE NEEDS AND POTENTIAL BENEFITS OF MUNICIPAL SUPPORT TO SMALL BUSINESS DEVELOPMENT

Rationale: District-level authorities provide little support to small businesses, either in the form of zoned development (in areas where power, access, and other utilities can be guaranteed) or in the form of tax incentives, including apprenticeship schemes. Such schemes have enhanced rural employment elsewhere, and they might be relevant to increased off-farm income generation in Uganda.

Steps to take: The potential relevance of such incentives to rural development should be investigated further by the following steps:

- Undertaking a needs assessment of peri-urban and rural small businesses
- Assessing the development incentives in other countries
- Mapping this assessment to Uganda's situation
- Working with district authorities and small business associations to develop appropriate incentive packages for small businesses

Time frame: Near term (1–2 years)

AgCLIR section: Addressing Food Insecurity, Starting a Business, Dealing with Licenses

CREATE AN OFFICIAL AGRICULTURAL TRADE POLICY ADVISORY COMMITTEE (ATPAC)

Rationale: The agricultural sector needs an official channel for discussing trade issues with the government and for offering formal advice for addressing them. The recent EAC Common Market initiative heightens this need. MAAIF, MTTI, UNBS, and Ministry of Local Government (MOLG) need to work together to address trade issues. Moreover, the various agricultural groups must communicate with each other on trade issues. The ATPAC would consist of a representative from each of the major commodity groups, such as coffee, cotton, fish, corn, tea, cut flowers, tobacco, cocoa beans, and so forth and a national farmer organization.

Steps to take: Contact the various agricultural groups noted above to ascertain their participation. Approach MAAIF, MTTI, UNBS, and MOLG about forming the ATPAC and cosponsoring legislation to create it. The mandate should include conditions (e.g., a significant agricultural exporting and producing sector) for membership (including term limits) and minimum frequency of joint meetings with MAAIF, MITT, UNBS, and MOLG.

Time frame: Near term (1–2 years)

AgCLIR section: Protecting Investors, Trading Across Borders

EDUCATE FARMERS ABOUT BIOTECHNOLOGY AND BIOTECH SEED ON A SCIENTIFIC BASIS

Rationale: Because NARO is conducting trials on biotech seed for its possible approved use in Uganda, farmers should be educated about this technology. However, any such education program should be conducted jointly or in close consultation with the biotech seed industry. Given agricultural biotechnology's success in other counties, these new seeds could improve Uganda's food security.

Steps to take: Contact the USTA, Monsanto, NARO, MAAIF, UNBS, UNCST, IFPRI, and the Cotton Development Authority about this possible initiative. As part of an education program, a farmer from another African country who has used successful biotech seed could be brought to Uganda to meet with local farmers.

Time frame: Near Term (1–2 years)

AgCLIR section: Addressing Food Insecurity, Dealing with Licenses, Trading Across Borders

HARMONIZE ON A LOCAL BASIS THE TWO LEGAL REGIMES GOVERNING LAND TENURE (CUSTOMARY AND STATUTORY)

Rationale: Around 80 percent of land in Uganda is under customary ownership, and most of this land is used or can be used for agricultural development. Unfortunately, lack of certainty and clarity of rights under the land tenure regimes restricts penetration of financial services to rural areas and foreign and domestic investment in commercial farming. At the national level, land reform is fraught with political intrigue and bureaucratic infighting. The local level has some of these characteristics, but issues tend to revolve around lack of capacity.

Steps to take: Use a self-selection process and work with local NGOs, such as the Uganda Land Alliance and the Land and Equity Movement, to help communities review customary land administration rules at the district level, streamline these rules where possible, and capture the information using standard documentation that can be rolled out across the country and adapted to local clan practices. This work should include standard documentation for land sales and transfer, as well as transaction recording in standard databases that local administrations maintain so that they can use the information for dispute resolution. Follow-up will be required to conduct training and information dissemination for community leaders so that they can properly administer the new system and so that community members are aware of their

104 Muwanga-Zake, An Annual Agricultural Production Statistics System for Uganda.

rights. Initial focus could be the north, where the Land and Equity Movement in Uganda has already made significant progress. The importance of this activity is the capture and dissemination of the rules, transactions, and data in the customary regime, which will enable the conversion of land to the statutory regime over time.

Time frame: Near term (1–2 years)

AgCLIR section: Registering Property

WORK WITH LOCAL FINANCIAL INSTITUTIONS, FARMERS' ASSOCIATIONS, AND PRODUCER ORGANIZATIONS TO EXTEND EXISTING AND NEW SERVICES FURTHER INTO RURAL AREAS

Rationale: There is liquidity in the banking system that is not directed to the agriculture sector. The government and donors provide guarantees and matching funds in an effort to increase lending. While this does lower risk, it does not necessarily lower the cost of agricultural finance. A few institutions such as Centenary Bank have demonstrated creativity in lending. By lowering the cost of product development and a pipeline of bankable projects, it is possible to expand penetration of rural financial services.

Steps to take: First, meet collectively with financial institutions that have responded to a call for general interest in the initiative and further define the initiative's goals and how it will be implemented. For this effort to be effective, the financial institutions must drive the process. An initial suggestion would be to discover what types of products the institutions were looking to expand and what areas of the country are of interest. Not all invited institutions will be necessarily interested in the program. It is important to allow these institutions to choose not to participate and to instead work with only those that are motivated and eager to participate. One-on-one follow-up meetings should be held to discuss the new services that these institutions would like to develop. Specialized technical assistance would then be required to work with banks to design criteria for the various products and to develop a roll out and training plan. At the same time, based on the regions identified by banks as a starting point, a competitive process can be launched to select farmers' associations and producer organizations that would work to "feed" participating banks a pipeline of projects based on membership needs. Training would be required to help them prepare projects in a manner that the banks determine.

Time frame: Near term (1–2 years)

AgCLIR section: Registering Property (agricultural finance)

ANALYZE "DUTCH DISEASE" AND ITS POSSIBLE IMPACT ON UGANDAN AGRICULTURE

Rationale: Uganda is set to become a significant oil producer, with oil revenues rising to 5 percent of GDP or more within five years. This source of revenue will dramatically change Uganda's balance of trade and is likely to have a significant effect on the Ugandan shilling as well. Agriculture will be affected, as a stronger shilling depresses exports. Oil production may also have secondary effects, such as the diversion of limited investment capital away from the agricultural sector and toward higher returns in the new oil sector. Nobody—government or donors—appears to have carried out even a preliminary or basic analysis of the likelihood of Dutch disease and its potential impact on agriculture (or any other sector).

Steps to take: Assign the work to a small team of competent analysts. Ideally, this team should include at least one international economist who specializes in this type of modeling and one or more local economists. This work will require a competent researcher with experience in the oil sector, given the opacity of the negotiations and the limited public information available. The team should prepare a report for presentation to the government, the World Bank, the International Finance Corporation, and other interested parties. The report should include:

- An analysis of the likelihood of Dutch disease in Uganda
- Predictions of its likely effects on the agricultural sector
- A list of specific, actionable recommendations for avoiding or mitigating negative effects

Time frame: Near term (1–2 years)

AgCLIR section: Protecting Investors

SUPPORT REGULATORY IMPACT ANALYSES OF LABOR REGULATION ON INVESTMENT WITH BOTH PRIVATE AND PUBLIC SECTOR

Rationale: The labor law has been upgraded to reflect ILO conventions and international standards, but members of the private sector and potential investors have complained about the implementation and enforcement of these laws. As such it is worth doing a more rigorous analysis of the actual costs associated with improper implementation of the law on the private sector with buy-in from both private and public sector stakeholders. Labor and employment issues are often perceived as "soft" policy matters that tend to be at odds with the "hard" topics of business development and investment. Perhaps pro-growth policy makers and donor-supported private sector developers believe that the demands of the formal labor law mainly add costs to the business environment, therefore diminishing the country's competitiveness. Thus, they often avoid integrating issues of labor (except for some matters of worker training) into many of their initiatives. Although costs are associated with labor law compliance in the agricultural sector, significant benefits also pertain, and labor experts are well suited to advise on both. The benefits begin with labor peace: employees who believe that their core rights are respected are more inclined to be productive and loyal. Compliance also provides for a more direct link between employers' skill demands and the labor institutions, including vocational schools and other training centers, which can help meet those demands. Firms that adhere strongly to labor laws are more attractive to outside investors because they are perceived as well-informed and reliable business partners.

Steps to take: Conduct a multi-stakeholder analysis that includes the Ministry of Gender, Labour, and Social Development, the National Organization of Trade Unions, the National Union of Agriculture and Plantation Workers, private sector associations such as Uganda Flower Exporters Association, and the Uganda Investment Agency. Conduct rigorous analysis of the economic impacts on investment that the labor policy may have, including reviewing the policy itself and how it is interpreted in practice. Form a joint task force with representatives of these same groups to implement recommendations that arise from the regulatory impact analysis to ensure that stakeholders agree on the way to engage labor policy in the most appropriate way for Uganda. This agreement should strike a balance between encouraging investment, protecting workers, and promoting a more productive and skilled agricultural workforce.

Time frame: Near term (1–2 years)

AgCLIR section: Employing Workers

SET MILESTONE MARKERS FOR COFFEE PRODUCTIVITY PROGRAM TARGETS

Rationale: The idea of milestones is based on the simple notion of what gets measured gets done. Specific year-on-year targets force attention to issues that prevent the achievement of those targets. This process brings industry together to first debate and establish the targets and then address the constraints and issues that prevent or aid the attainment of such. Just as there are annual targets for tree replanting (5 percent of the tree population a year), annual targets and milestones for other indicators of growth and improvement are a good idea.

Steps to take: Refine the 4.5 million-bag target by 2015 into year-on-year milestones for:

- Export volume
- Export unit value (Robusta export value/volume exported)

- Grade screen size 15 better
- New tree plantings

The target of 4.5 million bags by 2015 is worthy, but it is difficult to judge progress other than on a straight-line basis without year-on-year milestones. Aside from annual volume targets, both unit value (on a constant basis) and screen size are excellent indications of quality, which does affect price. Annual targets enable annual evaluations to pinpoint why progress is behind, on track, or ahead of schedule. Such knowledge allows for better program adaptation.

Time frame: Near term (6 months)

AgCLIR section: Coffee Value Chain

ENHANCE THE UTILITY AND USE OF CONTRACTS FOR AGRICULTURAL TRANSACTIONS

Rationale: Lack of awareness of the proper use or purpose of contracts prevails throughout the agricultural system. Few data on the terms, rates of default, and use of contracts are available. The lower courts maintain almost no data on the details of their civil dispute system. The ability to create and enforce contracts under a clear and consistent legal framework is a critical component of economic growth. The belief that contracts symbolize an enforceable agreement can transform transactions and diminish risk.

Steps to take:

- Create model contract templates for the different transactions, akin to a forms book, that farmers, NGOs, corporations, and large-scale buyers can use.
- Create a guide to contracts for farming, which individual farmers and group training can use.
- Create a process of notice and comment for these sample contracts to include the sectoral association.
- Provide training to different cooperatives and farmers' groups to increase awareness.
- Disseminate model contracts to extension services and cooperatives and provide skills building to increase understanding of the use of contracts to make a deal and to mitigate risk.
- Provide a simple pamphlet to explain the use of contracts, laws, execution of contracts, and contract enforcement.
- Focus on building contractual relationships between farmers and processors and exporters through risk allocation seminars and dialogue.

Time frame: Near term (6 months–1 year)

AgCLIR Section: Enforcing Contracts

SUPPORT INCREASED USE OF FERTILIZER IN THE COFFEE SECTOR

Rationale: The chapter on starting a business discusses a few activities that could increase use of inputs generally. These activities would assist coffee producers as well. In addition, coffee offers an opportunity to take some risks in financing inputs that other commodities might not. Interviews with farmers, input suppliers, and traders suggest that coffee farmers would purchase fertilizer if it were available at harvest time. The hurdle is that input suppliers often lack access to cash to keep an inventory, which means that farmers do not have access to fertilizer when they have the cash to buy fertilizer.

Steps to take: One recent financial analysis makes a compelling case for fertilizer financing. To summarize, the idea is to sell vouchers for fertilizers to smallholders when they sell their coffee, based on a prenegotiated price with a fertilizer supplier. (The sales price will include cost of fertilizer, transport, tariffs, margin for distributor, and stockists, and participating financial institution.) Cash generated from the sale of vouchers is aggregated by participating financial entity. Fertilizer is then purchased and distributed, and the farmer exchanges the voucher for possession of the fertilizer. The first step in orchestrating such a program is further analysis of the program's challenges and other details. This work can be accomplished fairly rapidly given the preceding work, first fleshing out the concept and then, assuming support, preparing documentation.

Time frame: Near term (6 months) AgCLIR section: Starting a Business, Coffee Value Chain

MEDIUM-TERM RECOMMENDATIONS (2–4 YEARS)

INCREASE THE EFFECTIVENESS OF THE PERFORMANCE EVALUATIONS OF NAADS

Rationale: If Uganda is to continue to feed itself and others in the region, then NAADS needs to work, or an alternative found soon. Often, paradoxically, businesses fail when they are growing. The rapid expansion of NAADS could be a significant contributing reason for lack of meaningful results in production. One way to support continuous improvement is to assess its performance more thoroughly, independently, and frequently. In practice, NAADS assesses contractors against a plan, but it is not clear that this results in any systemic changes in how work is carried out beyond periodic dismissals of poor performers.

Steps to take: Within six months, establish with UBOS a framework for assessing the organization's performance annually. Work with IFPRI to revising this framework and then support UBOS with the few assessments. An important step following the assessments is the corrective actions taken to improve program performance. The assessment needs to evaluate systemic issues rather than individual performance, so changes following the assessment may need support as well.

Time frame: Medium term (2–3 years)

AgCLIR section: Starting a Business

ENGAGE IN SELECTIVE CAPACITY BUILDING FOR UNADA TO GROW EFFECTIVELY AS A COMMERCIAL ORGANIZATION

Rationale: The Uganda National Agro-inputs Dealers Association may already be overwhelmed with support. However, the organization is a key player in professionalizing agriculture in Uganda. As such, it is in need of capacity building to improve the efficiency with which it spends money it receives on behalf of members, to avoid competing with members, and to implement activities in its work plan.

Steps to take: Revisit the latest capacity assessment (if one exists) or undertake a organizational review if one does not. From this assessment, identify critical capacity-enhancement activities that are not receiving support. In addition, support the implementation of UNADA's work plan, which currently includes:

- Conduct input market survey
- Expand agro-dealer program
- Create public awareness campaign addressing counterfeits, UNADA seal of approval, and periodic listing of members
- Capacity building for UNADA

Time frame: Medium term (2–3 years)

AgCLIR section: Starting a Business

CREATE A ONE-STOP SYSTEM FOR EXPORT LICENSES, CERTIFICATES OF ORIGIN, AND MAAIF CERTIFICATES, CREATE ELECTRONIC CERTIFICATION SYSTEM, OR CREATE BOTH

Rationale: Currently, certificates of origin can be obtained only in Kampala, and MAAIF certificates can be obtained only at MAAIF headquarters in Entebbe. As a result, exporter experience delays and added costs.

Steps to take: During a six-month period, approach MTTI, URA Customs, and MAAIF to investigate the possibility of issuing their respective export licenses, certificates of origin, and SPS certificates at the same location. Also investigate the possibility of having several of these one-stop locations throughout Uganda. Inquire about creating an electronic certification system, enabling the issuance of certificates via e-mail or the Internet.

Time frame: Medium term

AgCLIR section: Trading Across Borders, Dealing with Licenses

INCREASE THE NUMBER AND CAPACITY OF UNBS AND MAAIF INSPECTION OFFICIALS

Rationale: Traders indicated that the number of inspection officials is inadequate, particularly at border points. This can slow the flow of goods at the border. Traders also expressed concern about the possible importation of inferior goods and harmful plants, animal diseases, or pests as a result of inadequate or no inspections.

Steps to take: Work with UNBS and MAAIF to develop a tiered plan for increasing the number of inspections and providing new inspectors with intensive training on efficient inspection techniques and requirements.

Time frame: Medium term (2–3 years)

AgCLIR section: Trading Across Borders

HARMONIZE THROUGHOUT THE COUNTRY THE TWO LEGAL REGIMES GOVERNING LAND TENURE (CUSTOMARY AND STATUTORY)

Rationale: Around 80 percent of land in Uganda is under customary ownership, and most of this land is used or can be used for agriculture development. Unfortunately, lack of certainty and clarity of rights under land tenure regimes restricts penetration of financial services to rural areas and investment in commercial farming. At the national level, land reform is fraught with political intrigue and bureaucratic infighting. The local level has some of these characteristics, but issues tend to revolve around lack of capacity.

Steps to take: Work with national-level NGOs, government, and the private sector to develop consensus and support for an amendment to the **Registration of Titles Act** to equalize the two tenure regimes. Amend the **Land Act** and related laws to allow for the resolution of disputes through the clan or district tribunals, as required.

Time frame: Medium term (2–3 years)

AgCLIR section: Registering Property

DEVELOP MAIZE-PROCESSING INCUBATOR TO PILOT NEW MAIZE PRODUCTS

Rationale: Maize processing consists only of milling maize into flour or grits (posho) for animal feed or local consumption. Maize is not processed into other secondary products such as corn oil, corn starch, corn, or syrup, although several investors have seriously considered this idea. Maize flour is not exported, only of kernel maize. Small maize mills are very common, but most mills have old equipment, limited output, and little or no quality control.

Steps to take: Promote maize processing, including:

- Training programs for maize processors, including financial, technical, and marketing training
- Market analysis for maize processors, and possible assistance in developing market links to potential large-scale consumers (e.g., chicken and fish feed)
- Loan guarantees or other forms of financial assistance for millers and other processors who are willing to export. Assistance in developing market linkages to export markets (e.g., bakeries and supermarkets in Kenya)
- Assistance in acquiring second-hand (but modern) equipment abroad—not only mills but also postharvest equipment such as dryers and shellers
- Pilot projects for corn oil and corn starch production, including
    - Technical assistance with developing the production facility
    - Helping farmers plant and harvest oil-rich or starch-rich seed strains
    - Developing contract farming or other means for ensuring a steady supply of appropriate feedstock
    - Training and other assistance with marketing and start-up

Time frame: Medium term (2–3 years)

AgCLIR section: Maize Value Chain

STREAMLINE MAIZE TRADING AND MARKETING SYSTEM

Rationale: Maize trading is dominated by small traders at the farm gate, who in turn feed a limited number of larger traders who dominate the export market. The traders provide a vital service, but also exploit farmers by leveraging superior resources, greater market knowledge, access to storage, and time pressure. There is evidence of collusion at both local and national levels. Traders have also taken over most postharvest handling, including cleaning, drying, and storage, depressing farm-gate prices even further.

Steps to take: Streamlining the maize trading system by:

- Providing fast, timely, and cheap or free market information to farmers by radio and SMS.
- Encouraging the development of rural truck leasing, so that farmers, farm cooperatives, and millers have the option of hiring their own transport and competing with small traders.
- Providing technical and financial assistance to farm cooperatives and village organizations to build local storage facilities. These would not be full warehouses (although they could serve as satellites or feeders for the new WFP warehouse system) and would not necessarily participate in a warehouse receipt system but would include facilities for weighing, drying, ventilating, and fumigating. Cooperatives or other private entities would own them. In larger towns, explore the possibility of a millers' cooperative running a joint storage facility for buffer stocks.
- Encouraging the development and use of meaningful grades and standards, and their uptake by processors and exporters. Demand for higher grades by final purchasers should move back down the supply chain, encouraging farmers to invest in higher-quality output.
- Training farmers on and providing basic equipment for postharvest cleaning and drying in villages.
- Considering a pilot project for providing clean, dry, high-quality maize directly to a large miller or exporter.
- Working with large traders and exporters to analyze and eliminate remaining nontariff barriers to trade, particularly along the crucial Kampala-Nairobi corridor. This effort will either lower the price of Ugandan maize or increase the profitability to the traders; regardless, the result should be increased demand for export maize within Uganda

Time frame: Medium term (2–3 years)

AgCLIR section: Maize Value Chain

INCREASE THE LAW AND AGRICULTURAL CONNECTION IN SCHOOLS, MINISTRIES, AND SUPPORTING INSTITUTIONS

Rationale: The path away from subsistence farming is more sustainable commercial farming. The development of contracting will create a better atmosphere.

Steps to take:

- Encourage a specialization in agriculture in the Bar Association.
- Encourage linkages between the law school and the agricultural faculty at the university to include agricultural issues in the curriculum.
- Enhance the legal aid and paralegal project to provide accessible advice on contracts; ensure that this effort includes women.
- Encourage women judges at all levels, including the local council courts.
- Produce material on the different aspects of the value chains.

Time frame: Medium term (2–3 years)

AgCLIR Section: Enforcing Contracts, Starting a Business

BUILD AND IMPLEMENT AN EFFECTIVE AGRICULTURE WORKFORCE DEVELOPMENT STRATEGY

Rationale: Uganda's agriculture workforce is ill-prepared to participate in and ensure growth of commercial agriculture. Workers are unskilled, often illiterate, and have no training in mechanized or modernized agriculture. Professional midlevel management capability in the Ugandan agriculture sector is also lacking. Primary, secondary, vocational, technical, and professional educational institutions lack the resources and capacity to attract and educate Uganda's youth. As Ronald Jacobs of Ohio University writes, "Workforce development is the coordination of school, company, and governmental policies and programs such that as a collective they enable individuals the opportunity to realize a sustainable livelihood and organizations to achieve exemplary goals, consistent with the history, culture, and goals of the societal context." Economic, employment, and social policies such as compulsory education should support systemic workforce development. This effort should increase learning, productivity, and income.

Steps to take: Develop a comprehensive workforce development strategy for the agriculture sector, taking into account key drivers of labor and workforce demand:

- Economic trends: knowledge economy, innovation economy, economic conditions, market competition
- Labor market demographics: skills mix, age, gender, growth rate, immigration, EAC implications
- Development goals: Food security, vulnerable populations, commercial agriculture development, poverty reduction

The strategy will also consider the key inputs into workforce development, which include:

- Regulations and policies (employment, education)
- Planning and institutional strengthening
- Initiatives and programs (training, workshops, degree and certificate programs)
- Entrepreneurship training programs (youth and adult entrepreneurship)
- Technologies (automated work environment, course tools, job databases)
- Networks and partnerships (government, private sector, civil society)
- Integration of agriculture workforce development strategies into existing and new USAID projects
- Implementation of 4-H type programs and district agriculture fairs to educate young children about good farming practices and business skills
- Launch of a Youth in Agriculture campaign
- Internship programs in agriculture projects; seconding agriculture students to supported agribusinesses to receive on-the-job management training
- Coordination with technical agriculture colleges to recruit, attract, and retain a larger student body
- Coordination with unions, sector associations, and cooperatives to focus attention on workforce skill development and productivity (work with organizations such as Enterprise Uganda to include several course modules on worker productivity)

Time frame: Medium term (2–3 years)

AgCLIR section: Employing Workers

IMPROVE EDUCATIONAL ATTAINMENT OF WOMEN: BEGIN WITH GIRLS

Rationale: Education is essential to human development and gender equality. Education also plays a principal role in food security and adaptation from subsistence farming to commercial farming. Educating a woman translates into better health care for herself and for her family. It also leads to better nutrition, hygiene, and preparation for income generation. Universal primary education is a positive idea in theory for bringing education to both girls and boys. However, public schools are often weak and are not "free" owing to book and uniform fees; these factors have led to the growth of private schools, where attendance is climbing. The "son-preference syndrome" leads parents to send the boys to the private school and the girls to the public school. Public school students often do not pass their exams that allow them to enter the secondary level. Girls often drop out for a variety of reasons, and this situation reinforces the belief that boys are better than girls. This attitude affects matriculation at secondary, higher secondary, and university education, particularly in rural areas despite affirmative preferences at universities.

Steps to take:

- Improve attendance rates in primary and secondary school, particularly in rural areas, by requiring compulsory attendance (short term)
- Provide free school lunch in food-shortage areas (short term)
- Provide a linkage between local dairies and other food producers and schools to provide a lunch program and to encourage local production (short to medium term)
- Strengthen primary schools to increase girls' and women's ability to build better skills and access higher education by removing impediments to attendance, and:
    - Provide lower class size (short term)
    - Include lunch, books, and supplies (notepads, uniforms, and sanitary products) without payment (short term)
    - Accommodate girls' health and comfort needs; doors should be placed in the bathroom for privacy and sanitary products provided to primary and secondary schools (short term)
    - Improve teacher quality with continued strengthening of their skills (medium term)
    - Remove automatic promotion in public schools (short term)
    - Include life skills education throughout the curriculum: nutrition, gardening, recordkeeping, health, and sanitation (short term)
    - Provide information to parents on the link between education for both girls and boys and better productivity on the farm, markets, higher education, and family health (short term)
    - Provide incentives for math and science instruction (short term)

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society

IMPROVE EDUCATIONAL ATTAINMENT OF WOMEN: CONTINUE WITH YOUNG WOMEN

Rationale: Education plays a principal role in food security and adaptation from subsistence to commercial farming for women. Girls often prefer arts and humanities, as science and math are considered "hard" subjects and girls are not prepared for them at a higher level due to inferior earlier education. Girls who attend all-girls schools do not have the same trepidation. To be able to succeed at an agriculture curriculum in the university, students must have taken science courses at secondary school. Despite the additional preference for girls at the university level, girls are not pursuing agriculture courses or other science courses in large numbers. For both male and female students that are not destined for tertiary education, there is a lack of vocational education. Home economics is a good grounding for nutrition and processing food.

Steps to take:

- Strengthen secondary and higher secondary schools to provide necessary skills despite previous poor primary education
- Provide vocational training
- Provide home economics classes that include food safety, cooking, food processing, and tailoring
- Provide training on computers, computer assisted design, and other information technology skills

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society

IMPROVE EDUCATION AND FARM EXTENSION SERVICES FOR WOMEN

Rationale: The majority of rural women farmers are illiterate and do not have numeracy skills. Women farmers are responsible for crop planting, cultivating, and harvesting but have no control of the land. Women farmers are responsible for family nutrition and health. Men take the crops to market and control crop sales and profits. Extension services are often provided to men rather than women. Because so few have recordkeeping training, neither men nor women understand the cost of production and profit. Men often sell crops without understanding the amount of money needed for food safety for the family and without understanding market prices. Women need information: very few have mobile phones, and they are often too busy for the radio. NAADS has reached out primarily to male farmers on a "demand-driven" basis. Information is critical, but no system exists to extend information to women farmers.

Steps to take:

- Provide family skills training to rural farmers (women and men), including recordkeeping, numeracy, basic literacy, nutrition, garden keeping, proper storage, hygiene, sanitation, and family roles by teaching the family together.
- Require NAADS to change from demand-driven to strategic intervention and more regularized contact with rural farmers, including women.
- Provide extension services skills focused on different strata of society based on food-security criteria and an ability to move from subsistence to commercial farming.
- Provide training in agro-processing, value-added, business skills, and vocational skills to women's cooperatives and groups.
- Require gender mainstreaming at all levels of MAAIF, local government, and NAADS to ensure that policies in the rural areas address women farmers.
- Ensure that gender mainstreaming is a priority in the Decentralisation Policy.
- Improve vocational training for women—particularly food processing, tailoring, and information and communications technology.

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society, Starting a Business

STRENGTHEN THE ORGANIZATIONAL CAPACITY OF KEY WOMEN'S BUSINESS ASSOCIATIONS AND INCORPORATE A SECTION ON AGRICULTURE

Rationale: Capacity building of locally driven associations and NGOs is essential to program effectiveness and long-term sustainability. With respect to gender equality issues, there are a number of very effective associations and NGOs but none focus on agriculture or women farmers. Other countries have shown that women-focused, relational (as opposed to transactional) business support services provide nascent women business owners with confidence, counseling, and management skills. They also provide growth-oriented women business owners with contacts, compatriots, and new market opportunities.

Steps to take:

- Encourage NGOs to focus on agriculture and women farmers. In particular, encourage the Uganda Women Entrepreneurs Association Limited and other strong associations to develop an agriculture committee.
- Encourage business associations to focus on agriculture.
- Offer more women-targeted educational programming.
- Provide support to women in business to increase their presence in other parts of the value chain; use the National Export Strategy Gender Dimensions as a guide.

- Provide support to national and local public-private dialogue to increase women's skills in advocacy.
- Provide information on sanitary phyto-standards, quality, packaging and labeling, and meeting market standards domestically, regionally, and internationally (medium term).

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society, Starting a Business

STRENGTHEN LEGISLATIVE DRAFTING TO ENSURE GENDER EQUITY IN THE LAWS

Rationale: Support should be given to draft implementing legislation and policies to continue increasing gender equity. While the new bills are an improvement, they do not always contain best international practices and can be controversial, for example, provisions concerning the dissolution of a marriage based on impotence, which have caused considerable debate.

Steps to take:

- Provide assistance in evaluating best practices for certain basic laws such as marriage and divorce. This exercise could involve providing assistance to NGOs and working with the Uganda Law Society to encourage best international practices.
- Set the minimum marriageable age at 18 years (the age that would allow girls to complete education).
  - Equality in inheritance.
  - Continue land reform to provide equity. Provide additional methods for women to have secure rights to property use—life tenancy in the property, assertion of land rights when land is registered for the first time (Demarcation Project), caveat on the title to prohibit easement or transfer.
  - Provide extension of legal services through FIDA-U and the ULS Legal Aid Project to rural areas.
  - Encourage lawyers to work in rural areas, through incentives.

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society

INCREASE SUPPORT TO POST-START-UP, GROWTH-ORIENTED WOMEN BUSINESS OWNERS

Rationale: The gap between women in micro-business and women at the next level, often termed the "missing middle," is an area for nurturing the already slightly successful entrepreneur and helping her grow.

Steps to take:

- Foster facilitated peer roundtable discussions where members share business challenges and successes.
- Provide specific growth-focused educational programming on issues such as employment law, building an executive management team, providing export promotion activities and exploring new international markets, serving on boards and commissions, and accessing growth capital.
- Provide input on forming mentor-protégé relationships. These relationships could be in-country or throughout East Africa with the African Women Business Network, sponsored by Vital Voices.
- Provide assistance in organizing international fact-finding and relationship-building trips for the women's business association leaders to meet and discuss areas of common interest with women's business association leaders in East Africa and other countries.

Time frame: Medium to long term

AgCLIR Section: Women in Ugandan Society

SUPPORT EFFORTS IN THE DEPARTMENT OF LABOR TO INTERPRET AND ENFORCE LABOR LAW AND DEVELOP POLICY ON INFORMAL AGRICULTURE WORKERS

Rationale: The main problems surrounding employment policy in Uganda are the low capacity of implementing institutions to enforce policy in the formal sector and the fact that there is no application of the policy for informal sector workers. The Department of Labor in the Ministry of Gender, Labor, and Community Development has finished implementing regulations to accompany the labor policy and are, in theory, working on a strategy for informal agriculture workers. Furthermore, if labor officers are the primary conduit for implementing regulations, performing inspections, and mediating disputes, they need to be equipped with the skills and knowledge to do so.

Steps to take:
Capacity-building for the Department of Labor and Labor Officers

- Develop an agriculture module in ongoing training courses for labor officers to help them properly mediate agricultural disputes. The Platform for Labour Action has already developed a comprehensive training course. Support this organization to add agriculture-based modules and increase circulation of the training.
- Work with the Department of Labor on developing a policy or strategy to address the informal sector, bringing together stakeholders from the public and private sectors to give feedback.

Increasing applicability of rights in the informal sector

- Build labor regulation awareness into producer organizations and cooperatives as part of "commercial orientation."
- Work with Enterprise Uganda and other business service providers and organizations that work with and form cooperatives and producer organizations to develop and offer training modules on worker rights, labor policy, and labor standards.

Time frame: Medium term (2–3 years)

AgCLIR section: Employing Workers

LONG-TERM RECOMMENDATIONS (4+ YEARS)

EXPERIMENT WITH NEW SMALLHOLDER AGRIBUSINESS MODELS

Rationale: Part of professionalizing agriculture will be looking at new models of farm operation that accommodate commercially minded smallholders as a transition phase to serious-scale commercial farming.

Steps to take: Consider options for establishing an agribusiness-model financing fund. The fund would absorb some of the risk of experimental forms of agribusiness formation that embed smallholders into the value chain. For example, a joint marketing company would be more than an outgrower scheme. It would be a true joint venture between educated farmer groups and an enterprising agribusiness trader or processor. The legal formation could be simple—company limited by guarantee—but the challenges are in what goes into that company and how to have joint management and transparency from both sides. Other examples exist, but all likely require legal research, business analysis, and financial support. The fund could take several forms, such as partial guarantee, venture capital, or shareholder loan.

Time frame: Long term (4 years or more)

AgCLIR section: Starting a Business

ESTABLISH A MAAIF STANDARD AND INSPECTION SYSTEM FOR ORGANIC PRODUCTS

Rationale: Currently, private certifying organizations certify exports of organic products from Uganda as organic. Exporters indicate that this certification cost is significant and can render them uncompetitive.

Steps to take: Work with MAAIF, UNBS, and the National Organic Farmers Movement of Uganda to create an organic standard and certification system. Work with international supermarkets and large international organic buyers to recognize the Ugandan organic standard and certificate.

Time frame: Long term (3–5 years)

AgCLIR section: Trading Across Borders, Dealing with Licenses

CONDUCT A "YOUTH IN FARMING" CAMPAIGN

Rationale: Tomorrow's serious, commercial-minded farmers will come largely from those who are now under 30 years of age. Yet many in this group are leaving the farm. To keep them on the farm will require a serious, all-encompassing and widely supported youth in farming campaign.

Steps to take: Treat this campaign as if it were an election or a social marketing (HIV/AIDS) campaign—saturate the rural areas with consistent messages, delivered through a variety of media channels over a significant period of time. Look to support programs that treat farming as a business and that involve youth, such as 4-H or existing subcounty forums. Set a specific target for percentage of farmers below the age of 30. It is far easier to keep them on the farm than to lure them back after they have left.

Time frame: Long term (4 years or more)

AgCLIR section: Starting a Business, Employing Workers

IMPROVE MOTHER AND CHILD HEALTH AND NUTRITION THROUGH HOUSEHOLD-FOCUSED INTERVENTIONS

Rationale: Levels of malnutrition can be too high even in areas where food is both available and affordable. Malnutrition is particularly prevalent among women and children under five years of age. The causes of this phenomenon appear to be:

- Lack of good dietary practice—especially for the feeding of infants and young children.
- Access to a diversified diet.
- Poor sanitary practices.
- Asymmetric husband-wife control over cash and food distribution within the household

Steps to take:

- Use Title II food as an incentive to draw mother and mother-in-law couples to participate in immunization and learning groups (teaching good sanitary and dietary practice and family planning).
- Support community health care services to visit young mothers, their husbands, and their mothers to monitor child health and advise on best practices (one community health worker to 30 families).
- Support community health care services and hold community meetings to discuss mother and child nutrition and its consequences, targeting men and their allocation of food-cash within the household.
- Support NAADS or other district government resources that assist households in developing backyard gardens and produce essential vegetables for a balanced diet.
- Conduct studies of household dynamics to understand the causes of asymmetric asset control and to learn how to achieve greater equity in access to food and cash within the household.

Time frame: Long term (4 years or more)

AgCLIR section: Food Security, Women in Ugandan Society

DEVELOP CAPACITY WITHIN UGANDA'S STATE AGENCIES FOR MONITORING FOOD SECURITY AND DISASTER PREPAREDNESS

Rationale: Uganda's government has limited capacity to monitor, mitigate, and respond to food insecurity when it occurs. Existing capacity lies within donor institutions such as the Famine Early Warning Systems Network and WFP/FAO. While the government does monitor income and expenditure on an intermittent basis, the national food balance, which is derived from both agricultural production and trade statistics, is not well monitored, and local food insecurity is even less effectively monitored. A program that institutionalizes household economic analyses through the regular assessment of livelihood zones would provide a solid basis for food-security monitoring, particularly if developed as part of a larger intervention that integrates both market and crop production data. Such a program would provide the information needed to develop and coordinate appropriate responses to food insecurity.

Steps to take:

- Develop a national capacity to undertake household economic analyses on the basis of livelihood zone mapping; update the analyses on a regular basis (could be performed with Makerere University).
- Strengthen the capacity of UBOS to assess the national food balance accurately through the independent collection of agricultural production data and through linkage with the Ministry of Trade to collect import and export data.
- Develop a national capacity to integrate meteorological, agricultural production, and market data within a food-security framework (as currently undertaken by the Famine Early Warning Systems Network), and develop regular food-security assessments from this input (this information could also be shared with Makerere University). The project would include enhanced GIS capacity and strengthened linkages with international weather agencies.
- Develop a capacity within the Ministry of Agriculture to respond to national and local food-insecurity conditions. This task will require a shift in responsibilities from the Office of the Prime Minister but is recommended on the basis that all the required responses should be framed within the context of agricultural production and markets.
- Makerere University is recommended as a base for food-insecurity monitoring, given that the academic institution would be able to provide an objective assessment that would be accepted by both donors and government.

Time frame: Long term (4+ years)

AgCLIR section: Addressing Food Insecurity

STIMULATE COMPETITION AND ACTIVITY IN THE SMALL-SCALE TRADING SECTOR

Rationale: Subsistence producers have little incentive to increase the intensity of their farming operations (through the use of improved inputs and practices) because the market provides little return for their efforts. A program to increase farmers' access to markets could include many different components at a farmer level but would yield limited benefits unless complementary developments occurs in the trading sector. The following recommendations are given to stimulate domestic trader activity:

Steps to take: Interventions would include the following:

- Increased access to short-term finance for trading (through the use of DCA guarantees to support microfinance lending to small traders).
- Increased access to longer-term finance for small traders through a "ladder-based" approach to lending (first small loans for short duration on a peer group basis, increasing to larger loans with collateral on a smaller group basis, and finally individual loans on a longer-term basis based upon full collateralization)—specifically targeting the development of grain storage (including drying) and transport facilities.
- Support small claims courts in facilitating rapid resolution of business disputes.
- Support local government and works authorities in targeting feeder road development to economically active areas and in developing the capacity to utilize existing resources more effectively.

NGOs would undertake these activities working in conjunction with local government authorities, commercial banks, and MFIs. The program would be targeted to the most economically active areas (such as Lira and its surroundings).

Time frame: Long term (4 years or more)

AgCLIR section: Starting a Business, Enforcing Contracts

DEVELOP ADVOCACY CAPACITY AMONG RURAL BUSINESS COMMUNITIES

Rationale: The need to determine agricultural and off-farm business requirements is ongoing. Developing farmers' and rural businesspeople's advocacy capacity through support to representative associations and their collaborative forums (such as chambers of commerce) could assist with this need. Such groups require strengthening if they are to articulate their members' needs effectively to government and donors.

Steps to take:

- Work with existing chambers of commerce to identify functional representative associations.
- Provide technical assistance and finance to local apex bodies to be made available to representative associations on a demand basis to undertake impact assessments of key issues.
- Assist representative associations in interpreting the results of impact assessments and in presenting them for discussion with government and the general public.
- Assist representative associations in designing changes and preferred outcomes based on the discussions of impact assessment results and in lobbying for such changes.
- Provide counterpart expertise within government to facilitate a response to representative associations' requests.

Time frame: Long term (4 years or more)

AgCLIR section: Addressing Food Insecurity, Enforcing Contracts

ASSIST MALE YOUTH IN ADAPTING TO POSTCONFLICT ENVIRONMENTS

Rationale: Young men need to adapt to changing postconflict circumstances. The role of young men might be most easily redefined through an extensive campaign of community meetings at which gender-based roles within the community can be explored and, if necessary, redefined. A campaign to redress gender inequity—one that is highly inclusive of men and facilitates the discussion by men of male attitudes toward both women and each other—is one way in which other development programs could be made more attractive to young men.

Steps to take: The campaign to assist young men in coming to terms with postconflict situations would involve:

- Community meetings of men only and of men and women facilitated in the first instance by men only and in the latter by both men and women (trained in gender relations) at which young men can discuss and assess the expectations placed upon them.
- Development of specific training programs and income-generating activities designed to appeal to young men.
- Development of revised community expectations of young men (working through village elders).

The campaign would be implemented mainly through community groups, with special emphasis on village elders' participation.

Time frame: Long term (4 years or more)

AgCLIR section: Addressing Food Insecurity

HARMONIZE CUSTOMS FORMS AND AGRICULTURAL GRADES, STANDARDS, CERTIFICATIONS, AND SPS REQUIREMENTS THROUGHOUT THE EAC AND COMESA

Rationale: This undertaking would significantly facilitate trade within these regions. With the EAC Common Market Initiative underway, this process has been initiated.

Steps to take: Discussions should be held with URA, Customs, UNBS, and MAAIF to determine if there are any areas in which assistance would be useful.

Time frame: Long term (4 years or more)

AgCLIR section: Trading Across Borders

DEVELOP SYSTEMIC MANAGEMENT TOOLS FOR COFFEE WILT AND OTHER DISEASES

Rationale: Low coffee yields are largely the result of poor farming practices and low input use. However, coffee wilt disease also plays a role in reducing coffee yields. The battle against coffee wilt may never be won because resistance to wilt does not render a plant immune. But even if it can never be completely overcome, it is a disease that may be manageable.

Steps to take: Coupled with proper crop husbandry practices and new wilt-resistant plantings, it is possible to manage the disease and avoid catastrophic crop losses. However, it is important to continue research on varieties that offer the characteristics the market prefers in a Robusta coffee while resisting coffee wilt and to continue a program of new plantings. Steps to take include increasing the funding for research. Rather than UCDA's spending money on the promotion of niche markets and cafes (such as in China, Denmark, and Egypt), money would be better spent on increased research funding. Moreover, it is the sort of campaign issue that is ripe for public-private partnerships between UCDA, NARO, traders, and exporters.

Time frame: Long term (ongoing effort is required)

AgCLIR section: Coffee Value Chain

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