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PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

**An appraisal of institutional
models in Uganda**





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Preface

The agrifood system is changing rapidly. Structural changes are occurring throughout the system in response to the modernization of agriculture (globalization, coordination and concentration) and shifting consumer and societal demands for safer, better-quality and ready-to-eat food produced in a socially and environmentally responsible manner. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. However, to what extent are the MOAs empowered and equipped to do so? Many of them have seen their mandates and functions expanded from a strictly productive dimension to a more holistic, farm-to-fork approach. This expansion should be reflected in the provision of an increased scope of public goods and services to deal with post-production issues. MOAs also face the challenge of mainstreaming relatively new approaches such as the design and implementation of value chain programmes; climate-smart agriculture; the use of contract farming; public-private partnerships and other private sector engagement models; and agribusiness programmes with a territorial dimension (e.g., agricultural growth corridors and clusters).

FAO has conducted an appraisal of the organizational arrangements used by MOAs to support inclusive agribusiness and agro-industry development, which included a scoping survey of 71 countries and in-depth analysis of 21 case studies from Africa, Asia and Latin America. The study found that many MOAs have established specific agribusiness units with technical, policy and/or coordination functions concerning agribusiness development. Others have set up clusters of units with complementary individual mandates.

The study analysed how well prepared these agribusiness units and their staff are to deal with both traditional and non-traditional approaches and tools for agribusiness development. This assessment examined the units' staffing, organizational structure and budget allocation, and the range and quality of goods and services they provide.

FAO is publishing this series of country case studies to enhance knowledge and information on best practices for establishing and operating well-performing agribusiness units. The various organizational models applied by countries to cater to the changing agribusiness environment are also explored, including mechanisms to build linkages with other relevant ministries (e.g., of industry and commerce) and private institutions. The series provides an opportunity to raise awareness about the need for stronger public commitment to inclusive agribusiness and agro-industrial growth, reflected in a more generous allocation of human and financial resources to empower agribusiness units and similar structures within MOAs. Refocusing the core functions and/or targeting specific commodity/value chains could also help the units to achieve a suitable balance between the requirements of their changing agribusiness mandates and their existing resource allocations, while maximizing the achievement of social goals (e.g., inclusiveness and job creation).

Acronyms

AFMU	Agribusiness and Farm Management Unit
AGS	Rural Infrastructure and Agro-Industries Division
COMESA	Common Market for Eastern and Southern Africa
COMRAP	COMESA Regional Agro-Inputs Programme
DPP	Department of Policy and Planning
DSIP	Development Strategy and Investment Plan
EAC	East African Community
FAMIS	Food and Agricultural Marketing Information System
IFPRI	International Food Policy Research Institute
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MOA	Ministry of Agriculture
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NDP	National Development Plan
NGO	non-governmental organization
PCC	parish coordinating committee
PEAP	Poverty Eradication Action Plan
PFA	Prosperity for All
PIRT	Presidential Investors Round Table
PMA	Plan for the Modernization of Agriculture
SWG	Sectoral Working Group
SWOT	strengths, weaknesses, opportunities and threats
UCDA	Uganda Coffee Development Authority
VFF	village farmer forum
VPC	village procurement committee

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Executive summary

The objective of this research study is to document the case of Uganda's experience in establishing an agribusiness unit within the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). Agribusiness covers all activities and functions in the agricultural value chain, so all the units and departments under MAAIF have some involvement in providing support for the country's agribusiness development. However, this study focuses on the two institutions with specific mandates to carry out agribusiness functions: the Agribusiness and Farm Management Unit (AFMU), which is under MAAIF's Department of Policy and Planning (DPP); and the National Agricultural Advisory Services (NAADS), a semi-autonomous agency under MAAIF.

In 1997, the Government of Uganda launched the Poverty Eradication Action Plan (PEAP) as the overall guiding framework for eliminating poverty in the country. To implement the agriculture component of the PEAP, MAAIF launched the Plan for the Modernization of Agriculture (PMA) in 2000. In 2001, Parliament enacted the NAADS Act to implement one of the pillars of the PMA: provision of advisory services. In parallel, MAAIF founded AFMU to coordinate agribusiness activities among all its departments and programmes. The core objective of NAADS is to offer farmer-led and private sector-driven extension services to farmers in a sustainable manner. The main focus of NAADS' first phase, which ran from 2001/2002 to 2008/2009, was to offer production-related advisory services to farmers. The second phase of NAADS – which was launched in 2010 with funding provided under a joint project with the National Agricultural Research Organization (NARO), called the Agricultural Technology and Agribusiness Advisory Services (ATAAS) – focuses on market-oriented advisory services.

AFMU was formed at approximately the same time as NAADS (2001), but by different groups of people. AFMU's role is to coordinate agribusiness activities among all the other departments and programmes of MAAIF. It operates at the national (macro) level while NAADS operates at the district, county, sub-county and parish (meso and micro) levels and has a coordinating office at the national level.

The two institutions differ significantly in terms of their financial and human resource capacities: AFMU faces significant financial and human resource capacity constraints. For instance, MAAIF is significantly understaffed. Of a total of 411 positions reflected on the organizational organogram, only 267 – 67 percent – are filled. AFMU has only four staff members – all of whom are technical officers – expected to cover the whole nation. In addition to being understaffed, MAAIF headquarters is also significantly underfunded. In the 2010/2011 fiscal year, agriculture, animal industry and fisheries projects and programmes received only 47 percent of their approved budgets, while the NAADS programme received 99 percent of its approved budget. These funding levels have had serious impacts on the performance of the agriculture sector.

In recent years, the country has sought to create a favourable legislative environment for agribusiness development. Several laws incentivize the agribusiness sector in Uganda. The most notable of these laws is the Income Tax Act, which provides for:

- income tax exemptions on income derived from investments in agroprocessing plant and machinery used to process agricultural products grown or produced in Uganda, and on the interest that financial institutions earn from agriculture-related loans;
- reduction of excise duty to 40 percent on beer produced and malted in Uganda, and duty exemption on heat-insulated milk tanks;
- exemption of value-added tax on the supply of specialized vehicles, equipment, feasibility studies and civil works related to agriculture; approved foodstuffs and agricultural commodities; poultry and livestock feeds; and agroprocessing machinery.

An appraisal of the business model for service provision of NAADS reveals that its *core service areas* are reinforcement of business and market linkages, especially at the farm level, and support to collective action and alliance building. These services are provided by forming farmers' groups and linking them to service providers. NAADS' *secondary service areas* include value chain analysis, and investment appraisal, especially at the farmer level.

The principles of NAADS' *business model* are relevant to farming activities in Uganda and include ensuring that activities are farmer-led; involving the private sector in the provision of agricultural technologies; categorizing farmers as either food security or commercial farmers; and co-funding. However, comprehensive evaluations of NAADS and interviews with stakeholders generate mixed results. On the one hand, NAADS has realized significant impacts on farmers in terms of agribusiness-related indicators such as the uptake of agricultural technologies, the use of market information, and changes in marketed output. On the other hand, many farmers are still unaware of the programme after ten years of implementation, there are still challenges related to input procurement, and many farmers perceive the NAADS programme as targeting only relatively wealthy farmers. To absolve itself, NAADS is implementing a strong communication strategy to reach farmers by sponsoring twice-weekly radio and television programmes and newspaper articles.

AFMU's core service areas include development of policy and strategy papers, lobbying and advocacy in the agribusiness sector, sharing of knowledge and information pertaining to agribusiness, reinforcement of business and market linkages, and value chain analysis. Its *secondary service areas* include trade and marketing appraisal and support, and agro-industry appraisal and support.

The main *challenges* facing AFMU are underfunding, which has led to a shortage of human resources and contributed to weak coordination with other ministry departments and sector agencies, and an over-emphasis on projects.

MAAIF is currently being restructured and is implementing the Development Strategy and Investment Plan (DSIP) for 2010/2011–2014/2015. The DSIP recommends promoting AFMU from the status of a unit under DPP to that of a full department under the Directorate of Agriculture Support Services. These changes have not yet been implemented.

Capacity building priorities

The institutional development path of NAADS will depend largely on whether programme implementers address the shortfalls identified under the first phase of NAADS. The institutional development path for AFMU will depend largely on whether MAAIF implements the DSIP effectively, which in turn depends on the Treasury increasing the budget allocation to MAAIF headquarters.

Priority areas for capacity building include linking AFMU to NAADS, coordination of MAAIF projects, coordination with non-governmental organizations working in the agribusiness sector, design and implementation of district agricultural master plans, and development and integration of knowledge management in NAADS. There is potential for organizations such as FAO to support the two institutions through technical assistance in the development of district agricultural master plans, proposals and programmes, and intra-ministry coordination of agribusiness activities.

Chapter 1

Introduction

1.1 BACKGROUND

The new agribusiness era is characterized by a shift from family farms to strategically placed commercial production and processing units linked to exporters and modern retailers. New, sophisticated and globalized procurement practices have been mainstreamed to comply with food quality and safety standards, including traceability requirements, and to reduce transaction costs and minimize risks. Changing consumer preferences (mainly in search of pleasure, health, fitness, convenience and ethics) and concerns about the impacts of climate change are also pushing the agribusiness sector to new heights of performance and innovation.

This changing agribusiness environment is placing increasing pressure on ministries of agriculture (MOAs) to engage in agribusiness and agro-industry development. The 2007 report of FAO's Committee on Agriculture identified the review and reform of institutional mandates for agribusiness and agro-industry¹ development as a top priority (FAO, 2007). The importance of this priority has been emphasized by the large number of requests for strategic advisory support on agribusiness that FAO's Rural Infrastructure and Agro-Industries Division (AGS) has received over recent years, from countries such as India, Kenya, Nepal, Pakistan, Sierra Leone and Swaziland.

To increase its knowledge and expertise on the organizational reform and strengthening needed to create relevant agribusiness capacities in MOAs, AGS has initiated a series of efforts that include the preparation of fact sheets, mission statements and a checklist on institutional arrangements for agribusiness and agro-industry development in 19 African countries, in 2008; a study on innovative approaches, including institutions, for accelerating

agribusiness development in sub-Saharan Africa, in 2009; groundwork on the role of government institutions in agribusiness, supply chain management and agro-industry development in the Commonwealth of Independent States, in 2010; and a workshop on market-oriented extension services and support to agribusiness, held in Harare (Zimbabwe) in October 2010, which gathered representatives from the MOAs of 15 East and Southern African countries.² During the workshop's three days of presentations and discussions, a wealth of information on what MOAs in these subregions were doing to adapt to the era of agribusiness was shared. In particular, participants described the organizational changes taking place as their ministries assumed new functions related to agribusiness, focusing on the new organizational structures being put in place, the priorities and scope of service provision to agribusiness and agro-industry, and priority areas for capacity building. Based on information gathered during the workshop, more in-depth studies from these subregions were undertaken.

In 2011, AGS complemented these efforts with a worldwide appraisal of organizational arrangements used by MOAs – and, as appropriate, cross-ministerial and long-term programmatic mechanisms – to support agribusiness and agro-industry development. This appraisal focused on innovative models and characterized the new functions that MOAs were assuming, assessing how the MOAs were addressing their new functions in practice, identifying capacity building needs, and drawing lessons learned and good practices.

In the Africa region, national consultants were contracted to analyse experiences in 19 countries, including Uganda, which established an agribusiness unit in the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) in 2001. The Agribusiness and Farm Management Unit

¹ For the purposes of this study, agribusiness enterprises include firms or business entities that produce or provide inputs, produce raw materials and fresh products, process or manufacture food or other agricultural products, transport, store or trade agricultural products, or retail such products.

² Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, South Africa, the Sudan, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

(AFMU) operates at the national (macro) level, while National Agricultural Advisory Services (NAADS) – a semi-autonomous agency under MAAIF – is concerned with agribusiness issues at the district, country, sub-county and parish (sub-national) levels.

1.2 PURPOSE

This study documents case studies of AFMU and NAADS in Uganda. It assesses the scope of services that these two agencies provide against a list of 11 agribusiness service areas selected for the FAO study series: appraisal of business models; value chain analysis, including benchmarking, chain coordination and facilitation; building of business and entrepreneurial skills; reinforcement of business and market linkages; support to collective action and alliance building; finance and investment appraisal and support; trade and marketing appraisal and support; agro-industry and processing appraisal and support; development of policy and strategy papers; lobbying and advocacy in the agribusiness sector; and sharing of knowledge and information pertaining to the agribusiness sector.

The country study has three main objectives:

1. to characterize the institutional profile of the structures put in place within MAAIF to deal with agribusiness issues, particularly specific

agribusiness units or clusters of departments/bureaux;

2. to appraise the business model for service provision;
3. to analyse capacity development needs, identifying priority needs and potential areas for FAO support.

1.3 METHODOLOGY

As a first step in its study series, FAO carried out a brief scoping survey to identify existing organizational structures with mandates related to agribusiness in all the countries of the region. The survey identified AFMU as the agribusiness unit in Uganda's MAAIF, and an in-depth study of this unit, and of NAADS, was undertaken using two main sources of information: key informant interviews with 12 respondents; and secondary data and information. See Annex 1 for a list of people interviewed.

1.4 ORGANIZATION OF THE REPORT

The report is organized into four sections: this section 1 provides background information on the context of the study; section 2 characterizes both of the agribusiness institutions studied; section 3 describes their business models for providing agribusiness services; and section 4 outlines priority areas for capacity building and FAO support.

Chapter 2

Characterization of AFMU and NAADS

This section provides a snapshot of the two institutions' principal characteristics, functions, priorities, human resources and financial capacities, and the policy and legal environment in which they operate. The section assesses how well-placed the two organizations are to fulfil their respective missions and objectives. The author opted to assess NAADS as well as AFMU for the following reasons:

- *NAADS has an agribusiness function:* NAADS is a government institution charged with developing and delivering demand-driven agricultural services to farmers. The second phase of NAADS (which started in 2010) places greater emphasis on marketing, post-production and value addition (MAAIF, 2010), which are all elements of agribusiness.
- *NAADS is a national multisectoral agency that interacts with all value chain activities,* while other government agencies under MAAIF either focus on one sector, such as the Uganda Coffee Development Authority (UCDA), the Uganda Cotton Development Organization and the Dairy Development Authority; or focus on a specific point of the value chain – for example, the National Agricultural Research Organization (NARO) focuses on research.
- *NAADS receives significant financial resources:* The NAADS programme receives a significant share of the total budget for agriculture. In the 2010/2011 fiscal year the approved budget for NAADS (secretariat and districts) accounted for 51 percent of the total budget for agricultural vote functions.³ The amount approved for the MAAIF vote function was equivalent to only 24 percent of total agricultural vote functions. More important, the actual amount released to NAADS was 99 percent of NAADS' approved budget, which

is significantly higher than the 46.4 percent of MAAIF's approved budget that was released to ministry headquarters (MAAIF, 2011).

2.1 INSTITUTIONAL PURPOSE AND PROFILE

Purpose and profile of NAADS

NAADS is a semi-autonomous body formed under the NAADS Act of 2001 with the objective of developing a demand-driven and farmer-led system for delivering agricultural services. The origin of NAADS can be traced back to the mid- to late 1980s during the structural adjustment programmes of the World Bank. During this period, the Government of Uganda started to delink itself from economic activities to focus more on regulation, policy formulation, coordination and supervision. The government agricultural extension system remained active throughout the 1990s, mainly at the local government level, and the World Bank-funded Agricultural Extension Project was one of the major extension-related projects in Uganda. An evaluation of the project reported significant negative findings, and important lessons were learned. The project rating was unsatisfactory in many indicators because of the top-down and centralized approach to service delivery. The project also ignored the critical importance of farmer empowerment.

The lessons from this project informed the thinking that led to the formation of NAADS. From the onset, NAADS was intended to be farmer-led and private sector-driven, with a focus on decentralized service provision. NAADS was also designed to be a sustainable programme by applying cost-recovery and cost-sharing principles.

NAADS was created to provide advisory services, which are one of the components of the Plan for the Modernization of Agriculture (PMA). Full implementation of NAADS activities started in July 2001 in six districts – Arua, Kabale, Kibaale, Mukono, Soroti and Tororo – and had expanded to 79 districts by 2008. Table 1 shows the number of new districts participating in NAADS in each year over this period.

At its founding, NAADS' mission was to become a decentralized, farmer-owned and private sector-serviced extension system contributing to

³ Budget allocations are made to different ministries using vote functions. A vote function is a set of programmes or projects and local government grants defining the roles and responsibilities of an institution (a "vote") in contributing towards the attainment of an overall sector objective (MAAIF, 2011).

TABLE 1
Number of new districts participating in NAADS

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
New participating districts	6	10	5	8	20	15	15

Sources: NAADS, 2011.

realization of the agriculture sector's development objectives. The NAADS vision was to increase farmers' access to information, knowledge and technology for profitable agricultural development. Both the mission and the vision are relevant to the context for farming in Uganda. The core objectives of NAADS are to:

- promote market-oriented/commercial farming (farming as a business);
- empower subsistence farmers and facilitate their access to private extension services, technologies and market information;
- create options for the financing and delivery of appropriate advisory and technical services for different types of farmer;
- shift from public to private delivery of advisory services in the first five years of implementation;
- develop private sector capacity and professional capability to supply agricultural advisory services;
- stimulate private sector funding for agricultural advisory services.

These objectives show that NAADS focuses mainly on the provision of advisory services. However, the second phase of NAADS, which was in its second year of implementation while this study was being prepared, focuses more on markets and the private sector.

Purpose and profile of AFMU

Institutional background: Enactment of the 1995 Constitution of Uganda stipulated a new paradigm for government operations: the government (including all its ministries, agencies and departments) was to move away from the direct provision of public goods and services, and focus instead on creating an enabling environment for the implementation and realization of policy objectives and directives that facilitate the private sector's value addition to goods and services. The goal of this switch was to reduce bureaucracy in the public sector. MAAIF switched from the provision of agricultural goods and services to a policy oversight role, and is now primarily responsible for the formulation and review of national policies, plans,

legislation, standards and programmes relating to the agriculture sector. The ministry also acts as the supervisory body for controlling and managing crop and animal epidemic diseases and pests affecting production; controlling the use of agricultural chemicals; and enforcing zoosanitary and phytosanitary regulations, including seed quality standards.

The 1995 Constitution endorsed the concept of decentralization as a principle of democratic governance. Under the decentralization programme, all service delivery, including extension services, has been devolved to local authorities (districts and urban councils), with central government ministries retaining policy, regulatory and supervisory responsibilities. However, the decentralization process has faced significant challenges regarding the effectiveness of governance and communications between MAAIF and local governments in carrying out their agriculture-related duties. For example, it is difficult for MAAIF commissioners to obtain agricultural performance reports from district chief administrative officers, as the ministry must first write officially to the district council, which may not approve the request for information.

In 1997, the government developed the Poverty Eradication Action Plan (PEAP) with the overall goal of reducing absolute poverty and ensuring more equitable distribution of the benefits of economic growth. The PEAP was grouped around five pillars, with the agriculture sector addressed under the second pillar – production, competitiveness and incomes. The PMA was formulated in 2000 to realize the agricultural objectives defined within the PEAP and to guide the transformation of agriculture from a predominantly subsistence to a commercial sector. MAAIF's AFMU was created within the Department of Policy and Planning (DPP) to operationalize the PMA. AFMU oversees the overall policy framework for developing Uganda's agribusiness sector, including by designing policies to ensure that objectives of the Prosperity for All (PFA) initiative are achieved, and that agriculture programmes outlined in the Natural Resource Management Manifesto are implemented. NAADS was also created within the PMA framework, to implement the PMA pillar on advisory services.

AFMU does not have its own mission, but instead subscribes to MAAIF's mission through its overall objective of supporting agribusiness market research, commercial farm management and food security. Under the plan for restructuring MAAIF, AFMU will become a full department with a new objective of *supporting agribusiness development and management in the agriculture sector*. The unit's current core functions are to:

- develop policy guidelines for transforming subsistence agriculture into commercial agriculture;
- plan, monitor and evaluate improvements in agribusiness and farm management country-wide;
- provide technical advice to promote profitable use of the factors of production on farms, including land, labour, capital, entrepreneurship and time;
- train MAAIF staff and other trainers on agribusiness management, farm management, and farm record-keeping, analysis, interpretation and utilization;
- provide policy guidelines on the promotion of profitable farming systems;
- analyse production and socio-economic conditions affecting on-farm and agro-industry operations;
- develop guidelines and recommendations for improved on-farm and agro-industry operations;
- disseminate market information to farmers and other agro-industry operators;
- develop strategies and implementation plans for national food security, and monitor their implementation in close liaison with technical departments of MAAIF;
- provide oversight and supervision of the NAADS programme.

AFMU operates under the Department of Policy and Planning (DPP) and is headed by an Assistant Commissioner, who reports to the Commissioner of Policy and Planning. Currently, DPP is mandated to initiate, develop and prioritize agricultural projects and programmes, and to coordinate planning activities across MAAIF's various departments. DPP is also responsible for planning, monitoring and evaluating performance in the agriculture sector. AFMU works within the DPP framework, evaluating all agriculture projects and programmes to ensure that they contain elements of agribusiness.

The MAAIF restructuring exercise of 2010 recommended that AFMU be promoted to department sta-

tus. This recommendation was adopted by MAAIF's top policy management and included in the Development Strategy and Investment Plan (DSIP). MAAIF's amended structure has four directorates: Crop Resources, Animal Resources, Fisheries Resources, and Agricultural Support Services. The Directorate of Agricultural Support Services was formed from a merger of the Policy Analysis Unit, the Agricultural Planning Department, the Department of Farm Development and the divisions responsible for animal and crop marketing. The Agribusiness Department will be under this directorate. Figure 1 illustrates this proposed structure. Although the restructuring has been approved by the ministry's top policy management, it has not yet been implemented because of budget constraints. The new structure is expected to improve the development and coordination of agribusiness sector policies, plans, programmes and projects geared towards ensuring a conducive and enabling environment for the private sector to operate effectively. This will be done by improving linkages and coordination within the ministry, between the ministry and its agencies, and between the ministry and local government structures at the district level. The Agribusiness Department will be headed by a commissioner, with two divisions – Agribusiness, and Primary Processing and Value Addition – each headed by an assistant commissioner. These functions will be complemented by a number of cross-cutting functions, for which responsibility will lie with other departments and units.

2.2 INSTITUTIONAL CAPACITY OF AFMU

Staffing

Current staffing levels at MAAIF are inadequate for effective performance, which constrains the Ministry's ability to deliver its mandated responsibilities. MAAIF has a total of 411 positions, of which only 279 (67 percent) are filled (MAAIF, 2010). Following the recent restructuring, an additional 193 personnel are needed – pushing the number to 604.

AFMU has a total of four positions. The top position is the Assistant Commissioner of Agribusiness, who reports to the Commissioner of Policy and Planning. The other three positions, all of which report to the Assistant Commissioner are Principal Agricultural Economist; Senior Economist, Agribusiness and Market Research; and Senior Economist, Commercial Farm Management. Annex 2 provides detailed job descriptions for all four positions. AFMU does not have any casual employees, but occasionally hires external consultants to perform specific tasks within a given time-

line, for example during the formulation of projects and policies such as the DSIP.

Effectiveness

AFMU has not been able to deliver its core functions effectively for the following reasons:

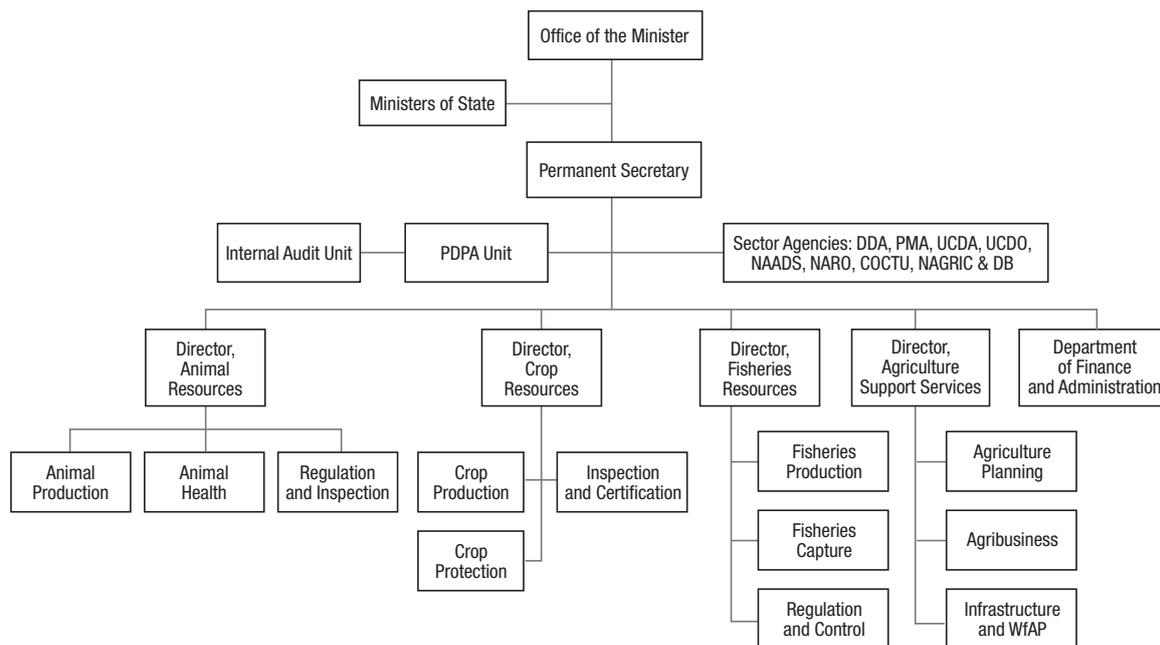
- *Low levels of funding:* Under the agriculture, animal industry and fisheries vote function, MAAIF is significantly underfunded. In 2010/2011, the National Treasury approved U Sh 88.56 billion (approximately US\$300 million), of which only 46.4 percent was actually disbursed (Office of the Prime Minister, 2012).
- *Weak coordination with other ministry departments and sector agencies:* This factor is closely related to low levels of funding. An example of weak coordination was witnessed during this study, when a senior manager of NAADS was not aware that MAAIF had a unit responsible for agribusiness.
- *Lack of a national agricultural policy to guide planning for the whole sector* has led to lack of consistency among policies.
- *Failure to implement policies* – such as the establishment of plant clinics in all sub-counties (for which U Sh 8 billion was approved in 2010/2011) – is constraining the sector in combating crop diseases.

Leadership and governance

Field interviews conducted during this study were complemented by a comprehensive review of MAAIF undertaken in 2011 (Adam Smith International, 2011) to provide the following findings:

- The MAAIF leadership does not devote sufficient resources to management. In addition, the top management is composed of politicians who keep changing. The current Minister and ministers of state were appointed in March 2011, after presidential and parliamentary elections.
- MAAIF's strategic plan – the DSIP – is being implemented. Each department has an annual plan, which is linked to the strategic plan; these annual plans are being implemented.
- Individual members of staff have work plans that are linked to departmental annual plans. Staff are appraised periodically, based on agreed targets and work plans.
- AFMU does not conduct periodic client assessments to determine what clients think of the quality of the unit's services.
- Recruitment and promotion of staff are based on merit, and posts are advertised publicly.
- Coordination among units and departments in the ministry is weak, as is coordination with other sector agencies.

FIGURE 1
Proposed MAAIF structure



Financing to MAAIF and AFMU

Table 2 shows the total budget allocated to MAAIF under three vote functions: agriculture, animal industry and fisheries, which covers MAAIF headquarters; NAADS secretariat; and NAADS districts. While the overall approved budget to the agriculture sector increased from U Sh 310.73 billion in 2009/2010 to U Sh 365.53 billion in 2010/2011 (approximately US\$120 million to US\$140 million), the budget for MAAIF headquarters declined. In 2009/2010, MAAIF headquarters received 39 percent of the total sector budget, decreasing to 24 percent in 2010/2011. During this period, the actual budget allocations to the NAADS secretariat and districts increased.

In addition, in 2010/2011, MAAIF headquarters received only 46.4 percent of its approved budget (Table 2), while NAADS received 99 percent of its (Office of the Prime Minister, 2012).

This restricted allocation greatly constrained the effective implementation of ministry activities.

The total approved allocation under the vote function for policy, planning and support services, under which AFMU is funded, was U Sh 17 billion in 2010/2011⁴ (US\$10 million), equivalent to 19.2 percent of the total approved budget for MAAIF headquarters. However, the Treasury released only U Sh 12.7 billion, or 74.8 percent of the approved amount (Table 3). The amounts released to the other two vote functions, as percentages of the approved amounts, were even less: 32 percent

⁴ However, the ministerial policy statement (MAAIF, 2011) reported two different figures for the approved budget of the policy, planning and support service vote function: U Sh 14 834.7 million (on page 62), and U Sh 16 972 million (on page 32).

TABLE 2
Budget allocations to agriculture, 2009/2010 to 2011/2012

Vote function	Recipient(s)	2009/2010 approved (U sh billion)	% of sector total	2010/11 approved (U sh billion)	% of sector total	2011/12 estimate (U sh billion)	% of sector total
010	Agriculture, animal industry and fisheries	121.23	39%	88.56	24%	130.75	30%
152	NAADS Secretariat	17	5.5%	53.35	15%	97.04	22%
501-850	NAADS (districts)	117.24	37.7%	132.47	36%	132.47	30%
Other*		55.26	17.8%	91.15	25%	76.54	18%
Total for agriculture*		310.73		365.53		436.80	

* The total for agriculture is the sum of all seven vote functions under agriculture. The table shows only three vote functions. The other four vote functions are the National Agricultural Research Organization (NARO), the Uganda Cotton Development Organization, the Uganda Coffee Development Authority and the Non-Sectoral Conditional Grant.

Sources: MFPED, 2010; 2011.

TABLE 3
MAAIF budget allocations, 2010/2011

Vote function	Approved (U Sh billion)	% of total approved	Released (U Sh billion)	% of approved
0101 Crops	31.739	35.8%	10.156	32.0%
0102 Animal resources	39.852	45.0%	18.251	45.8%
0149 Policy, planning and support services	16.972	19.2%	12.702	74.8%
Total	88.563		41.109	

Sources: MAAIF, 2011.

for crops, and 45.8 percent for animal resources. Overall, the Treasury released only 46.4 percent of MAAIF's total approved budget in 2010/2011.

In addition to the agribusiness function, DPP handles other functions including the development and management of agricultural databases, policy formulation and review, and coordination of agriculture sector programmes with district offices. Table 4 presents a breakdown of DPP expenditure for 2010/2011.

Sectoral linkages

The most important tool in ensuring sectoral linkages is the Sectoral Working Group (SWG), which comprises MAAIF, civil society organizations, including the Uganda National Farmers' Federation, and development partners. The SWG's functions are to evaluate MAAIF investments in line with sector priorities; review the annual agriculture budget framework paper as the basis for budgeting in the sector; identify policy issues for consideration and action by top policy management; and provide information for joint reviews by the Government of Uganda and development partners. The SWG meets quarterly, but there are plans to increase the frequency of meetings. It is important to note that the SWG discusses all issues under MAAIF's mandate, including agribusiness. There is no cross-ministerial committee for discussing issues that affect the agriculture-related sectors.

2.3 INSTITUTIONAL ENVIRONMENT FOR AGRIBUSINESS DEVELOPMENT IN UGANDA

Both AFMU and NAADS follow the overall agricultural policy framework of MAAIF, the key elements of which are contained in policy documents that include the PMA, the DSIP and the PFA initiative. Over the last two decades, several policy pronouncements have required MAAIF – including AFMU – to redefine its roles and adapt to emerging developments within the agriculture sector. The key policies and laws that affect the agribusiness sector are described in the following paragraphs. Annex 3 outlines the evolution of the policy and programme environment over recent decades.

Plan for the Modernization of Agriculture: The PMA was launched in 2000 as a holistic, strategic framework for contributing to the eradication of poverty through multisectoral interventions under the 1997 PEAP. Its objective is to transform agriculture from a predominantly subsistence to a commercial sector.

National Development Plan (NDP) 2010/2011–2014/2015: This is Uganda's overall development policy framework, succeeding the PEAP, which was introduced in 1997 and revised in 1999 and 2004. The NDP's theme is "Growth, Employment and Socio-economic Transformation for

TABLE 4
DPP expenditure, 2010/2011

Expenditure	Programme	Amount (U Sh million)
Recurrent costs	Running costs and internal audit	9 122
Development expenditure	Rural electrification	242
	Agricultural production, marketing and regulation	260
	Support for institutional development	2 259
	Plan for national agricultural statistics	599
	Supervision, monitoring and evaluation	616.7
	Development of early warning systems	689
	Markets and agricultural trade improvement	300
	MAAIF coordination	747
Subtotal (development)		5 712.7
Total		14 834.7

Sources: MAAIF, 2011.

Prosperity”. Enhancing agricultural growth as an engine for employment creation, poverty reduction and industrialization, and addressing infrastructure constraints for productivity and export competitiveness are central to the NDP. In the agriculture sector, the plan focuses on sector governance and the political leadership of national policies and strategies. The NDP outlines core principles for guiding investments in the agriculture sector over the next five years, some of which represent significant departures from past practice and will have an impact on sector planning and budgeting processes in MAAIF.

Prosperity for All programmes: The objective of the PFA initiative is to empower households to meet basic needs and attain a gross income of at least U Sh 20 million (approximately US\$7 800) per year through improved agricultural productivity, increased access to financial services and remunerative markets, and value addition. In 2010, the government consolidated all agriculture-related programmes into one major effort – PFA – which is under the Prime Minister’s Office. A number of principles for guiding this directive were developed by the Office of the Prime Minister for dissemination to the various sectors, including MAAIF. However, there seem to be duplications of roles among ministries; for example water for agricultural production is a shared responsibility among the Ministry of Water and Environment, MAAIF and the Ministry of Tourism, Trade and Industry, with the Ministry of Water and Environment being responsible for the development of off-farm facilities while MAAIF is responsible for on-farm facilities and activities.

Development Strategy and Investment Plan: In 2008, the government designed the DSIP to promote commercialization of agriculture and realization of the vision and mission for Uganda’s agriculture sector. The DSIP replaces all previous policies and strategies for upgrading agriculture, and two of its four programmes have a strong focus on agribusiness: i) enhancing production and productivity, and ii) market access and value addition.

Cabinet approved the DSIP on 26 March 2010 as the framework for guiding public investments in the agriculture sector for the next five years. Poor performance of the sector over the previous ten years is linked to climate change, low adoption and use of improved technologies, severe land degradation, limited access to sustainable markets, lack of an enabling environment for increasing

private sector involvement, increased incidences of pest, disease and vector outbreaks, and inadequate infrastructure. Several of these constraints are institutional and related to inadequacies in the structure, capacities, management systems and governance of agricultural institutions.

Legislative and regulatory environment

Uganda has various legal provisions that incentivize agribusiness development.

The Income Tax Act: Income tax laws provide significant tax exemptions and other incentives for agribusinesses at various levels. For example, incentives under the Income Tax Amendment of 2009/2010 and the Income Tax Act 2010/2011 include (PWC, 2011):

- income tax exemption on agroprocessing investments – especially in new plants and machinery for processing agricultural products for final consumption or further processing – and on the interest earned by financial institutions on agriculture-related loans;
- duty exemptions on heat-insulated milk tanks;
- reduction of excise duty to 40 percent on beer produced and malted in Uganda;
- value-added tax exemption on the supply of specialized vehicles, equipment, feasibility studies and civil works related to agriculture; approved foodstuffs and agricultural commodities; poultry and livestock feeds; and machinery for agroprocessing.

These incentives have had mixed impacts along the value chain. Although they tend to favour value chain players engaged in post-production activities, such as milk transporters, brewing companies and agroprocessors in general, targeted support to these post-production value chain players has also had impacts on the production level. However, these impacts are usually realized only by very organized producer groups. For example, the reduction of excise duty on locally produced and malted beer has had an impact on members of the Kapchorwa Commercial Farmers’ Association in eastern Uganda, which entered into a contract with Uganda Breweries Limited to produce barley. After calculating its members’ production costs and adding a profit margin, the association negotiated a favourable purchase price for the barley.

East African Community (EAC) Common Market Protocol: Under the Common Market Protocol, since July 2010, the five member states of

EAC are implementing a 0 percent tariff on goods originating from within the community and a common external tariff for goods from outside. The member states also have a favourable trading regime within the wider Common Market for Eastern and Southern Africa (COMESA) region. This regional trade regime is intended to promote business within the region in two ways:

- Raw materials, products and services from within the region are tariff free, which reduces production costs for businesses.
- The EAC member states represent a single market of 140 million people, compared with Uganda's population of 33 million. This larger population is a larger market, making the region more attractive to investors.

NAADS Act: The NAADS Act of June 2001 led to the formation of NAADS as a semi-autonomous agency under MAAIF. The act defines the roles and governance structure of NAADS.

Risks and constraints to doing business in Uganda

Agribusinesses follow the same business procedures as other companies in Uganda, including those for business registration, contract enforcement and access to credit. Uganda is not a good destination for business. The World Bank ranks it 123rd of 183 countries for ease of doing business (World Bank, 2012); this is slightly above the regional average rank of 137th. The same source also ranks Uganda low in the following specific business environment indicators: 116th for enforcing contracts; 143rd for setting up a business; 133rd for protecting investors; 127th for registering property; and 129th for obtaining an electricity supply.

2.4 RECENT GOVERNMENT INTERVENTIONS

Several recent government interventions demonstrate that the Government of Uganda views agribusiness as an important vehicle for sustainable agricultural development.

EMRC Agribusiness Forum 2010: The government of Uganda co-hosted the EMRC Agribusiness Forum⁵ in October 2010 in close collaboration with FAO, Rabobank and the Africa Enterprise Challenge Fund, among other organizations. The Agribusiness Forum is an international meeting that brings together leaders from government, the private sector and the development sector. The theme of the 2010 forum was "Food Security: a Business Opportunity", and the core goal was to promote intra-continental and South-South business partnerships. The President of Uganda delivered the keynote address at the forum.

Presidential planning meetings: Over a period of three weeks in February and March 2012, the President of Uganda convened meetings to discuss strategies for transforming the country's agriculture. These meetings, held at the President's Office at State House, involved senior officials from government agricultural institutions including MAAIF, NAADS and district offices. In his remarks at the opening of the meetings, the President stressed that the agriculture sector will lead rural populations out of poverty and that small farmers will need to engage in enterprises that yield economic benefits. The intention of the meetings was to outline strategies for each region of Uganda.

⁵ <http://www.emrc.be/> (accessed 25 November 2013)

Chapter 3

Appraisal of the business model for service delivery

This section analyses the business models that NAADS and AFMU have adopted to provide agribusiness services. The appraisal used three types of assessment: a description of the services offered, and how they are provided; an analytical assessment of whether each institution provides a well-defined set of services that are consistent with its predefined functions and the sector/country strategy; and an assessment of whether existing service provision complements other institutions' efforts to promote agribusiness development.

3.1 NAADS BUSINESS MODEL

The core function of NAADS is to support farmers as they transition from subsistence to commercial agriculture. The second phase of NAADS, which started in 2011, focuses on the entire chain, while the first phase focused on production. This section appraises the business model employed in the second phase of NAADS, for which the motto is "Farmer selection and support for progress from subsistence to commercial" (NAADS, 2010).

Services provided

The *core service areas* of NAADS are reinforcement of business and market linkages, particularly at the farm level, and support to collective action and alliance building. These services are provided by forming farmers' groups and linking the groups to service providers.

The *secondary service areas* of NAADS include value chain analysis and investment appraisal, especially at the farmer level. Most of these services are implemented through private sector service providers.

As a first step in the appraisal, a baseline survey was conducted in each district to determine the start-up position for each of NAADS' ten core principles before implementation of programmes and interventions. The baseline provided information on all relevant indicators: numbers and types of farmers' groups; types of farmers and their level of commercialization; extent of farmer-to-market linkages; profitability of enterprises; production/yields for crops and livestock; technology adoption

rate; farmers' involvement in selection and management of on-farm research; integration of agriculture sector plans into district and sub-county plans; integration of gender concerns into extension service provision; and mechanisms for extension.

NAADS has two business models for the different categories of farmers – food security (subsistence) farmers and commercial farmers (NAADS, 2010).

Business model for food security farmers

Food security farmers are those who still face poverty and food insecurity. NAADS' objective for these farmers is to facilitate poverty alleviation and food security as the first step on the path towards commercialization. The approach is to provide these farmers with planting and stocking materials to increase their production capacity for crops and livestock. The following paragraphs outline the flow of this process, but the process may not follow these steps chronologically.

Step 1: Publicity and building of farmers' awareness about NAADS and the NAADS approach: These awareness-raising efforts are carried out by the district NAADS coordinator and other district government officials, including the district production officer and the chief administrative officer. The purpose of this step is to provide information about how NAADS operates and to kick-start the formation of farmers' groups through village farmer forums (VFFs).

Step 2: Formation of VFFs: Farmers are organized into groups under VFFs. These VFFs are important units for NAADS implementation and are composed of all the farmers in a village over 18 years of years. In this step NAADS performs the following functions:

- Selection of a food security enterprise by VFF members: The enterprise selected will respond to the farmers' needs and may involve a staple crop or livestock, such as pig, poultry or goat keeping.
- Selection of the VFF executive committee to carry out various functions on behalf of the VFF.
- Selection of the food security host farmer: This is a very important function because the host farmer receives the new input technologies for

multiplication. The host farmer must therefore have the capacity to undertake multiplication successfully, or the entire village will lose out.

- Registration of newly formed and existing farmers' groups.
- Further publicity to promote the formation of additional farmers' groups, through radio, print media, places of worship, notice boards in public places, etc.

Step 3: Selection of food security enterprise: As mentioned in step 2, this is the role of the VFF. The food security enterprise may include:

- food crops such as maize, beans, rice and peas;
- vegetative propagated crops such as bananas, sweet potatoes and cassava;
- livestock such as pigs, poultry and goats.

Through the VFF, the farmers then procure inputs for the selected food security enterprise. Each food security farmer is provided with three hand-hoes and receives total support of U Sh 100 000 (about US\$40) on average, depending on the enterprise selected – for example, livestock enterprises receive higher-value support than crop enterprises.

Step 4: Procurement of input technologies: Procurement of input technologies is not carried out by the enterprises themselves:

- input technologies for food crops include hybrid seeds or open-pollinated variety seeds;
- input technologies for vegetative propagated crops include planting materials such as banana suckers and cassava cuttings.

Procurement is through village procurement committees (VPC) consisting of three beneficiary farmers from the VFF; a new VPC is constituted each year. Once the food security enterprise has been selected, the VPC works closely with a technical officer, or "subject matter specialist", to identify specific input technologies; the specialist advises on the quality and types of technologies to be procured. The VPC then procures these inputs from suppliers, who deliver directly to beneficiary farmers. Suppliers submit their invoices and other documents to the sub-county chief for direct payment.

Step 5: Repayment modality: Each food security farmer is expected to repay 100 percent of the value of the input technologies (including the hand-hoes) to the VFF executive committee. These payments are made in-kind from the farmer's production rather than in cash, with values calculated according to

current market rates. For example, a farmer who received five hens valued at US\$50 must pay back the equivalent value in chicks.

Business model for small-scale commercialization farmers

NAADS recognizes three categories of small-scale farmers who are becoming involved in agriculture as a business ("commercialization farmers"):

- *Market-oriented model farmers* are early adopters of input technologies who can demonstrate the benefits of new technologies to other farmers. These farmers can also explain how higher production capacities enable them to establish links to markets. These farmers receive support from NAADS for scaling up the use of the new technologies.
- *Commercialization model farmers* are model farmers or farmers' groups that have already established links to markets and other support services such as financial institutions. These farmers/groups use good farming practices and are willing to serve as focal points for other farmers and farmers' groups.
- *Nucleus farmers* are agribusiness entities that may be individual farmers, farmers' groups, farmers' associations, cooperatives or limited liability companies that employ professional management and hire labour to run their operations. These farmers have more developed links throughout the value chain, including contracts with out-growers, established relationships with financial institutions and advanced logistics systems.

Business model for market-oriented farmers: The business model for market-oriented farmers is fairly similar to the model for food security farmers. The main differences are in the selection criteria for model farmers and the repayment modality, which is in kind for food security farmers and in cash for market-oriented ones:

Step 1: Formation of parish coordinating committee (PCC). The sub-county farmers' committee appoints a PCC to oversee the entire process from enterprise selection to repayment. The governance system at the parish level is the local council II, so the chairperson of the PCC is the chairperson of the local council II.

Step 2: Selection of enterprise(s) and identification of input technologies, which may be crop input technologies or livestock stocking materials: After the input technologies have been identified, their costs are calculated; the cost of the technologies helps to determine

how many model farmers will be selected to utilize the technologies for the benefit of their farmers' groups.

Step 3: Selection of model farmers from among the farmers' groups in each parish: More than one farmer may be selected from each parish, depending on the cost of the technologies. The criteria for selection of model farmers include success in the selected enterprise, evidence of record-keeping, willingness to co-fund 50 percent of the investment, possession of an operational bank account, willingness to host a learning centre where other farmers can learn about the technologies, and a good credit record of paying back loans to the farmers' group or the bank. The PCC selects the model farmers in collaboration with the farmers' groups.

Step 4: Procurement of input technologies from public or private service providers: Each model farmer receives inputs worth U Sh 750 000 (about US\$300) for each enterprise. Procurement is through the PCC and the inputs are delivered directly to the model farmer. The supplier submits invoice(s) and other documents to the PCC, which issues payment once everything is in order.

Step 5: Repayment modality: Model farmers make repayments directly to the group's bank account and are expected to repay 75 percent of the funds

in cash. The bank is responsible for following up on the repayment of funds.

SWOT analysis

Table 5 presents a summary of the strengths, weaknesses, opportunities and threats (SWOT) analysis of NAADS.

In 2007, the International Food Policy Research Institute (IFPRI) conducted a comprehensive assessment of NAADS. The assessment entailed fieldwork covering 894 households and 116 farmer groups and villages in 58 sub-counties, which were characterized as early NAADS sub-counties, late NAADS sub-counties and non-NAADS sub-counties. The comprehensive survey data ensured that robust empirical analysis could be conducted. Figure 2 summarizes the findings on some of the indicators related to production and post-harvest handling.

For all the indicators shown in Figure 2, farmers from sub-counties that implemented NAADS earliest were more likely to have adopted new technologies and increased their crop area since 2000. Nearly all the farmers (more than 90 percent) sampled in early NAADS sub-counties had used drying technologies and storage facilities, compared with a far smaller percentage in the non-NAADS sub-counties – 14 percent using drying technologies and 58 percent using storage facilities. Farmers from NAADS sub-counties were also three times as likely to

TABLE 5
SWOT analysis

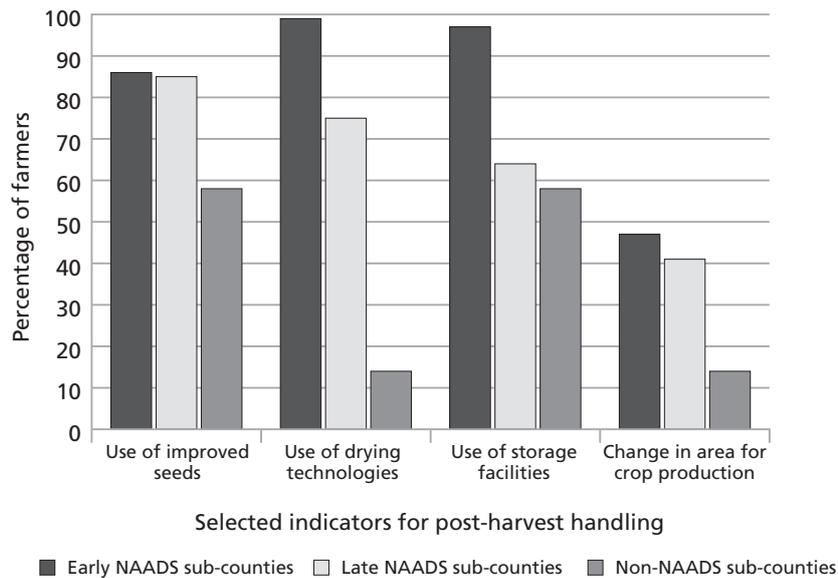
Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Significant positive impacts on farmers' empowerment and technology adoption in the first phase of NAADS 2. Willingness of the government and development partners to support the programme over the long term 	<ol style="list-style-type: none"> 1. Failure to coordinate with other service providers including government agencies such as UCDA, and non-governmental organizations (NGOs) 2. Mismanagement of funds at the district level, which contributed to suspension of the first phase of the programme 3. Poor communication strategy, contributing to a poor impression of the programme 4. Low levels of experience and knowledge of some NAADS district staff 5. Limited collaboration with other government and NGO projects in the same area
Opportunities	Threats
<ol style="list-style-type: none"> 1. Continuing political support at the national level, which should be exploited 2. Restructuring of MAAIF to create the Agribusiness Department, which will strengthen the link between NAADS and MAAIF 3. Willingness of subnational non-state players to participate in NAADS implementation, including county-, sub-county- and parish-level leaders 4. Government tax incentives for agribusinesses, which may offer significant opportunities for linking small farmers to markets sustainably 	<ol style="list-style-type: none"> 1. Duplication of services by other organizations, especially NGOs 2. Weather shocks such as prolonged drought and pest and disease incidence 3. Stakeholders' unrealistic expectations, leading to apathy towards the programme when successes are not evident in the short term

increase their crop areas between 2000 and 2004 than farmers from non-NAADS sub-counties. The major conclusion from these indicators is that NAADS has had a positive impact on farmers regarding technology access and adoption.

The findings shown in Figure 3 mirror those of Figure 2. More than 93 percent of farmers in the early NAADS sub-counties used market informa-

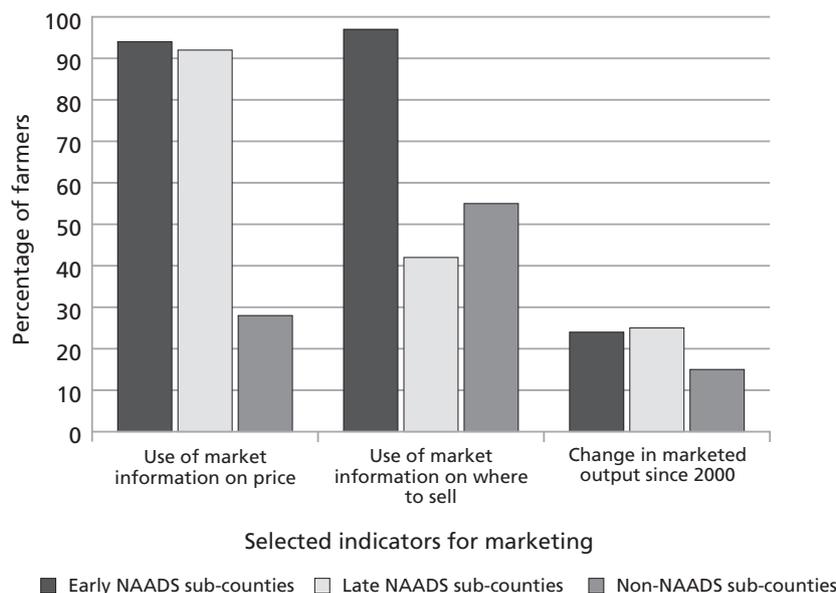
tion on prices and where to sell, compared with 28 and 55 percent respectively of the farmers in non-NAADS sub-counties – a significant difference. In addition, 24.1 and 25.1 percent of the farmers from early and late NAADS sub-counties respectively reported a significant or moderate increase in their marketed outputs, compared with only 14.6 percent of farmers from the non-NAADS sub-counties.

FIGURE 2
Assessing the impact of NAADS – production and post-harvest



Source: Benin et al., 2007.

FIGURE 3
Assessing the impact of NAADS – marketing



Source: Benin et al., 2007.

Constraints facing NAADS implementation

The following constraints have been identified by independent observers, including farmers and farmers' organizations:

- *Discrimination in beneficiary selection:* Some farmers perceive that NAADS benefits rich farmers more than food security farmers. However, this allegation has not been proved.
- *Mismanagement during the procurement process:* An assessment of the effectiveness of NAADS' second phase, undertaken by the Uganda National Farmers Federation in 2011 (Rwakakamba, Sande and Katungisa, 2011) revealed several cases of mismanagement of the procurement process at the sub-county level. The assessment was not a thorough investigation, so it is difficult to identify specific culprits in these cases. However, the three cases summarized below found malpractices in the activities of NAADS coordinators, subject matter specialists and contracted suppliers:
 - Case 1 in Budaka district: A food security farmer received 50 local chickens, of which 20 were substandard. The subject matter specialist admitted to approving only 30 of the chickens, and is unaware of how the other 20 were delivered to the farmer.
 - Case 2 in Oyam district: A farmer received 24 kg of beans that did not germinate after planting.
 - Case 3 in Kolo sub-county: A market-oriented model farmer identified a supplier of 260 banana suckers. The farmer paid 25 percent of the total cost of the suckers, and the NAADS sub-county office paid the rest. On delivery, a different supplier brought the suckers to the farmer's farm, and he was told to sign the documents and start planting immediately.
- *Inexperienced NAADS extension officers:* Most NAADS extension staff members are recent graduates who do not have sufficient understanding of animal and crop husbandry.
- *Lack of awareness at the farmer level:* Although NAADS has been in existence for ten years, a significant proportion of farmers are still unaware of the programme. In addition, those who are aware of it are not conversant with the NAADS model. It is important to note that NAADS is currently implementing a strong communication strategy to reach out to farmers through twice-weekly radio and television programmes and newspaper articles.

3.2 AFMU BUSINESS MODEL

The core service areas of MAAIF's AFMU are development of policy and strategy papers, lobbying and advocacy in the agribusiness sector, sharing of knowledge and information pertaining to the agribusiness sector, reinforcement of business and market linkages, and value chain analysis. The secondary service areas include trade and marketing appraisal and support, and agro-industry appraisal and support.

Programmes and instruments for service delivery

AFMU is engaged in several projects and programmes, either independently or in collaboration with other MAAIF units. The activities described in this section are undertaken under the policy, planning and support services vote function, in which AFMU falls. The activities discussed were reported in the ministerial policy statement or mentioned during field interviews. Table 6 shows AFMU's programmes and the instruments it uses to implement them. Some of AFMU's activities are independent of any programme.

Policy support and advocacy – preparation, packaging, follow-up and Secretariat services for PIRT: PIRT⁶ is a high-level business advisory council that informs government on how to improve the country's investment climate. Agribusiness is one of PIRT's priority focus areas, managed by the Agribusiness Technical Working Group.⁷ Annex 4 summarizes the issues raised during the 2008 PIRT, and the President's responses to those issues.

Energy for Rural Transformation project: This project had just started when this report was being

⁶ PIRT is chaired by the President of Uganda, with the Prime Minister serving as coordinator on behalf of the government. Other PIRT members from government are senior cabinet ministers and permanent secretaries whose mandates have direct impacts on the country's investment climate.

⁷ Technical working groups each have up to 15 members and are charged with making recommendations to government on how the sectors they represent can be improved. To fulfil this mission, they first execute necessary groundwork on: i) the current status of their respective sectors; and ii) opportunities and unexplored potential in these sectors. They then design action matrices with recommendations for government. Responsibility for each recommendation is assigned to a ministry that spearheads the recommendation's implementation within a set timeline. The matrices are presented at the PIRT meeting for discussion. The Prime Minister is tasked with ensuring that all ministers with PIRT action areas for implementation submit monthly progress reports.

prepared. The project's objective is to support the transformation of agriculture from a subsistence to a commercial sector through the use of energy, and information and communications technology.

Through the project, AFMU expects to increase farm incomes by raising farm productivity through directed investments in areas where the main constraint is poor access to electricity. Two agricultural

TABLE 6

Main instruments and programmes of AFMU

No.	Service area	Programmes	Instruments
1.	Appraisal of business models	–	Appraisal of NAADS and other industry sector models as required
2.	Value chain analysis	Markets and Agricultural Trade Improvement Project	Construction/rehabilitation of market infrastructure
3.	Building of business and entrepreneurial skills	–	–
4.	Reinforcement of business and market linkages	COMESA Regional Agro-Inputs Programme (COMRAP)	Linking seed companies to outgrowers of seed
		Agribusiness and market linkages	Signing memoranda of understanding with NGOs engaged in value chain activities
		Agricultural Production, Marketing and Regulation	Food and Agricultural Marketing Information System (FAMIS)
5.	Support to collective action and alliance building	COMRAP	<ul style="list-style-type: none"> ▪ Farmer awareness-raising campaigns, in collaboration with national farmers' associations ▪ Formation of national multistakeholder task force for weather index insurance
		Agribusiness and market linkages	Appraisal and signing of memoranda of understanding with NGOs engaged in value chain activities
		Rural Electrification Project	Meetings with district leaders to assess the viability and operationalization of electricity grids in selected districts
6.	Finance and investment appraisal and support	COMRAP	Meetings with insurance service providers, and piloting of weather index insurance
		–	Presidential Investors Round Table (PIRT) as a platform for appraisal of agriculture-related investments
7.	Trade and marketing appraisal and support	Fresh Produce Marketing Infrastructure Support Programme	<ul style="list-style-type: none"> ▪ Trade exhibitions such as the India-Africa Business Partnership Summit held in Hyderabad, India in October 2011, where Uganda showcased investment opportunities in the agriculture sector ▪ Hosting of delegations from Kenya, the Sudan and Namibia
8.	Agro-industry and processing appraisal and support	Energy for Rural Transformation Project	Connecting agricultural investments up-country to the national electricity grid
9.	Development of policy and strategy papers	Policy support and advice	Serving as secretariat and providing support to PIRT
10.	Lobbying and advocacy in the agribusiness sector	COMRAP	Formation of a national task force on weather index insurance
11.	Sharing of knowledge and information pertaining to the agribusiness sector	COMRAP	<ul style="list-style-type: none"> ▪ Farmer awareness raising on weather index insurance ▪ Training of agrodealers and agents of agricultural inputs
		Agricultural Production, Marketing and Regulation	FAMIS – daily upload of market information on to a Web-based system

Sources: Author's interviews.

enterprises have been connected to the main grid: Victoria Seeds Limited, a seed processing company based in Gulu district in northern Uganda; and FICA Seeds Limited, another seed company based in Kampala and Masindi districts. FICA acquired the government-owned Uganda Seeds Limited in 2005.

In 2010/2011, AFMU:

- conducted three field visits to assess the grid extension plans in Lira district; the grid in Iganga district, which will provide electricity for maize and rice value addition activities; and the Semuto grid in Mityana district, which will provide electricity for value addition of crops and livestock;
- met district leaders from Hoima district to assess the Hoima Busereka hydropower plant, and district leaders from Gulu and Pader districts to assess the Gulu Acholibur and Palaro electricity grids.

Markets and Agricultural Trade Improvement Project: The aim of this project is to enhance MAAIF's capacity to provide local governments with agricultural infrastructure for supporting quality assurance and the enforcement of standards for crops, livestock and fish products; and to promote market linkages and agribusiness services. In 2010/2011, the project inspected proposed sites for the infrastructure and tested compliance in seven districts, in collaboration with the Ministry of Local Government.

Agricultural Production, Marketing and Regulation: The aim of this project is to promote safe intra- and extra-COMESA trade by providing agricultural marketing information and policy support. The project supports operations of FAMIS under COMESA. In 2010/2011, the project carried out:

- daily uploads of market information on to FAMIS at MAAIF headquarters in Entebbe;
- training of district technical staff and 50 traders in Jinja district;
- training on commodity handling and standards.

Agribusiness Development and Market Linkages project: So far, this project has appraised ten NGOs supporting various agricultural value chains, resulting in the signing of ten memoranda of understanding.

Business exchanges: MAAIF coordinates the hosting of business delegations from other countries in

the region. The ministry recently hosted delegations from Kenya and the Sudan, and is expecting a delegation from Namibia.

COMESA Regional Agro-Inputs Programme: Uganda is one of eight land-locked East African countries that implemented COMRAP, which finished at the end of 2011. COMRAP's overall objective was to improve rural households' food security and livelihoods in the region through training, capacity building and accreditation of agrodealers; piloting of weather index insurance, and building of farmers' awareness of insurance; developing and multiplying improved seed varieties through the private sector; and harmonizing regional seed regulations. Programme results include the following:

- Seed production: i) production of basic seed for three rice varieties – New Rice for Africa (NERICA) 1, 4 and 10 – on 5.2 ha of land; ii) production of five improved varieties of maize on 5.5 ha of land – Longe 5 (3 ha), Longe 4 (1 ha), Longe 1 (0.5 ha), MM3 (0.5 ha) and improved Longe 5 (0.5 ha) – and contracting of 212 farmers to produce more foundation seed; and iii) multiplication of breeder and foundation seed of ten bean varieties from which a total of 2.23 tonnes is expected to be harvested.
- Seed certification and processing: i) seed certification and monitoring visits by staff from MAAIF's National Seed Certification; and ii) renovation of a building and installation of a seed grader.
- Linkages to farmers: i) contracting of three farmers' groups to produce and supply foundation seed – Danka Investments Limited, Kakundwa Commercial Farmers and Basajja Kweyamba Cooperative Society; ii) benefits for 265 farmers – 110 women and 153 men.
- Financial services: i) development of four agriculture finance products – post-harvest loans, agro-microfinance loans, Shamba loans (a savings and credit product for smallholder farmers) and the Tupakase Out Growers Credit and Loan Scheme; and ii) a farmers' awareness-building campaign in seven districts, reaching 1 366 farmers directly and 92 856 indirectly through their farmers' groups (Mukiibi, 2011).

Throughout the project, the COMRAP national focal point (from AFMU) coordinated activities effectively. One of the key factors in project success was the close collaboration between AFMU

(through the focal point) and other project participants, especially the three national farmers' organizations – the Uganda National Farmers' Federation, the Uganda Cooperative Alliance and the National Union for Coffee Agribusinesses and Farm Enterprises – experts on weather index insurance, seed companies, the Uganda National Agro-Dealers Association and the media. Figure 4 presents an overview of the roles of the COMRAP focal point under each project component.

Participation in the India-Africa Business Partnership Summit: Uganda showcased investment opportunities in the agriculture sector.

Institutional performance

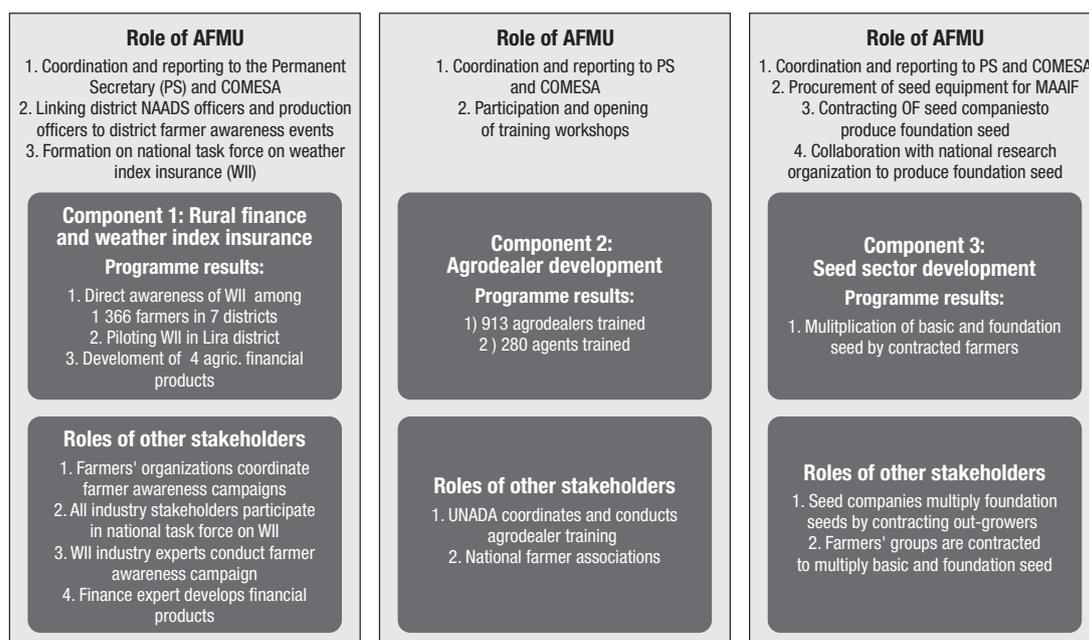
Table 7 summarizes the findings of a SWOT analysis of AFMU.

Table 8 presents an evaluation of the performance of MAAIF and NAADS. The evaluation rated performance from 1 to 5, with a score of 5

TABLE 7
SWOT analysis of AFMU

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Competent staff who are motivated and dedicated to their work 2. Staff's good understanding of the mandate, vision and mission of MAAIF and AFMU 3. Recruitment and promotion based on merit 4. Staff members' individual annual work plans and periodic appraisals based on agreed targets in the work plans 5. Training plan for staff 	<ol style="list-style-type: none"> 1. Underdeveloped collaboration with other ministry departments and other sector agencies
Opportunities	Threats
<ol style="list-style-type: none"> 1. Restructuring of MAAIF to create the Agribusiness Department 2. Tax incentives to agribusinesses, which may offer significant opportunities for linking small farmers to markets sustainably 	<ol style="list-style-type: none"> 1. Low level of funding from the Treasury, threatening the unit's functions

FIGURE 4
COMRAP stakeholder roles



UNADA = Uganda National Agro-Dealers Association.

Source: Author elaboration.

TABLE 8
Appraisal of agribusiness services provided by NAADS and AFMU

No.	Servicearea	NAADS			AFMU		
		Core/ secondary	Performance rating (1–5)	Notes	Core/ secondary	Performance rating (1–5)	Notes
1.	Appraisal of business models	Core	3	Appraisal of NAADS 1st phase informed design of 2nd phase	Core	3	Since 2012, MAAIF provides supervision and oversight of NAADS, if resources are sufficient
2.	Value chain analysis, including benchmarking, chain coordination and facilitation	Core	3	Farmer-centred approach working up the value chain	Core	3	
3.	Building of business and entrepreneurial skills	Core	3	Under the Commercialization Challenge Fund NAADS plans to build a cadre of agricultural entrepreneurs	NA	–	–
4.	Reinforcement of business and market linkages	Core	4	Mainly at the farmer level	Core	3	Several projects related to market information services
5.	Support to collective action and alliance building	Core	4	Formation of farmers' groups has been successful; NAADS also promotes public–private partnerships	NA	–	–
6.	Finance and investment appraisal and support	Secondary	3	Through subnational structures, serving farmers before they receive input technologies	Core	3	Through PIRT
7.	Trade and marketing appraisal and support	NA	–	–	Core	3	Coordination of agribusiness missions to, and delegations from, other countries; little evidence of follow-up on these efforts
8.	Agro-industry and processing appraisal and support	Secondary	2	Several districts obtained milk cooling plants under NAADS 1st phase	Core	2	Through PIRT and individual requests from agribusinesses
9.	Development of policy and strategy papers	Secondary	3	Serves as national secretariat for the development of policy and strategy papers	Core	4	Provided in close collaboration with DPP
10.	Lobbying and advocacy in the agribusiness sector	Secondary	3	NAADS had to lobby for its 2nd phase; as a government agency, it is involved in lobbying with other agencies	Core	3	Including through PIRT and with other government ministries and development partners
11.	Sharing of knowledge and information pertaining to the agribusiness sector	Core	5	Twice-weekly newspaper, radio and television articles; farmers' fora and meetings at different levels	Core	2	Little evidence of these services being provided; little coordination with information users, such as agribusinesses, farmers' organizations, cooperatives and agroprocessing companies

NA = not applicable, service not offered.

Source: Author's elaboration.

implying excellent service provision and a score of 1 implying poor provision. Services are described as “Core”, “Secondary” or “NA” (not applicable, or not provided by the institution). Services that are not applicable are not given a performance rating.

3.3 INSTITUTIONAL COMPARATIVE ADVANTAGES

Many other organizations, particularly NGOs, offer services that are similar or complementary to those offered by NAADS. The performance of these other service providers is mixed. There is an urgent need, and significant opportunity, to harmonize and coordinate these services so as to ensure that service delivery to farmers is effective and sustainable. An effective coordination system would enable sufficient support to be directed to the coordination and management function of NAADS teams, especially at the district level. Such harmonization must be carried out at both the district and national levels. NAADS officials are usually aware of other organizations' projects, and are sometimes invited to participate in their activities, but these efforts are not sufficient to prevent duplication of service provision. MAAIF and NAADS must make deliberate efforts to coordinate agribusiness activities under a single master plan. Table 9 provides examples of projects in the Lira district of northern Uganda that are complementary to NAADS.

There are two areas where alternative service providers are better equipped to provide services than NAADS and AFMU.

Services for the coffee subsector: UCDA is a semi-autonomous government agency under MAAIF formed to promote and oversee the development of the coffee industry through support to production activities, research, quality assurance, improved marketing and other services. UCDA:

- provides input technologies to farmers, such as clean planting material (seedlings) from approved coffee nurseries, derived from coffee research and the development of private coffee nurseries;
- provides extension services on good agricultural and post-harvest handling practices for farmers;
- provides technical extension services at the post-harvest level in accordance with the Coffee Regulations of 1994, to ensure good-quality coffee throughout the supply chain;
- develops and maintains an integrated market information system that enhances competitive leverage, and disseminates the information to all coffee stakeholders.

UCDA is very well equipped to perform these functions. The organization has 58 staff members, 35 at headquarters and 23 in the field: 18 sub-regional coffee extension officers and five regional coffee coordinators who are principal development officers. The regional coordinators oversee all the coffee programmes and activities in their regions and supervise the subregional extension officers. Regional coordinators report to the Production Manager at UCDA headquarters.

TABLE 9
Agriculture advisory service providers in Lira district

Service provider	Description	Service(s) provided
CIPAR	–	Tree planting, goat improvement, piggery, rice, animal traction, aquaculture
Mukwano Industries Limited	Private agroprocessing company engaged in processing edible oil from sunflowers	Sunflower production; training and extension services for farmers
World Food Programme	United Nations relief organization	Fish farming
Action against Hunger	NGO	Goat improvement, tree planting
Fida International	NGO	–
FAO	International organization	Field trials for banana farmers
NLIP	NGO	Restocking and pasture improvement
Uganda Cooperative Alliance	Apex cooperative organization	Integration of agriculture and finance; support to formation of savings and credit cooperatives; support to farmers forming cooperatives

Source: : ITAD Ltd, 2007; Uganda Cooperative Alliance, 2010.

Market information services: There are several providers of market information in Uganda. Most of these information providers serve a specific subsector:

- The Regional Agricultural Trade Intelligence Network is part of the Eastern Africa Grain Council and provides information on prices, production and trade flows of maize, rice and beans in East Africa. This service has proved very useful for all Eastern Africa Grain Council members, most of whom are grain traders.
- The Agricultural Input Market Information System for Eastern Africa is under the East Africa regional office of the International Fertilizer Development Center and provides a portal for information on agricultural inputs (seeds, fertilizers and pesticides) from nine countries in East and Southern Africa, including Uganda.
- Other services providers include the Uganda National Farmers' Federation, FIT Uganda Ltd and Farmgain Africa.
- Setting standards: AFMU's role in setting standards for agricultural commodities conflicts with the standard-setting functions of other government agencies, including UCDA for the coffee sector and the Uganda National Bureau of Standards for all consumer items.
- Regulation of agricultural commodities: AFMU's regulatory role conflicts with the functions of other government agencies, including UCDA for coffee and the Dairy Development Authority for dairy.

Proposed role in service provision for AFMU

AFMU should focus on the national level and provide services in the following areas:

- **Development of policy and strategy papers:** AFMU should analyse policies and legislation for agribusiness development in Uganda, including regional integration processes such as the EAC Common Market Protocol. This analysis should be informed by NAADS work at all subnational levels, including sub-counties, parishes and farms.
- **Lobbying and advocacy in the agribusiness sector:** AFMU should play a core role in advocating for friendly agribusiness policies, legislation and regulation at the national level, in close collaboration with NAADS. AFMU should provide technical assistance for these efforts.
- **Reinforcement of business and market linkages:** AFMU should coordinate and conduct agribusiness-related exchanges and missions at the national, regional and international levels.

- **Support to collective action and alliance building:** AFMU should serve as the technical link between NAADS and MAAIF. The unit must be involved in NAADS decision-making at the national level.
- **Capacity strengthening of district agricultural officers:** AFMU should conduct periodic training and capacity-building programmes for district officials, in thematic areas such as coordination of district agricultural projects, monitoring and evaluation of projects, appraisal of value chain activities, and market assessment.
- **Assessment of market information systems:** AFMU should assess existing market information systems and advise on how to improve their effectiveness. The unit should also coordinate the provision of market information services by bringing together the different service providers.

Proposed roles in service provision for NAADS

The main link between AFMU and the districts is through the NAADS district network. The core activities that NAADS should focus on include the following:

- **Appraisal of business models:** NAADS should conduct continuous monitoring and assessment of its business model. A comprehensive and robust assessment – similar to those undertaken by external evaluators (ITAD Ltd, 2008; Benin et al., 2007) – should be conducted annually.
- **Support to collective action and alliance building:** Farmers' institutions should be developed through the formation of farmers' groups and VFFs as the pivot for enterprise selection and technology service provision to farmers at the grassroots level.
- **Coordination of agricultural services at the district level:** NAADS should coordinate service provision at the district level by developing a district agricultural master plan that describes all the agriculture-related activities planned for each district. Other service providers should provide inputs for these plans. Such plans would prevent the duplication of service provision at the district level.

3.4 CLIENTS OF NAADS AND AFMU

There are five categories of clients for agribusiness services: i) smallholder farmers; ii) commercial farmers; iii) farmers' organizations and associations, including cooperatives; iv) agroprocessing and agribusiness companies; and v) agrotraders and exporters. These clients each have unique

roles in the value chain, and their service needs are different, but complementary.

- **Smallholder farmers:**⁸ These are farmers who have access to small plots of land of up to 2 ha. They are the predominant players in the value chain. They engage in farming mainly for subsistence, but occasionally link to markets at times of surplus. Smallholder farmers may be members of farmers' groups, particularly at harvest time.
- **Commercial farmers:** These farmers own larger plots of land and are engaged in farming for commercial purposes. They are usually members of farmers' groups.
- **Farmers' groups, associations or cooperatives:** These range from village-level groups to district

and national associations. Subnational groups (at the village and district levels) are engaged mainly in bulking and storing produce from farmers and selling it to traders or other buyers. National-level groups include commodity and advocacy associations. Their main work is to advocate for farmer-friendly policies and to strengthen the capacities of subnational farmers' groups.

- **Agroprocessing and agribusiness companies:** These are limited liability companies that are engaged in various value chain activities involving various commodities. Activities include adding value to commodities by processing, packaging and branding, and clients range from small cottage industries to large multinational companies. Companies are linked to production in various ways, including as large-scale producers or through contractual arrangements with farmers, such as in outgrower schemes.

⁸ Some of the service needs were identified during consultations with farmers by the Uganda Cooperative Alliance in 2011 (Sentumbwe, 2011).

TABLE 10
Clients, service demand and provision by AFMU and NAADS

Clients	Services demanded	Provision by AFMU	Provision by NAADS
Smallholder farmers	Support to collective action and alliance building	No	Yes
	Reinforcement of business and market linkages through the supply of agricultural inputs and extension services	No	Yes
	Finance and investment support (access to finance through farmers' groups)	Not yet; advocacy	Yes
Commercial farmers	Trade and marketing appraisal	Yes	Yes
	Finance and investment support (access to finance through farmers' groups)	Not yet	Yes
Farmers' groups, associations and cooperatives	Lobbying and advocacy in the agribusiness sector	Yes	Yes, indirectly
	Trade and marketing appraisal	No	Yes
	Building of business and entrepreneurial skills	No	Not yet
	Finance and investment support (access to finance through farmers' groups)	–	–
	Reinforcement of business and market linkages through the supply of agricultural inputs and extension services	No	Yes
Agroprocessing and agribusiness companies	Support to collective action and alliance building (especially for farmers, to facilitate bulk purchases)	No	Yes
	Trade and marketing appraisal and support through business exhibitions and exchanges	Yes	No
Agrotraders and exporters	Lobbying and advocacy in the agribusiness sector for favourable trade regimes	Yes	No
	Trade and marketing appraisal and support through business exhibitions and exchanges	Yes	No

Source: : Author's elaboration.

- **Agrotraders:** This category ranges from small traders to large exporters, some of which specialize in the export of agricultural commodities.

Table 10 presents an assessment of the capacities of AFMU and NAADS to provide services to the various client categories.

3.5 CAPACITY ANALYSIS OF AFMU

Table 11 presents an analysis of the existing capacities of AFMU staff to perform their functions. The capacities of NAADS have not been analysed because most NAADS staff were unavailable during the period of data collection, owing to a restructuring exercise within the organization.

TABLE 11
Analysis of AFMU staff capacities

	Service area	Staff allocation (estimated number of staff working in the area)	Relative importance in terms of funding allocated/income generated*	Capacity level**
1	Appraisal of business models	2	7	3
2	Value chain analysis	4	3	3
3	Building of business and entrepreneurial skills	3	4	3
4	Reinforcement of business and market linkages	3	2	4
5	Support to collective action and alliance building	4	1	3
6	Finance and investment appraisal and support	-	-	-
7	Trade and marketing appraisal and support	2	5	3
8	Agro-industry and processing appraisal and support	-	-	-
9	Development of policy and strategy papers	4	2	4
10	Lobbying and advocacy in the agribusiness sector	2	6	2
11	Sharing of knowledge and information pertaining to the agribusiness sector	2	8	2

* 1 = highest relative importance; 8 = lowest relative importance.

** 1 = none; 2 = basic; 3 = moderate; 4 = advanced.

Funding is categorized as recurrent or development. The development budget is funded through projects, most of which address more than one service area, either directly or indirectly. As a result, it is difficult to rank funding by service area.

Most staff perform activities in all service areas, either directly or indirectly. The main challenge is the shortage of staff, and not the competence of existing staff. The rankings in the third column are indicators of the capacity of existing staff.

Source: Author's elaboration.

Chapter 4

Capacity development priorities

This section highlights the priorities for capacity building and describes the future path for both NAADS and AFMU. The section also presents recommendations on the role that FAO could play on improving the two organizations' institutional capacities and helping them to move forward along their development paths.

4.1 PRIORITY AREAS FOR CAPACITY BUILDING

The following are priority areas for capacity building:

- i. *Design of programme/project proposals:* AFMU is significantly underfunded and needs support in designing funding proposals. Funding for these efforts would also allow the expansion of human resources for the unit.
- ii. *Links between AFMU and NAADS:* There is urgent need to develop a structured relationship between AFMU and NAADS, which could be achieved by synchronizing the two organizations' reporting and governance systems. The proposed new structure for MAAIF provides opportunities for such coordination.
- iii. *Intra-MAAIF project coordination:* While AFMU continues to follow its annual strategic plans, there is also need to mainstream all the agribusiness-related projects in MAAIF and its sector agencies – such as UCDA and the Uganda Cotton Development Organization – under AFMU. This does not imply that the unit will take over management of these projects, but rather that it will have an overview of all the agribusiness activities under MAAIF. Such an overview would facilitate:
 - harmonization and coordination of service provision to prevent the duplication of services in an area, theme or sector;
 - monitoring and learning lessons from experiences of other MAAIF activities
 An effective coordination system would also improve the allocation of resources to enable AFMU to perform its core functions more effectively, and would be in line with the DSIP.
- iv. *Coordination with non-governmental initiatives:* Several NGOs offer very similar agribusiness services to those offered by

NAADS and AFMU. As the national authority, MAAIF should establish a system for incorporating all of these programmes into national plans. NGOs should also be encouraged to engage with the NAADS programme during the design of their activities, as both have the same ultimate beneficiaries. Such coordination efforts would not undermine the independence of NGOs.

- v. *Coordination with the private sector:* The private sector is a significant resource for providing financial and technical support. Both AFMU and NAADS need to develop concrete proposals for linking the private sector to the national agricultural development agenda. For example, COMRAP found that some large agribusiness companies would be willing to finance the procurement of automated weather stations in the areas where they work with small farmers. Such opportunities should be explored and exploited.
- vi. *Design and implementation of district agriculture master plans* to implement the capacity building priorities identified in points ii) and iii): A few districts should be selected for piloting the design and implementation of district agricultural master plans that identify all the government and non-governmental (if possible) agribusiness projects in each district and outline how these plans are to be implemented. This initiative must be stakeholder-driven, and coordinated by district agricultural officials in collaboration with AFMU. The plans would avoid devaluing the activities of NGOs, while ensuring some form of oversight for harmonization and coordination, to prevent duplication of activities and wastage of resources.
- vii. *Development of knowledge management and its integration into NAADS:* Knowledge management supports a continual process of learning to adapt to changing circumstances. There is need to establish effective methods of continual learning in the NAADS programme at all levels. Lessons learned should inform prompt decision-making from the village to the

national level. A major criticism of NAADS' first phase was the mismanagement of funding. This issue should have been identified early and addressed swiftly, to prevent its spread.

4.2 DEVELOPMENT PATH

Institutional development path for AFMU: Under the DSIP, AFMU will be converted into a full division under the Department of Agricultural Support Services. The division's work will centre on the coordination and oversight of agribusiness functions within MAAIF. If this conversion is effective, the division will be able to develop a structure for linking agribusiness service providers and partners to ensure that MAAIF objectives are met.

Institutional development path for NAADS: The second phase of NAADS focuses more on agribusiness than the first phase, which had more of a production focus. The aim of the second phase is to link farmers to the full range of agribusiness services.

Figure 5 illustrates the institutional development paths of NAADS and AFMU, highlighting three

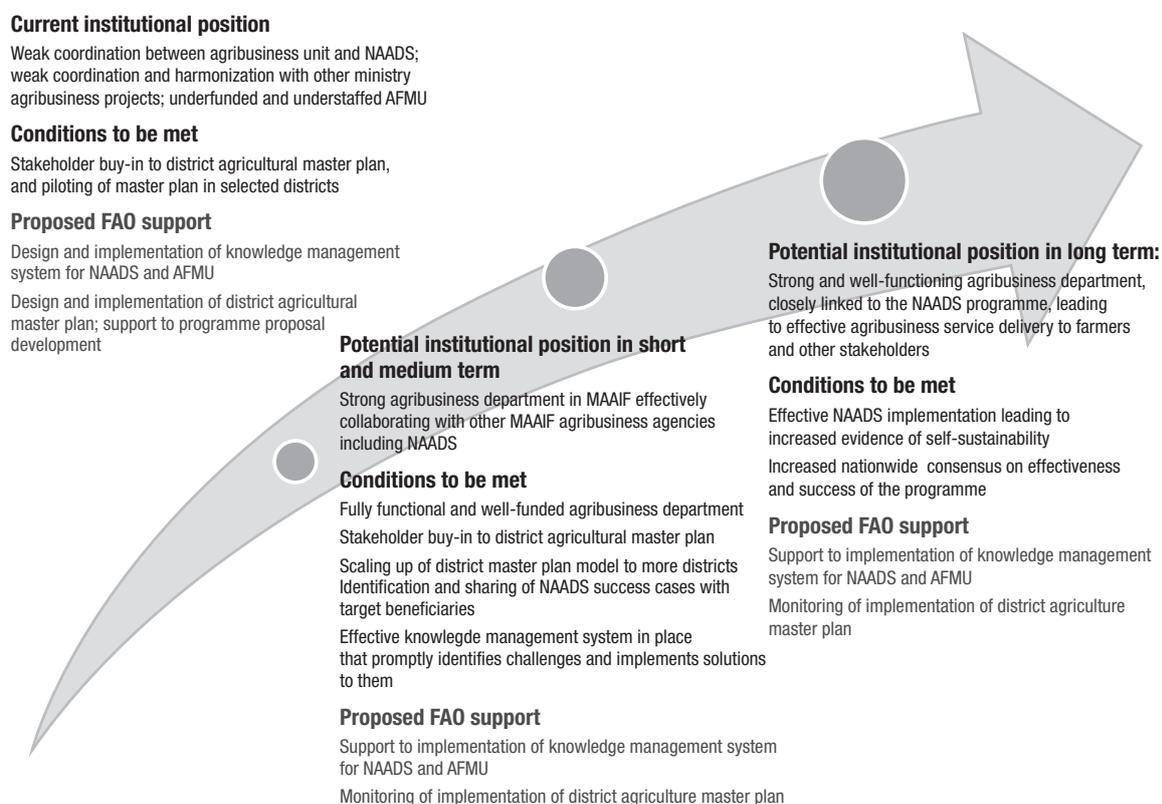
stages of institutional development: current position; short- and medium-term position; and long-term position. Figure 5 also shows some of the conditions that need to be met at each stage to achieve the institutional goals, and the potential areas for FAO support at each stage.

4.3 POTENTIAL ROLES FOR FAO SUPPORT

FAO could play a variety of roles in improving the performance of AFMU and NAADS. For example, it could disseminate publications and other materials covering a wide range of topics. The following are recommendations for FAO support to AFMU and NAADS.

Develop district agriculture master plans: Currently, many organizations offer agricultural support services to farmers, some of which duplicate the service provision of NAADS. MAAIF should bring together all the organizations providing agriculture-related support in selected districts and develop a master plan to coordinate agribusiness support in each district. This initiative should start

FIGURE 5
Proposed institutional development paths for AFMU and NAADS



Source: Author's elaboration.

in ten pilot districts, and then be scaled up. The objective would be to develop district agriculture master plans that guide FAO's provision of technical support. Preferably, it would start in some of the smaller districts where there are fewer service providers, or in districts where FAO is already undertaking activities.

AFMU is currently implementing the FAO-funded Support to Agribusiness Mini-Estates pilot project, which has two components: i) capacity building, conducted by NAADS, the Uganda Industrial Research Institute and the Uganda Rural Development and Training Programme in Kibaale district; and ii) purchase of agroprocessing equipment – all local purchase orders have been issued under this component.

Proposal formulation and programme development: MAAIF is significantly underfunded by the central government, which results in a shortage of staff and a relatively low salary structure leading to implementation constraints. To manage this problem in the short and medium terms, AFMU should continue to develop proposals for funding from national and international funding sources. These proposals must be consistent with the programme mentality of AFMU, to avoid operational conflicts. FAO could provide AFMU with tech-

nical support in developing strong proposals that meet funders' requirements.

Shift from project focus to programme focus: AFMU needs to shift from its project focus to a programme approach with two dimensions. First, in the activity dimension, AFMU should develop a broad programme plan that covers its core work and the various activities under its projects. Funds would then be allocated to the various components of projects. In the second dimension – the operational and logistics dimension – support to the unit must be well coordinated and managed, to ensure that consistent and relevant reporting, monitoring and evaluation procedures are followed. A key recommendation under this dimension is to establish a “basket fund” for AFMU, which would manage all funds centrally to ensure coordinated implementation of activities. FAO could provide technical support to develop this programme system, at both the technical and operational levels. The programmatic approach should respond to the DSIP.

Medium- to long-term technical staff support: FAO could provide AFMU with on-site technical staff support for at least six months. The on-site staff would help AFMU to establish and operate systems to enable MAAIF's objectives to be met.

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Annex 1

People interviewed

Name	Position	Organization
Charles Mukama		AFMU, MAAIF
Sunday Mutabazi	Commissioner, Farm Development	AFMU, MAAIF
E. Otieno	Principal Agricultural Economist	AFMU, MAAIF
James Obbo		AFMU, MAAIF
Zakayo Muyaka		AFMU, MAAIF
Duncan Kayiira	Consultant	BDO Consulting
Christopher Bukenya	Technical Services Manager	NAADS
Charles Aben	Technical Manager	NAADS
D. Muhwezi	Assistant Commissioner, Planning	DPP, MAAIF
	Board Secretary and Head of Finance and Administration, (acting Managing Director)	UCDA
Augustine Mwendya	Director Agribusiness	Uganda National Farmers' Federation
Vincent Ntege	Monitoring and Evaluation Manager	Uganda National Farmers' Federation

Annex 2

Job descriptions of AFMU staff

Assistant Commissioner

- i. Reviewing transaction costs in the sector and food security status.
- ii. Developing guidelines for assessing the sector's comparative advantages.
- iii. Reviewing policies and regulations governing agribusiness development.
- iv. Developing methodologies for assessing the country's food security situation.
 - v. Developing guidelines for improved analysis of sector transaction costs.
- vi. Developing policy options for optimizing the sector's comparative advantages, both locally and internationally and in terms of food security.
- vii. Assessing the implications of international trade agreements such as the World Trade Organization, COMESA and EAC on the sector.
- viii. Liaising with stakeholders, including international organizations, relevant line ministries, farmers and districts on agri-business related issues.
- ix. Any other duties assigned by the Commissioner of Agricultural Planning from time to time.

Principal Agricultural Economist

- i. Reviewing the performance of the country's farming systems, including food security and socio-economic conditions.
- ii. Defining representative agro-economic structures for the country's farming systems.
- iii. Deriving enterprise and food security comparative advantages for the country's farming systems.
- iv. Developing strategies for the optimization of enterprise comparative advantages under different farming systems.
 - v. Guiding and assisting feasibility studies for agro-industries.
- vi. Developing and organizing training programmes for small-scale agro-industry investors.
- vii. Any other duties assigned by the Assistant Commissioner for Agribusiness from time to time.

Senior Economist/Agribusiness and Market Research

- i. Delineating agribusinesses in the sector.
- ii. Collecting and compiling profile data on agribusinesses.
- iii. Analysing data on agribusinesses.
- iv. Identifying constraints affecting agri-industry development.
 - v. Any other duties assigned by the Assistant Commissioner for Agribusiness from time to time.

Senior Economist/Commercial Farm Management

- i. Delineating enterprises and socio-economic conditions under different farming systems.
- ii. Collecting and compiling socio-economic data and farm enterprise characteristics.
- iii. Conducting comparative enterprise cost-benefit and socio-economic analysis.
- iv. Identifying constraints affecting the development of farming systems.
 - v. Any other duties assigned by the Assistant Commissioner for Agribusiness from time to time.

Annex 3

Evolution of the agribusiness environment in MAAIF

NAADS	Timeline	MOA/MAAIF
	1980s	Structural adjustment programmes recommend reduced government involvement in direct service provision
	1995	Constitution of Uganda promulgated: government entities mandated to focus on: i) setting an enabling environment for economic activity; and ii) decentralizing service delivery
	1997	Government launches the PEAP as the overall guiding framework for poverty alleviation in the country
	2000	MOA launches the PMA to implement the agriculture agenda under the PEAP
Parliament enacts the NAADS Act of 2001, which forms NAADS to implement 1 of the 7 pillars of the PMA on agriculture advisory services. NAADS is a 25-year programme; 1st phase lasts 7 years and costs an estimated US\$108 million	June 2001	
	2001	AFMU formed under MAAIF
MAAIF conducts a mid-term review of the 1st phase of NAADS. Recommendations of the review include: review of NAADS design and components; computerization of NAADS financial management systems; and inclusion of NAADS vote function in the 2006/2007 budget	June 2005	
NAADS suspended by the President of the Republic of Uganda following allegations of gross mismanagement at the national and district levels	2007	
Comprehensive assessment of the impact of NAADS on rural livelihoods conducted by IFPRI. The assessment recommends that NAADS put more focus on profitable enterprises with higher potential for poverty eradication; and on post-harvest handling and marketing	October 2007	
	2008	MAAIF launches the 2010/2011–2014/2015 DSIP, which is a revision of the 2005/2006–2007/2008 DSIP that aims to harmonize and consolidate all agriculture-related policy documents and strategies
1st phase of NAADS ends	June 2009	
	March 2010	2010/2011–2014/2015 DSIP validated and endorsed by MAAIF's top policy management and development partners; it describes the new structure of MAAIF, including AFMU under the Directorate of Agriculture Support Services
2nd phase of NAADS launched with funding provided under a joint project with NARO on Agricultural Technology and Agribusiness Advisory Services; sources of funding include the Government of Uganda (US\$497.3 million), the International Development Association (US\$120 million), the Danish International Development Agency, the European Union and the International Fund for Agricultural Development (US\$120 million), and the Global Environment Facility (US\$7.2 million)	July 2010	

NAADS	Timeline	MOA/MAAIF
	July 2010	EAC Common Market Protocol comes into effect; all goods sourced from EAC member states traded at 0% tariff
MAAIF issues new NAADS implementation guidelines for farmer selection and support to the transition from subsistence to commercial farming	October 2010	

Annex 4

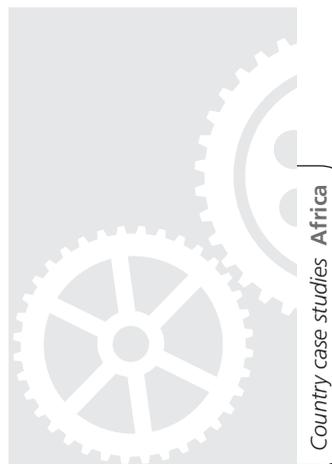
Highlights of 2008 PIRT

The following issues were highlighted as constraints to development of the agribusiness sector.

Issue/request	Response from the President and current situation
Prioritize four crops – banana, coffee, cassava and livestock – in a national strategy for agro-industrialization, using a value chain approach and zoning strategy	Zoning strategy used in the implementation of NAADS phase 2; farmers in each locality select commodities for prioritization
Increase capitalization of the Uganda Development Bank, to enable the provision of a dedicated line of credit for agro-industry on appropriate terms	<ul style="list-style-type: none"> ▪ Budget lines for funding to agriculture include US\$70 million credit under the East African Development Bank, and US\$400 million in agriculture-related projects ▪ The government plans to provide funding to the Uganda Development Bank, long-term loans for agroprocessing from the East African Development Bank
Enact the Biotechnology and Bio-Safety Law to facilitate scientists' use of technology for the development and production of clean, disease- and drought-resistant planting materials for farmers	Law being enacted
Streamline the roles and functions of related government agencies	Done where possible; clearly outlined in the DSIP
Private sector participation in agricultural boards for UCDA and the National Farmers' Association	UCDA now has a farmer representative on the board

PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

An appraisal of institutional models in Uganda



The agrifood system is changing rapidly in response to agricultural modernization and shifting consumer and societal demands for safer, better-quality and more convenient food. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. For this reason, over the past decade, many MOAs have established agribusiness units with technical, policy and coordination functions. To perform well, these units should be given clear mandates and sufficient financial resources and qualified staff familiar with current agribusiness developments, such as value chain programmes, climate-smart agriculture, contract farming and public-private partnerships. However, this ideal scenario rarely occurs. A change in the mind-set of MOA staff is required to move beyond the traditional focus on production towards a more holistic, farm-to-fork approach that includes post-production issues; and this might prove to be quite a challenge.

To shed light on the role, performance and empowerment of these agribusiness units, FAO conducted a scoping survey of 71 countries and in-depth analyses of 21 case studies from Africa, Asia and Latin America. The primary objective was to draw lessons that can provide guidance to member countries on how to establish and operate well-performing agribusiness units. The outcome is presented in this series of country case studies, which contribute to enriching knowledge and sharing information on institutional responses for enhancing the public commitment to inclusive agribusiness and agro-industrial growth and job creation.