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# Investing in rural people in **Uganda**

While Uganda has made enormous progress in reducing poverty, cutting the countrywide incidence from 56 per cent of the population in 1992 to 20.3 per cent in 2022, poverty remains firmly entrenched in rural areas, which are home to 87 per cent of Ugandans. About 30 per cent of all rural people – some 10 million men, women and children – still live below the national rural poverty line.

Multiple shocks have led to volatile poverty rates. These include the COVID-19 pandemic and the war in Ukraine, as well as climate change. Poverty is a mix of persistent and transient, which in itself is a reflection of the limited resilience of households. About 90 per cent of farmers report that climate conditions have worsened for agriculture over the last decade (Uganda Poverty Assessment, World Bank, June 2022).

In remote rural areas, market linkages for smallholder farmers are weak or non-existent. In addition, farmers lack inputs and technology to increase production and reduce pests and disease, and they have insufficient access to financial services, which would enable them to boost their incomes.

The lives and agricultural production of farmers in the north and east of the country have been disrupted as a result of civil strife. The south-east is characterized by a high density of poor people. These are fragile, dry and sub-humid regions, where the extreme variability of rainfall and soil fertility means that farming presents a challenge. Here, household-level production often falls short of minimum household needs, rendering families particularly vulnerable to food insecurity.

In 2021, Uganda ranked 166th out of 191 countries in the low human development category of the United Nations Development Programme's Human Development Index.

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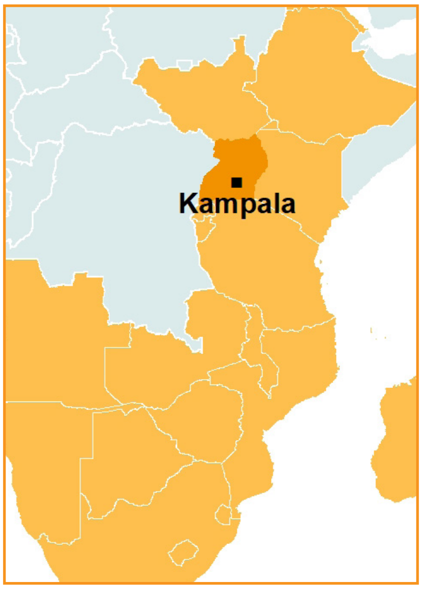



# Eradicating rural poverty in Uganda

The Government of Uganda looks to the agricultural sector to drive growth and contribute to further reducing rural poverty. Agriculture remains the backbone of the economy. It contributes more than 20 per cent of GDP and over 50 per cent of exports. Agricultural development in Uganda, however, faces several challenges, foremost among them infrastructure and access to markets. Because the country is landlocked, international and regional exports and imports involve long overland hauls through neighbouring countries to and from distant seaports, while poor internal road linkages hinder domestic marketing. There is a need to improve the country's transport infrastructure, particularly rural access roads and the national road network.

The government addresses rural poverty through its National Development Plan (NDP), currently in its third phase (NDP III), a comprehensive policy aimed at guiding development planning. The objectives of NDP III are:

- Enhance value addition in key growth opportunities.
- Strengthen the private sector capacity to drive growth and create jobs.
- Consolidate and increase the stock and quality of productive infrastructure.
- Enhance the productivity and social well-being of the population.

Specifically, the NDP III Agro-Industrialization Programme seeks to address key challenges in agricultural production, agroprocessing and value addition, which include: (i) low agricultural production and productivity; (ii) poor storage infrastructure and post-harvest management; (iii) low value addition; (iv) poor market access and low competitiveness of agro-based products in domestic, regional, continental and international markets; (v) limited access to agricultural financial services and critical inputs; and (vi) poor coordination and inefficient institutions for planning and implementation of agro-industrialization.

# IFAD's strategy in Uganda

In Uganda, IFAD is working to increase the incomes of rural households living in poverty, in addition to improving their food security and reducing their vulnerability. Activities target poor smallholder households that have the potential to commercialize their economic activities. IFAD also focuses resources in the areas with the highest incidence of poverty (north) and the greatest density of poor people (south-east).

The IFAD country strategic opportunities programme (2021–2027) has three strategic objectives:

- Support increased production, productivity, value addition, competitiveness and inclusion of smallholders within selected value chains.
- Strengthen environmental sustainability and climate change resilience of poor rural people's livelihoods and economic activities.
- Enhance sustainable livelihood development for marginalized and poor households, especially women and youth.

IFAD's support is channelled through both sovereign and private sector lending, as well as through non-lending activities.

# Ongoing operations

## National Oilseeds Project (2019–2028)

The National Oilseeds Project (NOSP) is a seven-year project that aims to accelerate commercialization in key oilseed value chains and thereby improve the livelihoods and resilience of the small-scale farmers engaged in oilseed production and marketing. The project targets about 350,000 project participants in six geographical hubs (Eastern, Karamoja, Mid-Northern, Mid-Western, Northern and West Nile) covering 81 districts. The project scales up previous IFAD-supported investments in the oilseeds sector in Uganda.

NOSP activities contribute to increased production, productivity and profitability of the oilseeds supply chain through brokering and investment facilitation that has led to the formation of multi-stakeholder platforms and the establishment of oilseed production clusters. In addition to this, producer groups are equipped with business and market orientation skills, household mentoring, access to enhanced financial services, and technical know-how to support the research for breeder and foundation seed.

The project also aims to construct 2,500 kilometres of community access roads to ensure that farmer groups producing oilseeds can easily market their produce.

The total project cost is US$160.69 million, with US$99.56 in IFAD financing. Other financiers include the OPEC Fund for International Development (US$30 million), Heifer International (US$6.15 million), the Government of Uganda (US$14.29 million), the private sector (US$4.83 million) and project participants (US$4.83 million).

## National Oil Palm Project (2018–2029)

Based on the transformative socioeconomic impact achieved under the Vegetable Oil Development Project (VODP) and phase 2 of VODP, the National Oil Palm Project (NOPP) seeks to scale up the approach and targets four hubs in the country: Buvuma, Masaka and Mayuge, with the fourth yet to be identified.

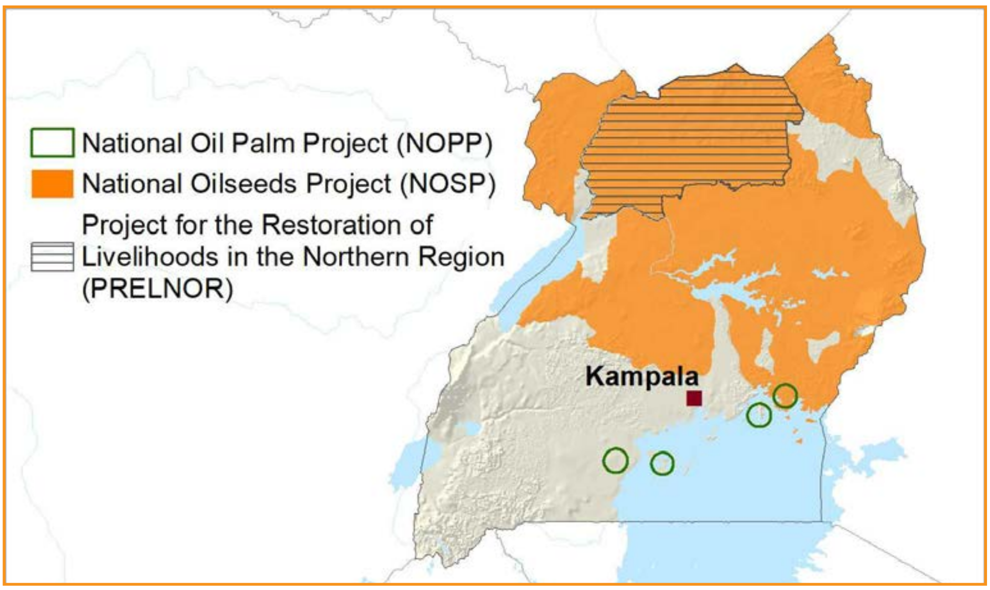
Over 30,800 vulnerable rural households in Uganda are expected to benefit from the US$210.4 million project, which aims to sustainably increase rural livelihoods by supporting an efficient oil palm industry. This is to be achieved by establishing an efficient oil palm industry that complies with modern environmental and social standards.

In addition, NOPP is building strong linkages between small-scale oil palm-growers and the primary processors, based on the innovative public-private-producer partnership (4Ps) arrangement developed under VODP. It is also reducing the market risks faced by small-scale oil palm growers and ensuring they have access to quality inputs, technical know-how and investment credit.

Financing for the project includes a US$75.8 million loan and US$1.2 million grant from IFAD. The project is cofinanced by direct investment from private sector partners (US$90.6 million), the Government of Uganda (US$25.6 million) and project participants (US$17.2 million).

## Project for the Restoration of Livelihoods in the Northern Region (2014–2024)

The US$70.98 million Project for the Restoration of Livelihoods in the Northern Region (PRELNOR) aims to increase the sustainable production, productivity, and climate resilience of small-scale farmers by helping them access input and output markets. To date, the project



has reached 122,000 households through direct support to 1,800 farmers' groups and 645 community-based natural resources management groups.

The project has also scaled up various initiatives that were successfully implemented under previous projects. For example, the household mentoring approach has been scaled up to 10,000 vulnerable households and roads constructed under the IFAD-financed District Livelihoods Support Programme and the Community Agricultural Infrastructure Improvement Programme have been further developed. PRELNOR is being implemented in seven districts of the Acholi subregion and the adjoining Adjumani district.

Financing for the project includes US$60.2 million from IFAD, US$9.29 million from the Government of Uganda and US$1.49 million from project participants.

## The Small and Medium Agribusiness Development Fund

The Small and Medium Agribusiness Development Fund (SMADF) was established in 2017. It is financed by the European Union and implemented by IFAD.

The fund provides flexible capital to Ugandan agribusinesses through the Yield Uganda Investment Fund in which IFAD is the anchor investor. Other investors include the National Social Security Fund of Uganda, Soros Economic Development Fund, Finn Church Aid Investments and the fund manager, Pearl Capital Partners. During its six-year investment phase – from 2017 to 2023 – the fund provided investment capital in the form of debt, quasi-equity and equity to 15 agribusinesses for a total value of EUR 16.4 million. In addition, the fund also has a business development services (BDS) grant facility of EUR 2.4 million, which is accessible to the agribusinesses alongside the investment capital and operated by IFAD. This support is intended to improve the way in which the businesses operate and how they engage with small-scale farmers, and to strengthen environmental, social and governance (ESG) compliance for the businesses.

By the end of June 2023, the agribusinesses had provided market access to 127,709 small-scale farmers, full-time employment to 900 employees and contracted 1,684 casual labourers. In addition, SMADF has made significant contributions towards creating an enabling regulatory environment for the industry in Uganda through its collaborative efforts with partners in the impact investment space.

As the fund enters its last phase of management and disinvestment, which will run for the next four years, the fund manager will continue to support the agribusinesses to strengthen their operations, maintain the impact on the lives of small-scale farmers, and manage the exit from the agribusinesses.



IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US$24 billion in grants and low-interest loans to fund projects in developing countries.

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