

Brief on the CAADP Agricultural Risk Management Initiative in Uganda

Prepared by Tom K. Mugisa, PMA Secretariat, MAAIF, March 10, 2015

Introduction

A big number of investors and financiers in the agricultural sector, especially in crop, livestock and fisheries production encounter risks, whether real or merely perceived, resulting in serious averseness to increasing investments in agriculture. Consequently many farmers have been denied funding on the pretext that agriculture is too risky. The good news is that most of the risks in agriculture can be managed and tools do exist for addressing them. However, the tools developed for risk management have largely been absent or inadequately integrated in previous agricultural sector strategies and spending plans.

Fortunately, MAAIF is in the process of developing a sector strategic plan for the period 2015/16 to 2019/20, which among others will focus on agricultural risk management (ARM). This is also in line with the National Development Plan (2015-2020), in which issues of ARM have been highlighted for implementation across agriculture and related ministries, departments and agencies including local governments.

Background

1. At their Maputo Summit in 2003, African Heads of State and Government adopted CAADP as Africa's overall vision to eradicate poverty, boost economic growth through agriculture transformation, in order to achieve food security, and hence build the foundation for sustainable broad based economic development on the continent. However, recurrent agriculture and food crises have undermined the chances of achieving such development objectives. Indeed, countries and regions have up to recently mainly set up mechanisms to manage crises and have moderately attempted to prevent them. Among the cases in point are the 2008 high volatile food prices, the Niger 2005, 2009, 2010 and the Horn of Africa 2011 drought and market related food crises. The recurrent crises underscore the need to pay greater attention to **risk management** approaches in particular in the drier, arid and semi-arid regions of the continent.
2. To date three pilot countries, Uganda, Niger and Ethiopia have been identified and started the AFIRM initiative. It is planned that more African countries, including Cameroon, Cape Verde, Gambia, Liberia, Mozambique and Senegal will join to address challenges of managing risks in agriculture and food insecurity. AFIRM is spearheaded by NEPAD working with FAO and PARM funded through EU, France/AFD, Italy, and IFAD under the G20 initiative. Germany intends to provide additional support.
3. For Uganda, to date three joint NEPAD, FAO, and the Platform for Agriculture Risk Management (PARM- hosted at IFAD, Rome) Missions on Agricultural and Food Insecurity Risk Management (AFIRM) have visited Uganda. The last mission was on December 10-12, 2014. The Mission is composed of: Ms Mariam Sow, Principal Programme Officer, Food Security Analyst of NEAPD; Mr Anton Jesús, Senior Programme Manager, PARM; and Massimo Glovanola, Technical Specialist, PARM. The main purpose of the mission is to meet with a national steering committee and agricultural sector stakeholders to agree on how best risk management can be mainstreamed in

the next DSIP for the period Y 2015/16 – 2019/20. The outcome of the mission was: (i) an implementation roadmap, (ii) funding and (iii) coordination arrangements.

4. A second mission sponsored by PARM was conducted in November 2013 and included NEPAD and FAO. The mission objective was to hold an inaugural meeting with the interim Uganda Steering Committee (USC) in line with the outcomes of the first national workshop (May 2013).

5. The first joint mission to the country was organised with NEPAD, FAO and Agence Française de Développement (AFD co-founder of PARM) in May 2013 during which a combined national and regional workshop on Agricultural Risk Management was held in Kampala. The workshop was the first of its kind as a follow-up to the Johannesburg (South Africa) workshop where the ARM initiative on mainstreaming risk management in CAADP implementation was presented for the first time in May 2012.

6. The Platform for Agricultural Risk Management (PARM) has been established with its Secretariat hosted by IFAD, Rome. The PARM was inaugurated at a workshop in Rome on 4 December 2013 at which Uganda was represented by: HE Grace Akello (Uganda's Ambassador to Rome based UN Agencies), Robert Sabiiti (MAAIF Representative to FAO, Rome), Sam Semanda (CAP&D), Herbert Talwana (Makerere University) and Tom K. Mugisa (MAAIF - ARM, Focal point).

1. Context and Justification

7. Under the CAADP framework and as stated in a proposal to the G20, the NEPAD Agency intends to support regional economic communities and countries in mainstreaming agriculture and food security risk management, into CAADP investment plans. The risk management and resilience building approach will be based on a mapping of the various risks affecting both rural producers and households, identifying the appropriate risk hedging instruments and institutions, and providing adequate capacity development to increase the overall effectiveness. This requires a multi-sectoral effort in which each stakeholder takes action to: 1) mainstream risk management in current agriculture and food security policies, strategies and programmes; and 2) improve collaboration between sectors and institutions. This initiative is also aimed at strengthening local capacity for addressing risk management issues through the formulation and implementation of National Agriculture and Food Security Investment Plans (NAFSIPs) bringing together national, regional and international stakeholders and professionals from Agriculture, Environment, Finance, Trade, Private Sector, and Civil Society to develop adapted strategies and identify specific tools for dealing with agriculture production, market, policy and institutional related risks.

8. Ten years after implementation of CAADP through the Maputo Declaration, the Malabo Declaration was signed by Heads of State and Government in June 2014. It recommits to the Principles and Values of the CAADP process, and emphasizes for the next ten years, the need to achieve results and impact. This will happen with the implementation of 11 Strategic Action Areas aimed at: (i) bringing about agriculture transformation and sustained growth, (ii) strengthening systemic capacity at the local, national and regional level, to enable that transformation and growth to occur.

9. The Platform for Agricultural Risk Management (PARM) is facilitating the implementation of policy process to strengthen agricultural risk management in selected developing countries. The process has five milestones: a risk assessment report, a risk assessment stakeholders workshop, capacity building activities, a set of feasibility studies and a policy stakeholders workshop. Uganda has been selected as one of the implementing countries to mainstream agricultural risk management in its agricultural investment plans. PARM will be able to facilitate this process with technical assistance and support to undertake the milestone activities.

2. The proposed Agriculture Risk Management Agenda in Uganda

10. Stakeholders in Uganda at their previous two workshops held in May and November 2013, respectively agreed on the following national agenda that would generate evidence based intervention areas on risk management for integration on the DSIP for the period FY 2015/16 – 2019/20:

- Country agricultural and food insecurity risk assessment to be determined through an appropriate study to understand the current situation and extent of the risks associated with developing Uganda’s agriculture and addressing food insecurity. The outcome would be to generate more evidence based prioritisation of the risks and related tools to address them;
- The identified priority tools will then be assessed through targeted feasibility studies;
- Actionable intervention areas (policies and strategies) for integration into the DSIP for the period FY 2015/16- 2019/20 will then be formulated;
- Implementation of the specific risk management tools and policy instruments integrated in the DSIP by the respective State and non-State Actors, including the Local Governments;
- Formulation of monitoring and evaluation mechanisms to follow - up on the process.

11. In order to undertake the above agenda, a national **Steering Committee** has been proposed with **Terms of Reference (3.1)**, **Composition (3.2)** and tentative **Roadmap (3.3)** are given below.

A. Terms of Reference of the National Steering Committee of the Agricultural Risk Management Initiative:

The overall objectives of the Steering Committee are to:

1. Guide the overall process of mainstreaming risk management tools and policy instruments into implementation of Uganda’s next Agriculture Sector Investment Plan at a strategic level.
2. Advocate for adequate provision for risk management tools and policy instruments in terms of political commitment and budgetary resources.
3. Liaise with relevant stakeholders at the international, regional, national, sub-national and local level for design, formulation and implementation of risk management tools and policy instruments.

To achieve the above objectives the Steering Committee will specifically:

- Guide the implementation of feasibility studies for each identified tool;
- Ensure a risk management strategy and plan is mainstreamed into the DSIP and implementable tools are aligned and coherent with Government strategies, policies, laws and regulations;
- Guide the capacity development process in collaboration with partners including academic institutions, agriculture institutes, research centres and private sector
- Advocate and build consensus for supporting policy measures and infrastructure development for effectiveness of the tools; and
- Guide the overall monitoring and evaluation process.

The following deliverables are expected from the activities and guidance of the Steering Committee:

- The realization of a risk assessment report and its discussion with stakeholders.
- The identification of risk management gaps and priorities.
- One or two stakeholders workshops to discuss risk assessment and / or policy feasibility.
- Specific policy recommendations to be included in the Country's Agricultural Sector Investment Plan.

B. Proposed composition of the National Steering Committee of the Agricultural Risk Management Initiative:

Members resolved that the Steering Committee (SC) shall comprise of the following institutions;

The **Permanent Secretary, MAAIF**, shall **Chair** the national Steering Committee.

1. Ministry of Agriculture Animal Industry (MAAIF)/ National Agricultural Advisory Services (NAADS)/National Agricultural Research Organization (NARO).
2. Ministry of Finance Planning and Economic Development (MFPED)/ Financial Institutions.
3. Ministry of Trade Industry and Cooperative (MTIC).
4. Office of the Prime Minister (OPM).
5. Ministry of Local Government (MLOG).
6. Ministry of Gender, Labour and Social Development (MGLSD).
7. National Planning Authority (NPA).
8. Development Partners: FAO, IFAD, PAM, World Bank.
9. Insurance Regulatory Authority (IRA) / Uganda Insurance Association (UIA).
10. Uganda National Farmers Federation (UNFFE).
11. Private Sector (relevant groups – Uganda Cooperative Alliance (UCA,).
12. Academia and Technology (Makerere University, Mbarara University of Science & Technology, Kyambogo University).

C. Roadmap

The following roadmap was proposed for operationlising the Agricultural Risk Management in Uganda. The timeframe for its implementation shall depend on availability of resources.

- 1. Country risk assessment:** undertake a study to assess the level of agricultural risk in the country and map on-going risk management activities and initiatives.
 - **Uganda Country Profile:** To include mapping on-going related interventions. There is already a lot of information out there which needs to be put together in order to avoid duplication as well as to inform the planned risk management assessments.
 - Investigating further the location specific risks.
- 2. Operationalisation of the Uganda National Steering Committee:** Provide operational resources and structure the Uganda National Steering Committee (USC) to be able to function effectively and efficiently. The USC will be responsible for:
 - Providing guidance on risk assessments and feasibility studies.
 - Monitoring and evaluation of the implementation process for tracking progress and lessons learned - a continuous process from beginning through to the end of the initiative.
 - Capacity building: identification of capacity needs, gaps and development for managing agricultural development risks.
 - Formulation of an agriculture risk management strategy and plan.
- 3. Feasibility studies for agreed risk management tools as proposed in Annex 1.**
- 4. Capacity Building activities.**
- 5. Mainstream the agriculture risk management strategy and plan in DSIP for the Financial Years 2015/16 – 2019/20.**
- 6. Support operations of a small AFIRM Coordination Secretariat** in MAAIF to provide technical and secretarial services to the Steering Committee.

ANNEX 1

Major Agricultural Risk Factors and Tools Identified

Risk Factors

1. Agriculture risks

Weather and natural hazards/floods, droughts, landslides; pests and disease.

2. Market and price risks

Inaccessibility of roads and bridges, price volatility, low producer prices...

3. Institutional risks

Unpredictable policy measures and inability to respond in case of emergencies due to lack of capacity or unpreparedness ...

Tools

Tool 1: Warehouse receipt systems and commodity exchange

- A warehouse receipt system is a title document delivered to farmers in exchange of storing their products in a licensed warehouse.
- The benefits of WRS to the farming Communities are multiple:
 - (i). It provides storage facilities that are professionally run and secure, and allow a better grading and conservation of products.
 - (ii). It exposes small and medium size farmers collectively to large grain traders and buyers and to regional markets, hence exposing them to buyers that they would have never met both domestically and regionally. At the same time, their bargaining power is strengthened through the bulking process (hence avoiding small farmers to face large traders individually).
 - (iii). It allows farmers to access finance through the banking system. Farmers can get 60% of the value of their commodity in credit, in order to conduct other productive activities.

Tool 2: Information systems

- A series of data bases and information on weather and rural production, household consumption, markets, prices ...
- Contribute to informing and guiding decision making of rural producers, traders, processors and Government, related to selling and buying agriculture products, and inputs and equipment.
- Issues to consider are about :
 - The production cost of such information (who is bearing the cost?)
 - Should be demand driven (to justify the cost) = need to identify the users of such information, and make sure it is useful.
 - Its relevance and timeliness
 - It is the foundation for building all other risk management tools (critical in designing most of the tools).

Tool 3: Insurance Schemes

- Insurance schemes constituting a way of protecting farmers' assets by transferring the risk (or probability of occurrence of shocks and hazards) to a third party. It is however important for farmers to understand which type of risk is covered (and which one is not).

- Appropriate information, Communication and sensitization are key issues to consider
- It is critical to “Package” insurance with credit, improved farm inputs, agronomic training, marketing contracts and/or mobile payments
- Brief terms of reference of a feasibility study for Uganda are available as well as several specific documents.

Tool 4: Social protection

Social protection is a set of interventions aimed at reducing social and economic risk and vulnerability, alleviating extreme poverty and deprivation, and promoting social equity.

It bridges the gap between short and long term interventions by preventing and protecting assets from erosion and furthermore promoting and transforming assets.