

# Smart growth – Lessons from Northern Uganda

**Food insecurity – no market access – no inputs –  
poor productivity – no money**

by Warwick Thomson<sup>1</sup>

**How can we kick-start Uganda's rural economy in a way that reflects the urgency of the situation, while also fostering rather than harming a healthy and dynamic market-based development of the farming sector? The future for Uganda's rural economy, and for much of its industry and exports, will depend on a private sector led delivery of goods and services to the farmers, and on efficient trade.**

Successful interventions are always founded on the S.M.A.R.T.<sup>2</sup> application of subsidies, supported by a capable, well-led public sector. The multiplier effects of well designed and targeted public-works projects are proven. For example, in their time, they were used across much of the USA and Oceania to restart the post-depression economies of the 1930s. Livelihoods were regained and national assets were built that have supported growth and prosperity ever since. Nations were constructed by the hands of their citizens.

In Northern Uganda there is a working example of how rural reconstruction can successfully be done. **More than 350'000 families** in 26 sub-counties of Lango and West Nile have determined that they will build their own roads, develop their drinking water sources, and plant and manage their own woodlots.

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<sup>2</sup> *S.M.A.R.T: Specific. Measurable. Achievable. Results oriented. Timebound*

Over the passed eighteen months a quiet revolution has happened for them. As communities, they are planning and implementing the public works projects they've decided are most important, and, with the vouchers they each receive as payment, they are buying the ox-ploughs, tools, seeds, chemicals and the other agricultural inputs they need.

**There is no charity here.** There is the self respect that comes from having paid work and then deciding how to spend your wages. Of being able to plant your own fields properly, and of going to the market or to schools on the roads you and your fellow villagers have built.

Danida finances these programmes through its Development Assistance for Refugees and Hosting Areas (DS-DAR) project in West Nile and its ASPs' Restoration of Agricultural Livelihoods in Northern Uganda Component (RALNUC) in Lango. In the three seasons since the programmes started, 552 small public works projects have been successfully implemented. Each project's budget is based on local government norms and specifications, with quantities and work schedules agreed upon as a contract between the communities and the programme. For each project a small implementation unit is established, with community leaders nominated as supervisors. They are trained to be able to fulfil that role. Each household's work is registered and each fortnight they receive their voucher payments for that. The work is primarily done in the lull before the fields are prepared for the coming season. Generally about four hours work is done each day.

Roads, drinking water and woodlots are what the communities want most, but the they've also included market places, cattle-crushes and fish-landing sites in the list of projects completed.



*A model to meet needs elsewhere in Uganda? 35'000 families have built 1'200 kilometers of community roads built in 26 sub-counties of Northern Uganda and West Nile. They have used their earnings from that work to buy their farm inputs.*

**Trade and general movement along the new roads begins immediately.** A visit to the nearest health post or the daily walk to and from school is no longer so burdensome. For farmers in Uganda today, half of all of the costs associated with transporting their produce to its final market destination is incurred between the farm gate and the nearest village marketplace, mostly along footpaths, tracks and the rutted, muddy, potholed dirt roads that transport operators charge farmers and traders dearly for. With a road, new opportunities can quickly emerge. For example, in Oyam, Mukwano (a local vegetable oil industry) are now able to buy up sunflower seed produced by farmers there.

All participating farmers are offered **training**. They are invited to season-long field demonstrations that serve as their classroom. The farmers select one or several of the crops most important for their food security and/or that are most marketable in their area. Groundnuts, sim-sim, maize are the most common choices. In these field demonstrations, they learn how modern inputs and good agronomic practice can help them to produce better yields, more efficiently, whilst also looking after their land.

Each season, each household working on the community projects earns on average UGX 40'000 worth of vouchers; enough to buy the tools, implements, seed and chemicals most needed. **They are free to use those vouchers to buy whatever inputs they most need, not what someone else has determined as being best for them.** This flexibility is very important in an environment where weather and market conditions can change quickly.

With the inputs they've purchased, farmers are also seeing their **fields producing greater yields**. Many of

them have come together to buy ox-ploughs with their earnings. The scale of this is impressive. Alone in the 12 Lango sub-counties participating in the programme, in the first season of 2007, farmers have purchased 2'500 ox-ploughs with their earnings and they are finding the oxen for them!

Typically, **men would prefer to be paid in cash, but their women appreciate the vouchers**. They can only be used for farming. Drunkenness is endemic in Northern Uganda. However, as security, governance and social conditions improve, there is an ambition to increasingly make pay-outs in cash. The first testing of cash-for-work payments will be made in Adjumani in 2008, after four seasons of using vouchers.

**The direct buyer-seller relationship between farmer and input dealer creates what is needed to build and sustain an agri-input dealership**, where a farmer's satisfaction with her or his purchases will relate in future business and conversely, where her or his dissatisfaction results in a replacement of goods purchased and perhaps no further custom at that shop.

In each of the 26 sub-counties there are at least two and often three **registered agri-input dealers** now selling inputs and receiving vouchers as payment for them. The dealers then redeem their vouchers for cash. Increasingly and most importantly, they are also making cash sales. The dealers receive their stocks from district wholesalers, who in turn procure in bulk. These market based transactions ensure that inputs are delivered to farmers at real and unsubsidized prices, in a timely manner that stimulates competition and reduces transaction costs. This is in contrast to the bulk procurements made by institutions, where in almost all cases large premiums – rather than prices discounted for economies of scale – are paid, and where farmers have no recourse if the quality is sub-standard.

**Not only are the communities happy, but so too are their politicians.** Finally they see a sense of community determination emerging and resulting in really visible achievements. Without exception, they are very supportive of the process, mobilizing their communities and also deploying their technical staff to help with project design and supervision, as well as farmer training.

Locally for the DAR and RALNUC programmes, the key **service delivery functionaries** are:

- The local District Farmers Associations are contracted to mobilize, sensitise, design and supervise works programmes. They pay out the vouchers for the work and provide ongoing training and extension support.
- AT Uganda and UNADA work with communities to understand their demand for inputs, establish demonstrations and run trainings for farmers. They provide business development services and support for input dealers and distributors, and run a market intelligence service for them.
- The communications and impact monitoring functions are outsourced to local firms.
- Small project coordination units are established in Moyo and Lira respectively. They receive direction, support and supervision from the ASPSP Programme Coordination Unit in Kampala.

The voucher-for-work programme **serves both PMA and PFA agendas** and could be scaled up and used



*In March 2007, Ngai Sub-County Chairperson Mrs. Beatrice Okello embraced the programme noting that "...80% of the population have left the camps. The community is enthusiastic about RALNUC and is implementing it. This season in Ngai, 1835 households will build 60km of road. They will be paid UGX55 million in vouchers and will buy agricultural inputs with that" (Daily Monitor. March 23, 2007)*

elsewhere in Uganda. The results it creates can quickly become the backbone for further advances in, for example, the delivery of education and health services and the movements of goods and services to and from local markets. The multipliers that are embedded in the model should be attractive to the nation's planners. Most simply, UGX 1'000 of voucher payment:

- gets UGX 1'000 worth of community infrastructure built
- gives UGX 1'000 worth of input purchasing power to a farmer
- gives an improvement to crop productivity (20-50%)
- gives a margin to the input dealers (5-10%).

This PPP approach also:

- stimulates demand for local government services that are otherwise supply driven
- builds local planning and management processes
- brings farmers together to jointly discuss and solve their problems, letting them also exploit market opportunities
- brings technical and market knowledge to farmers, offering also the opportunity to feed their experience back into national knowledge bases and policy making.



*Innovations for Ugandan agriculture are also needed and using demonstration plots as classrooms for farmers provides an opportunity for that. In the DAR and RALNUC demonstration plots, ICRISAT's Pearl Millet variety ICMV 221 has been introduced to farmers as a high yielding, nutritious and drought tolerant crop.*

**The voucher-for-work programme is also efficient.** About 85% of the budgets for the programme are delivered to the farmers in the form of voucher payments, tools, equipment and materials, trainings and demonstrations and media communications. Overhead costs are kept to a minimum.

Those who are involved in the programme and those who visit it are all impressed. It is **replicable and – with support provided in the right way – it can be scaled up** in a cost effective manner. Later in 2007, with EU funding, FAO will begin its implementation of the same voucher-for-work model in southern sub-counties of Pader and Gulu Districts. But, like everything else in development, the voucher-for-work model is not a cure-all. Other supporting functions in the rural economy also need to be attended to, and, its impact can quickly be compromised if it is out-competed by programmes that provide hand-outs or notional credit.

**Rigorously maintaining the integrity of the model is crucial** to its success. First and foremost, this requires an acceptance at all levels of the need to maintain a clear division between the delivery of public good and

private sector functions. Government's mandate is to provide planning, technical, extension, research and regulatory services, leaving farmers and the private sector firmly in charge of production, the input sector, marketing and trading of farm produce, and provision of financial services. The subsidy elements of the voucher-for-work model are best delivered by NGOs or CBOs contracted for that function and applying stringent procedures.

**Government and its partners could roll out a national programme of S.M.A.R.T voucher/cash-for work PPPs at relatively short notice.** The institutional infrastructure is already in place and the economic rationale is clear. But to do so, the elements of the model that are delivered by local and central Government need particular attention. Regulation of agri-inputs remains weak and sporadic and the steady flow of agricultural knowledge that should be generated and delivered by the research and extension services is patchy. Re-orientation is needed. The ability of local government bodies to deliver technical services – across the board – is limited by under-resourcing and a lack of staff. These limitations are well known and it is accepted that public service reforms to alleviate them

required. If Uganda's rural economy is to grow, that needs to happen quickly.

An example of where public-sector support to the existing RALNUC and DAR programmes could be immediately improved upon is for **NAADS to deliver the farmer training and extension element of the model**. That is their core mandate. This could best be done in partnership with **NARO providing and testing in the field the technologies being used in the demonstrations**. In turn, those demonstration plots could be systematically measured, with the result from them informing the national knowledge base systems that planners, extensionists and farmers alike need so badly to support their decision making.

**For farmers and traders alike, rural financial services are also needed.** The notion is to wean the farmers slowly off the voucher approach, paying them cash for their work. But if they are to be able to buy inputs, they will need a place to save their earnings from the works programmes and also from their farm sales. Credit is not their immediate priority. A savings culture can best

and most efficiently be built up using small savings groups and applying robust but simple methodologies. The Village Savings and Loans Associations model that CARE successfully applies in Uganda and elsewhere could readily be applied. The trading sector that buys farm produce and sells inputs to farmers also needs to be able to access financial services. Their requirements are for both credit and savings. To meet their needs, the rural outreach of formal microfinance institutions and banks needs to improve.

To conclude: These examples from the North show how rural growth in Uganda can be stimulated in a S.M.A.R.T and efficient manner that learns from global best-practice, rests on sound economics and responds to what farming communities most want and are prepared to commit themselves to. Such growth-stimulating PPPs could be rolled out as a national programme and there is a clear case for doing this.

More information about the DAR and RALNUC programmes, including their design, progress reports and post-season impact evaluations, can be accessed on [www.asps.or.ug](http://www.asps.or.ug).

#### Key facts for the DAR and RALNUC programmes

Districts	Moyo, Adjumani, Yumbe, Lira, Apac, Oyam (2-3 sub-counties in each)
Gross earnings/work done/inputs purchased	UGX 2.2 billion of public works done and inputs purchased in 18 months UGX 140 million earned and spent on inputs in 2 sub-counties of each district, each season
Participation	3'500 households in each district, each season 34'500 households participated in 1st season 2007
Family earnings	Average of UGX 40'000 of work done by each participating household, each season
Inputs sold	Average of UGX 40'000 of inputs purchased by each participating household
Stockists	72 trading (2-3 in each subcounty)
Access to inputs	For all farmers in targeted sub-counties: average distance to stockist now 5km; 42% report improved access; 66% report improved availability
Demonstrations	20-30 demonstrations in each sub-county, each season
Public works projects	552 projects completed
Works achieved	630 acres of small woodlots established 243 community water points established Various; market places, fish landing sites, cattle crushes 1200 km. of community road
Technology adoption	68% have adopted one or several new varieties
Yield increases	Yield increases average 15-74% for selected crops
Produce sales	On average, participating HH selling 20% more produce
Wealth, income and consumption	53% report increased wealth, income and consumption of select items since project start