



Risk Assessment

Uganda

AGRICULTURAL RISK ASSESSMENT STUDY
VALIDATION WORKSHOP

VOLUME I

MAIN REPORT



29-30 June, 2015 | Kampala, Uganda

AGRICULTURAL RISK ASSESSMENT STUDY VALIDATION WORKSHOP

29-30 June, 2015 | Hotel Africana, Kampala

VOLUME I MAIN REPORT

Summary from the rapporteurs:
Linda Kabakaali and Douglas Nyombi

“ Through improved *risk management* policies and strategies, financiers and farmers will be able to invest more in agriculture and to improve substantially and sustainably their income and *food security status* ”



Opening Speech by Hon. Vincent B. Ssempijja, Minister of State for Agriculture, Animal Industry and Fisheries (MAAIF) during Uganda Risk Assessment Validation Workshop launched by MAAIF, NEPAD and PARM.

“ ...better *manage the risks*, especially by encouraging the farmers not to ‘fears the risks but rather to *know that solutions exist* and are accessible for them to mitigate them with support of our extension system ”

Hon. Vincent B. Ssempijja (MP)
Minister of State for Agriculture,
Animal Industry and Fisheries

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WORKSHOP AGENDA

Time	Programme	Presenter
DAY 1 – MONDAY, 29TH JUNE 2015		
8:30-9:00	Registration	PMA Secretariat, MAAIF
SESSION 1: INTRODUCTION – Context <i>Chaired by Prof. Charles Waiswa for the PS, MAAIF</i>		
9:00-10:30	Welcome remarks	
	Opening remarks: <ul style="list-style-type: none"> Hon. State Min. for Agriculture NEPAD STATEMENT PARM / IFAD STATEMENT FAO STATEMENT by Dr. Mulat Demeke 	Hon Minister Vincent Bamulangaki Ssempijja, MAAIF Mariam Sow Soumare, NEPAD Jesus Anton, PARM/IFAD Mulat Demeke, FAO
	Group Photograph Press briefing with Media	
10:30-11:00	Health break	
11:00-11:15	PARM process and NEPAD-CAADP	Mariam Sow Soumare, NEPAD
11:15-11:30	Integration of PARM-CAADP into the ASSP-FIP	Tom Mugisa, PMA Secretariat - MAAIF
11:30 -11:45	Q&A Discussion	Plenary
SESSION 2: AGRICULTURAL RISK MANAGEMENT - Overview		
11:45-12:00	Definition of Agriculture Risk. Meaning and advantage of the holistic approach associated to ARM	Jesus Anton, PARM/IFAD
12:00-12:15	Managing agricultural risks in developing countries: Some country experiences and challenges	Mulat Demeke, FAO
12:15-12:30	Q&A Discussion	Plenary
SESSION 3: RISK ASSESSMENT – Presentation of the Study		
12:30 – 13:00	Introduction of PARM Risk Assessment Study (RAS): methodology and risk profiling of Uganda	Prof. Herbert Talwana, Makerere University
13:00-14:00	Lunch	
14:00-14:30	Agriculture Risks in Uganda: prioritization of agricultural risks based on the RAS	Jan Kerer, International Consultant, PARM/IFAD
14:30-15:30	Q&A Discussion	Plenary
15:30-16:00	Health break	
SESSION 4: RISK PRIORITIZATION – Working Groups <i>Chaired by Dr. Mukama Charles</i>		
16:00-17:00	RAS working groups <i>Discussing questions:</i> 1) Looking at the analysis that we have presented, does this capture the risks situation	Groups

Time	Programme	Presenter
	in Uganda in your opinion, or have we completely missed out some risks? 2) Given the information we provided (and the additional information you contribute), how would you prioritize risks in Uganda?	
17:00-17:30	Outcomes from the Working group discussions	Group Rapporteurs
DAY 2 – 30th JUNE 2015		
SESSION 5: IDENTIFICATION OF TOOLS		
<i>Chaired by Simon Peter Nsereko</i>		
9:00-9:45	Summary of 1s day: Final risk prioritization and linking risk prioritization to ARM tool	Jan Kerer, International Consultant, PARM/IFAD
9:45-10:30	Q&A Discussion	Plenary
10:30-11:00	Coffee break	
SESSION 6: PRESENTATION OF POTENTIAL TOOLS		
<i>Panel Discussion 1: Information Data Systems, and insurance</i>		
<i>Chaired by Simon Peter Nsereko</i>		
11:00-11:20	<i>Presentation of potential ARM tools (1)</i> Mapping of information for ARM and case study of Uganda	Agnes Atyang, Consultant, PARM
11:20-12:00	<i>Presentation of potential ARM tools (2)</i> <ul style="list-style-type: none"> Kungula Crop & Livestock Scheme 	Uganda Insurers Association Donato Laboke, Lion Insurance Co
12:00-13:00	Panel Discussion (1-2)	Plenary
13:00-14:00	Lunch <i>Listening session with Local Government Representatives</i>	NEPAD, PARM, FAO, MAAIF Representatives
<i>Panel Discussion 2: Social protection, climate change adaptation and Financial Services</i>		
<i>Chaired by Dr. Ococh George</i>		
14:00-15:15	<i>Presentation of potential ARM tools (3)</i> Social Services	Mariam Sow Soumare, NEPAD
14:15-14:30	<i>Presentation of potential ARM tools (4)</i> Climate Change and Agriculture: How to minimize Risk	Bob Natifu, Ministry of Water and Environment (MWE)
14:30-15:00	<i>Presentation of potential ARM tools (5)</i> WRS and Commodities and presentation of WRS Report (J Coulter Consulting LTD Report) Warehousing and collateral management	Massimo Giovanola, PARM/IFAD
15:00-15:30	Panel Discussion (4-5)	
15:30-16:00	Workshop Discussions Summary	Jan Kerer, International Consultant, PARM/IFAD
16:00-16:30	Closing Remarks: <ul style="list-style-type: none"> NEPAD, Mariam Sow PARM/IFAD, Jesus Anton FAO, Mulat Demeke MAAIF, Acayo Connie for Hon / MAAIF 	Mariam Sow Soumare, NEPAD Jesus Anton, PARM/IFAD Mulat Demeke, FAO Acayo Connie on behalf of Hon. Minister of MAAIF
16:30-17.00	Refreshments	

WORKSHOP PROCEEDINGS

DAY 1: MONDAY, 29TH JUNE 2015

SESSION 1: Introduction

Chaired by Prof. Charles Waiswa for the Permanent Secretary, Ministry of Agriculture Animal Industry and Fisheries (MAAIF)

WELCOME REMARKS

The Chairperson for the morning session welcomed participants to the meeting. He then introduced the Hon. Vincent B. Ssempijja (MP), Minister of State for Agriculture, who represented Hon. Tress Bucyanayandi (MP), Minister of Agriculture, Animal Industry and Fisheries and later invited him to open the meeting.

OPENING REMARKS

Opening Remarks

Hon Minister Vincent Bamulangaki Ssempijja, MAAIF

He welcomed the members and thanked them for choosing this important initiative to enhance our focus on the management of agricultural risks.

Uganda's population of over 34 million people has over 65% relying on agriculture for their livelihoods. It also contributes more than 20 percent to the country's GDP and raw materials for industry. It will continue to be the backbone of the economic development of the country. Therefore, any risks that affect the sector directly impact on the livelihood of the people.

Agricultural risks scare our farmers from investing in and developing their agribusinesses. This undermines our farmers' efforts to exploit the country's agricultural potential, in risk-prone areas such as the recent landslides on the slopes of Mount Elgon and the prolonged draughts in the North-Eastern parts of Uganda.

This workshop's objective is to validate Uganda's Agriculture Risk Assessment Study. It will identify the major agriculture risk factors; propose appropriate tools and policy measures that will inform the implementation of our new Agriculture Sector Strategic Plan (ASSP).

Government will address these risks in a more coordinated and efficient manner in order to:

- i. Increase awareness among the stakeholders about specific agricultural risks;
- ii. Strategically engage the sector stakeholders to reduce significantly the level of risks our farmers are facing; and
- iii. Attract more investments into the sector.

An agriculture sector whose risks are properly assessed, with proper tools developed to manage the risks, will definitely help to increase production and productivity and will not only satisfy our national market, but will provide a surplus to sell to external markets, especially in the neighboring countries.

Adoption of risk management policies and strategies will allow agriculture and agribusiness to expand. This will contribute to the creation of more employment opportunities for our youth and increased urban and rural populations. It will then facilitate bridging the gap between the urban and rural areas by improving the linkages through infrastructure development and access to basic productive services such as extension services, financial services, transport and communication.

The role played by our Partners in risk management was recognized. The new Partnership for Africa's Development (NEPAD) Agency, since 2013 has spearheaded risk management as part of the CAADP process. FAO has provided technical assistance to the initiative and the newly established Partnership for Agricultural Risk Management (PARM) for supporting the studies.

The Validation Workshop was declared officially open.

Opening Remarks

New Partnership for African Development Statement (NEPAD) by Mariam Sow Soumare

NEPAD initiated the process in Uganda in 2013 and it has been critical in mainstreaming Agricultural Risk Management with DSIP and the on-going ASSP process.

Within the Comprehensive Africa Agricultural Development Programme (CAADP) Framework, Agriculture and Food Insecurity Risk Management have been identified as critical areas for intervention during the next decade of CAADP implementation. It will contribute to boosting agriculture productivity and sustaining inclusive growth through the provision of appropriate tools and relevant policies, which will stabilize production variability and price volatility. The outcomes of the workshop will inform the implementation phase of the Agricultural Risk Management Strategy already mainstreamed into the ASSP for 2015-2020. Through a large partnership, the NEPAD Agency will strengthen its support to Uganda on this endeavor and will report at the highest level on progress, results and impact achieved on the qualitative transformation of the Agriculture Sector to which this specific initiative is contributing.

Opening Remarks

Platform for Agricultural Risk Management (PARM)/ International Fund for Agricultural Development (IFAD) Statement by Jesus Anton

The Platform for Agriculture Risk Management (PARM), an outcome from the G8 and G20 discussions on food security and agricultural growth, is a partnership between the European Commission (EU), Agence Française de Développement (AFD), Italian Cooperation, IFAD and NEPAD. Its purpose is to mainstream Agricultural Risk Management (ARM) in the agricultural policy and investment plans of developing countries.

PARM, which is hosted in IFAD, is engaged with the Ministry of Agriculture and NEPAD in supporting the process of implementing the agricultural risk management component that is already included in the recently approved Agricultural Sector Strategic Plan (ASSP). The objective of the workshop is to discuss about risk management priorities that will underpin the implementation of the agricultural risk management (ARM) component of ASSP. The workshop will prioritize risks on the basis of the evidence shown in two background studies, which will help in identifying priorities from the data captured. The risk assessment will be used to support the formulation and prioritization of tools, which will be used to help Uganda implement its agricultural risk management strategy.

Opening Remarks

Food and Agricultural Organization (FAO) Statement by Dr. Mulat Demeke

FAO has been supporting the process of mainstreaming agricultural risk management in Uganda and will continue to do so. FAO works on a variety of areas related to agricultural risks. Some examples of relevant FAO programs and projects are:

- i. Strategic Objective 5 which focuses on increasing the resilience of livelihoods from disasters;
- ii. Sustainable Intensification of Agriculture is the focus of Strategic Objective 2 of FAO;
- iii. Climate Smart Agriculture has the objective of integrating the three dimensions of sustainable development (economic, social and environmental) by jointly addressing food security and climate challenges;
- iv. Global Information and Early Warning Systems (GIEWS) is mandated to monitor prices and food security situation;
- v. Food and Agriculture Policy Decision Analysis (FAPDA) with a mandate to monitor and track food and agriculture policies in developing countries;
- vi. Monitoring African Food and Agriculture Policies (MAFAP) with the objective of evaluating the impact of different policies on incentive to produce;
- vii. Protection for Production evaluates the impact of social protection in managing agricultural risks, overcoming credit constraints, and stimulating local economies.

PRESENTATION 1

Platform for Agricultural Risk Management (PARM) process and NEPAD – Comprehensive African Agricultural Development Program (CAADP)

Mariam Sow Soumare, The New Partnership for Africa's Development (NEPAD)

The presentation on CAADP aimed at recalling the context in which this initiative is taking place and to share the new orientations and commitments of Heads of States in order to achieve inclusive economic growth through Agriculture Transformation.

CAADP is a Political Act materialized by the Maputo Declaration in which Heads of state expressed a willingness to break the era of structural adjustment and usher renaissance of the agricultural sector, while setting it as the main driver of economic growth for the continent. CAADP is at the same time a framework for sharing a common vision and objectives. It is providing common guidelines for:

- policy design, formulation and planning based on Evidence;
- coordination and alignment of technical and financial partners;
- standardizing processes and setting benchmarks for countries and regions, and
- setting up monitoring and accountability mechanisms

Throughout the first decade of CAADP, an intense process of re-learning, planning and building ownership and leadership of the national processes was undertaken.

In order to achieve 6% annual agricultural growth, Governments are requested to allocate 10% to Agriculture (private sector and other partners are requested to also increase their contribution).

After a decade of CAADP process design and planning, more than 40 countries do currently have their National Investment Plans. The support of continental institutions is now geared towards speeding up implementation in order to achieve tangible results and impact on the ground, in a sustainable and inclusive manner. To do so, indicators for monitoring and assessing progress are being designed and a number of flagship programs are being developed at the NEPAD Agency.

Several flagship programs have been designed including Agriculture Education and Vocational Training, Agribusiness, Fisheries and Aquaculture, Climate Smart Agriculture, Agriculture and Food Insecurity Risk Management, Food and Nutrition Security.

The current initiative is taking place under the Agriculture and Food Insecurity Risk Management which is a CAADP Flagship Program aiming at addressing the priority risk factors that will be identified and validated during this workshop.

Q&A Discussion

A member asked how PARM is to support the ARM implementation under the ASSP, and whether the projects are to be Donor or purely Government of Uganda (GOU) funded. The presenter explained that the next phase in the PARM process will be to support the Government in undertaking feasibility studies and based on the results and information offered, PARM will facilitate linkages with the other stakeholders as well as create opportunities for Public Private Partnership (PPP) with farmers.

PRESENTATION 2

Integration of PARM - CAADP into the ASSP – FIP

Tom Mugisa, PMA Secretariat, and Focal Point for Agricultural Risk Management, MAAIF

Agriculture in Uganda is faced with a number of risks and constraints.

At production level the risks include:

Losses due to pests and diseases: e.g. wilt on coffee, cassava and bananas, rice blast, grain stem-borer and birds. Abiotic constraints/risks include draught stress, low soil fertility, disasters such as floods, storms. Others are physiological constraints such as grain shattering and also failure to undertake timely operations due to high labour demands and related costs.

At processing/value addition level some of the risks/constraints include:

Poor post-harvest handling including inadequate drying facilities that lead to contamination by toxins such as the liver cancer causing aflatoxin.

At the input and output market level there are also price risks.

Progress on the integration of ARM in national policy frameworks:

National Development Plan (NDP) for 2015-20: risk management highlighted including climate change.

Agriculture Sector Strategic Plan (ASSP) for 2015-20: (i) Thematic group on risk management established; (ii) Framework implementation plan on agricultural risk management (ARM) developed with matrix of interventions including projects; and (iii) ARM integrated in the agriculture sector strategic plan.

The key ASSP interventions include: policy development, information system, capacity development, institutional development and agricultural risk management projects.

The projects include:

- i. Integrate risk management in extension messages and local government plans;
- ii. Increase access to financial services for farmers, especially agricultural insurance;
- iii. Reduce post-harvest losses through improved storage infrastructure;
- iv. Reduce price risk and price volatility;
- v. Reduce exposure of female and young farmers; and
- vi. Strengthen social security for farmers.

Q&A Discussion

The discussion focused on the need to involve both state and non-state actors including development partners in implementation of the interventions that have been integrated in the ASSP. It was also clarified that a number of feasibility studies on priority risk management tools would be undertaken as part of the risk management initiative whose results would be used to design appropriate projects for implementation at all levels.

One of the challenges noted was the lack of clear guidelines for recruitment by the Local Governments (LGs) despite being given a go ahead to recruit extension staff. It was highlighted that

the single spine structure had been approved and that guidelines will be delivered soon since it was a priority intervention.

SESSION 2: AGRICULTURAL RISK MANAGEMENT - Overview

Chaired by Prof. Charles Waiswa for the PS, MAAIF

PRESENTATION 1

Definition of Agriculture Risk. Meaning and advantage of the holistic approach associated to ARM

Jesus Anton, Platform for Agricultural Risk Management (PARM) / International Fund for Agricultural Development (IFAD)

The presentation analyzed three questions:

- What is the rationale for Agricultural Risk Management (ARM)?
- Why a holistic approach is needed?
- What are the challenges of the PARM approach?

Risk is crucial in agriculture because returns depend dramatically on climate and price variability; farmers need to ensure their livelihoods and uptake investment opportunities that take them out of poverty. Countries need to manage agricultural risks that threaten food security and the local economy. Risk is not always negative, and typically has also an opportunity side: managing risks is a driver of innovation and increases efficiency.

The need of an evidence base holistic approach to risk management derives from the numerous interactions inside the risk management systems, between risks, strategies and policies, between the different actors and the different risks that can be correlated, and between the large set of strategies and tools at household, market, community and government level. The holistic approach leads to the need for layering of risks and defining different levels of responsibility on ARM. Catastrophic risks characterized by low frequency, high severity, correlation, are typically beyond the capacity to cope by farmers and communities and require some responsibility on the part of the government. But farmers need to be empowered to fully take responsibility, manage low severity high frequency risks and engage in transferring medium risks to other players. Risks that are not the responsibility of anyone become disasters.

Risks are often barriers that impede farmers from investing in their economic opportunities. ARM is the tool to overcome these barriers. Despite the concurrence of Governments, donors, service providers, this is not always possible and demand does not match with supply. The Platform for Agricultural Risk Management (PARM) was born as a neutral facilitator linking all players, building in the national ARM initiatives and cooperating with stakeholders. The purpose is mainstreaming ARM in Agricultural Investment Plans of developing countries, in partnership with other international players and initiatives, in particular NEPAD and the CAADP process. The challenge of applying the holistic approach and the PARM process consists of assuring a demand driven approach, promoting a diversity of tools, enhancing ARM capacities and information systems. This workshop is part of this process in Uganda and will finalize a risk assessment exercise that will define priorities and identify potential instruments.

PRESENTATION 2

Managing agricultural risks in developing countries: Some country experiences and challenges

Mulat Demeke, Food and Agriculture Organization (FAO)

The presentation showed that the consequences of food and agricultural risks are high. Food and agricultural risks are among the major reasons for poverty traps and low growth rates. In the

presence of risk, smallholders favor subsistence production with low-risks/ low-returns, not high-return farming enterprises. Unexpected weather and commodity price fluctuations make it risky for financial markets to provide services such as credit, savings accounts and insurance to rural households. In general, unmanaged risks can:

- Lead to a cycle of 'shock, (partial) recovery, shock', eroding capital and natural resources;
- Significantly disrupt supply chains and prevent suppliers, processors, transporters, and marketing companies from expanding and improving their services;
- Adversely impact national GDP with long-term consequences for the country's economic growth; and
- Compromise food and nutrition security of poor consumers in urban and as well as rural areas.

There is no agricultural transformation without managing risks. However, agricultural risk management strategies vary from one region to another. For instance, major agricultural economies in Asia maintain strategic grain reserve and input subsidies to support to farmers while only a limited number of countries in Latin America and Caribbean (LAC) use such policies to manage price risks. On the other hand, the incidence of agricultural insurance is higher in LAC than in Asia. The use of improved financial services and social protection is equally popular in both regions. African countries are far behind Asia or LAC countries in developing agricultural risk management instruments.

Q&A Discussion

It was noted that small holder farmers face a big climate and weather related risk and needed to know what is being done in other regions in response to drought. The presenter said other economies like Asia widely use irrigation. However, it is applied along with improved seeds, fertilizer and other inputs as well as improved cultural practices to achieve high levels of productivity and compensate for the high investment cost. In Africa, the capacity to develop and effectively utilize small scale irrigation needs to be expanded to avert the weather related risk.

A member noted that there is currently no available information for the insurance companies to work with and that if available are outdated. This is especially to do with weather stations and yield related data.

It was also noted that insurance companies find it difficult to work with farmers especially since there are no Government subsidies. Farmers find the monthly installments high.

SESSION 3: RISK ASSESSMENT – Presentation of the Study

Chaired by Dr. Mukama Charles

PRESENTATION 1

Introduction of PARM Risk Assessment Study (RAS): methodology and risk profiling of Uganda

Prof. Herbert Talwana, Makerere University

The agricultural sector's contribution to GDP has fluctuated over the years, from above 35% in the 1990s to 30% in the 2000s and 26% in the 2010s. It contributed 22.2% of GDP (2013/14) compared to 22.5% of GDP (2012/13). The sector has growth of 1.5% (2013/14) compared to 1.3% (2012/13).

The major cash crops are coffee, tea, cotton, tobacco and cocoa. Others: sugar, cut flowers, fruits and vegetables. Sixteen (16) major food crops namely; Cereals (maize, millet, sorghum, rice); Root crops (cassava, sweet potatoes, Irish potatoes); Pulses (beans, cowpeas, field peas, pigeon peas); and Oil crops (groundnuts, soya beans, sesame), bananas, and plantains are grown.

From 2005, the number of livestock and poultry has steadily increased over the years. This is attributed to the steady efforts to control animal diseases and improve livestock production systems by an increase in routine livestock production extension interventions.

The yields remain low as indicated by the existing yield gaps e.g. (PMA report):
Maize – 91.52%, Beans – 88.07%, Groundnuts – 79.48%, Bananas – 58.40% and Coffee – 89.46%.

Uganda's agriculture is predominantly small-scale farming; only 4% of total farms are 5 ha or more. About 20% of households are visited by extension staff. Farmers belonging to a farmer group have access rates of 53% and individual access is at 14%. But, only 16 % of households belong to farmer groups. Farmer-to-farmer sharing remains the dominant source of information
[*Uganda Census of Agriculture (UCA)*]

Information is not readily available to farmers and this affects decision making like adoption of technologies and marketing. Most farmers recycle seed and yet the fertilizer use is amongst the lowest in the world. Fertilizers in Kampala are 1.5 times more expensive than in Nairobi. Only 7.7% of the 3.6 million households reported use of inorganic fertilizers (Uganda Census of Agriculture)
Uganda has no Fertilizer targets to guide Fertilizer policy (SSA target is 50kg/ha)
Group marketing and contract farming is still very low.

At National level, there is limited storage capacity, this leads to post-harvest losses. At farm household level, low capital and low returns are affecting harvesting efficiency and storage. Farmers are forced to sell since this is their only source of income and there is limited available space in human dwellings.

If post-harvest losses are ignored, we can't achieve the 6% growth in agriculture as stipulated by CAADP.

Only 9% of the 3.5 million households have access to agricultural credit.
Financial Institutions; MFIs and SACCOs require further development. High interest rates are also a hindrance to borrowing from financial institutions offering 30% annual and private money lenders 25% monthly.

Agriculture is rain-fed; the potential land for irrigation is estimated to be 220,000 ha of which only 14,418 (7%) is under formal irrigation. Labour is the most expensive input taking 50% of total production costs for most commodities. The hoe-driven agricultural system is losing battle to feeding an increasing population.

Poverty reduced to 19.7% from 56% (1992). However, 6.7 million people remain poor & disparities persist across geographical areas and household characteristics. There are also multiple deprivations such as health, education, sanitation, and housing. Income inequality (measured by the Gini coefficient) reduced from 0.426 (2009/10) to 0.395 (2012/13). It is higher in urban areas (0.41) compared to rural areas (0.34). The average per capita farmer incomes nationwide is Ugx 400,000

Institutionally, there are issues like location of water for production, location of agricultural marketing, processing and trade, weak farmer organization in production processing

Uganda faces major risks like natural disasters, weather, biological pests and disease, market access and availability, labor, health, logistical and infrastructure, policy, political and institutional problems. Political issues include bribery, capital control, politically driven debt default, license cancellation, expropriation/nationalization, regulatory change, protests/ strikes, taxation and war / terrorism.

By far, drought, among natural disasters, has had the largest impact on farmers in the last 30 years with 4,450,000/- people affected. This has been followed by storms affecting 1,041,945/- people. Epidemics like diseases have followed. The least effect has been from earthquakes, landslides and storms respectively.

Q&A Discussion

A question was raised on how systemic the enterprise mix should be, to eliminate risk and save us from shocks? Farmers need information so that they do it as a business. Information like how many crops to cultivate versus animals is required.

How do university / institutions start putting ARM into the curriculum? Other high risks like climate change are also not taught on the syllabus. Students only learn these effects later after they have finished their courses. Despite this, it was noted that implementing a curriculum with risk management would take some time to be approved and then eventually adopted.

PRESENTATION 2

Agriculture Risks in Uganda: prioritization of agricultural risks based on the Risk Assessment Study

Jan Kerer, International Consultant, PARM

The study has assessed the agricultural risk exposure of Uganda, including risks related to production, inputs, weather, markets, infrastructure, diseases and institutions. Often, risks are inter-related and the impact is increased by the constraints that farmers face, in particular smallholders.

It is estimated that droughts has been the natural disaster with the most devastating and wide-spread impact in Uganda. In particular the 2007 drought has caused massive economic losses for food crops, cash crops, and livestock affecting hundreds of thousands of people. Floods tend to be less devastating but are more frequent. The economic impact of pest and diseases is very large if the direct yield loss (or weight loss in case of post-harvest losses) and opportunity cost and expenditure incurred to control the pests and diseases are included.

Several constrains were identified as important contributors to increase some of these risks, in particular poor infrastructure at local level (roads and communication, irrigation) and lack of good information systems.

A number of risks are spread evenly across the country, for example, such as market price risks or input risks; other risks, such as pest and diseases, are present all over Uganda but vary according to crops grown, and climatic and production conditions.

Natural risks are sometimes concentrated in certain regions, for example droughts are more likely in the North, while flooding is mostly confined to the East and North.

Lastly, some risks are confined in specific locations, such as cattle raiding in the Karamoja region.

Smallholder farmers face severe consequences from risks. The impact of shocks often permanently damages the farmers' capacity to generate income. About 36% of farmers react to crisis by selling their livestock, 20% by reducing expenditure and 12% reduce food consumption. Evaluating the impact on small farmers is very difficult to undertake in Uganda due to the lack of good information systems at local and farmers level.

The government is hit by shocks in two ways: reduced income (from taxes) and increased expenditure for emergencies.

The drought 2010/11 reduced GDP by 1.8% in 2010 and 1.7% in 2011, and the Government of Uganda estimates that the government deficit in 2010 would have been 7.5% lower and the expected surplus for 2011 would have been 7.1% higher if the rainfall deficit had not occurred.

Uncertainty is one of the main characteristics of risk: uncertainty on when something will happen (frequency) and how severe the impact will be (severity). A risk matrix was presented to help prioritize different risks faced by farmers in Uganda, both by frequency and by severity.

Q&A Discussion

What would happen if the platform went beyond the costs and risks? What would happen if they are managed? And what would the returns be?

The presenter said that it is difficult to estimate what the profit would be if all costs and risks are mitigated.

Some other risks identified by participants that may need to be captured are:

- Farmers who hire land for cultivation. The risk here is that farmers cannot diversify for fear of the owner taking back their land anytime.
- Agriculture being a business also has risks that must be considered since there has to be clear planning.
- Mismanagement of the environment is another risk, because if it's not properly managed, it will lead to all the other risks. Large scale farmers look for land from forest and wetlands thus eroding the land. There will not be reliable rainfall if forest land is cut down. The presenter however responded to this by saying that the reason why it is not captured independently is because it is interlinked into other risks mentioned.

Another risk was population increase which puts a strain on the available resources like land.

The government's commitment to encourage agriculture was questioned since budget allocation has been decreasing since 2010 where it was 5.2%, and now in 2015 it is 2.7% of the national budget. This is way below the Maputo resolution of 10%, other countries like Ethiopia have achieved the recommended 10% while others have even achieved over 13%.

It was advised that Insurance companies focus on disasters that can easily be managed and the government comes in where there has been excessive loss. It was also noted that Insurance policies are normally data intensive and yet the data is not available or outdated.

Moral hazard is a major challenge. Government instead of giving handouts in cases of post-harvest loss, should support insurance premiums through subsidies like it is done in other countries like Morocco, Malawi, India.

SESSION 4: RISK PRIORITIZATION – Working Groups

Chaired by Dr. Mukama Charles

The participants were divided in four heterogeneous working groups and given the following questions for discussions.

Discussion questions

- 1) Looking at the analysis that we have presented, does this capture the risks situation in Uganda in your opinion, or have we completely missed out some risks?
- 2) Given the information we provided (and the additional information you contribute), how would you prioritize risk in Uganda?

Outcomes from the four Working group discussions

GROUP 1	
<i>New Risks</i>	<i>Priority Risks</i>
<ul style="list-style-type: none"> • Policy Risks • Population pressure 	<p><i>High:</i></p> <ul style="list-style-type: none"> • Weather • Counterfeit Inputs • Price risks

GROUP 2	
<i>New Risks</i>	<i>Priority Risks</i>
<ul style="list-style-type: none"> • Timely access to inputs 	<p><i>High:</i></p> <ul style="list-style-type: none"> • Crop pest and disease • Livestock pests • Weather <p><i>Medium:</i></p> <ul style="list-style-type: none"> • Input (Quality and availability of planting materials, chemicals and pesticides) • Price risk which is fluctuating <p><i>Low:</i></p> <ul style="list-style-type: none"> • Security risk • Constraints • Lack of inadequate infrastructure in the lower communities like weather stations • Poor road network to enable farmers quickly transport their produce to the market

GROUP 3	
<i>New Risks</i>	<i>Priority Risks</i>
<ul style="list-style-type: none"> • N/A 	<p><i>High:</i></p> <ul style="list-style-type: none"> • Price risks by helping farmers in negotiating with the buyers so that they have a stable price to enable them benefit from their produce • Pest and diseases • Post-harvest losses to the farmers and opening up investment opportunities especially accessing loans from the banks

GROUP 4	
New Risks	Priority Risks
<ul style="list-style-type: none"> N/A 	<p><i>High:</i></p> <ul style="list-style-type: none"> Counterfeit inputs: This is because the farmers don't have access to information on the available inputs which are even resistant to pests and diseases, no standardization, lack of enforcements to monitor was is available on the market. Price risk fluctuations: There are no subsidies to the farmers and market information on current prices which leaves a farmer in suspense. Pests and diseases both in crop and livestock: This has led to rapid multiplication of pests and diseases; lack of extension system in place yet they are key in taking information to the farmers and supporting policies together with political instabilities at the lower local governments.

DAY 2: TUESDAY, 30TH JUNE 2015

SESSION 5: IDENTIFICATION OF POTENTIAL TOOLS

Chaired by Simon Peter Nsereko

PRESENTATION 1

Summary of 1st Day: Final risk prioritization and linking risk prioritization to ARM tool

Jan Kerer, International Consultant, PARM

During the prioritization exercise of day 1, the workshop has identified risks that are highly relevant for Uganda, such as price risks and pest and diseases of crops and livestock. Other highly ranked risks affecting Uganda, are input risks (including counterfeits), variations in weather patterns (such droughts) underpinned by climate change and post-harvest losses.

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Holistic risk management tackles risk at different intervention levels and through a mix of tools. Some tools may be applied at different levels of the system (farmer, market, government). When managing risks it is important to consider three elements: *risk reduction* (mitigating risk); *risk transfer* (insuring against risk); and *risk coping* (accepting risk).

Under risk reduction the main tools that can be used to mitigate the risks are: farmer awareness; on-farm risk management; technology adoption; information systems; early warning; improved input markets; improved pest & disease management; improved infrastructure; price stabilization.

Under risk transfer, the main tools used are tailored made agricultural insurance.

Despite risk reduction and transfer, farmers will still be negatively affected by risks and have to cope with it. The design of transparent security mechanisms (e.g. through voucher systems, cash/food for work programs, etc.) is needed to avoid inefficiencies in the system and to ensure that markets are not disrupted.

Q&A Discussion

- There is a need to have a campaign for the farmers to appreciate insurance and contain the risks they face.
- Portfolio insurance is not largely implemented in Africa, but could be useful. The credit default risk of banks makes it more viable for banks to provide credit to the farmers.

SESSION 6: PRESENTATION OF POTENTIAL TOOLS

PANEL DISCUSSION 1

INFORMATION DATA SYSTEMS, AND INSURANCE

Chaired by Simon Peter Nsereko

PRESENTATION 1

Mapping of information for ARM and Case study of Uganda

Agnes Atyang, Consultant, PARM

Information systems are knowledge infrastructures which facilitate the dissemination of information for risk awareness, mitigation, market decisions, and policy decision-making. There are information systems in Uganda covering main sources of risks such as weather, inputs, pests and diseases, market information, among others.

The main source of weather information is the Uganda National Meteorological Authority (UNMA). The UNMA faces challenges related with the meteorological infrastructure and subsequently, the quality of the data is moderate. Depending on the product, weather information is provided at varying time lines such as daily and 3-day forecasts, monthly reviews and updates, and seasonal forecasts at start of season. This information is usually provided in a timely manner through radio, internet, mailing list, bulletins and press releases. Satellite data helps to fill the gaps in weather data/information. However, the quality is moderate because limited information/data is transmitted internationally and used to calibrate satellite products. Information is available at district or lower administration level at <http://earlywarning.usgs.gov/fews> and is accessible to policy makers only.

Production and yield information is a collaboration of Uganda Bureau of Statistics and MAAIF. Few annual statistics are collected due to low capacity at MAAIF, so most of the data is generated by imputation. Consequently, the quality of the data is moderate. Data available for 15 selected crops, aggregated at national level, for the period since 1980 to 2014 is downloadable from <http://countrystat.org/>.

Information on selected agro-inputs and markets is provided by Agricultural Input Market Information and Transparency System (AMITSA) at <http://www.amitsa.org/>. Information is accessible to Info trade subscribers and online and therefore, not accessible to majority of smallholders. The primary providers of market information are Info trade and Farm gain which provide wholesale and retail prices for up to 35 markets and 47 commodities. Information is accessible through radio, blackboards in markets, notice boards, call centre, internet, mailing list, and by SMS. Typically, farmers report pest and disease outbreaks to extension staff who relay it to MAAIF as appropriate. The majority of smallholder farmers access information on pests and diseases from other farmers and the radio. The majority of integrated information systems are early warning systems (EWS) and include; Famine Early Warning Systems Network (FEWS NET), Drought EWS (in Karamoja), Integrated Food Security Phase Classification and EWS for food security under MAAIF, and the NEWS being established in OPM.

The Ugandan information systems do not present information/data in the form of indicators of variability or frequency / severity of events, time series are not easily available, household level (micro) data is not available, and the different systems are not integrated. Most information systems

don't reach the majority of smallholder farmers in Uganda because the farmers lack awareness of their existence. Access may require the use of phones which they may lack, the cost of access (SMS, subscription, etc), and the system may not cover the farmers' area so the information may not be perceived as relevant.

Q&A Discussion

The ministry has a system for collecting data on pests and diseases from the districts called the disease integrated system. So far there are 70 plant clinics linked to plant wise international. Some of these are mobile plant clinics. When farmers get diseased plants, they are taken to the nearest district plant clinic for diagnosis. From this, information is generated and all data collected.

However, the district officials face the problem of delayed diagnosis in cases where they cannot immediately diagnose. They have to send the diseased plant/crop to the headquarters. This process takes long and an outbreak can occur within that time.

Another challenge is the lack of extension staff to carry out the mobile plant clinics and collect this information regularly.

There is information on the internet, though small holder farmers do not have access to internet services. This information is through the Uganda Communications Commission (UCC) which is providing training programs.

The Ministry needs to work with the Uganda National Bureau of Standards to ensure that inputs and fertilizers given to farmers are genuine. The National Seed Policy which provides guidance on this issue is long overdue.

There is a regional information system which provides weather forecast for regions like the horn of Africa. There is need to extend the same to this region.

On the question of how production estimates are obtained, it was said that they are farm gate prices. These however are not collected regularly. It was however noted that there is challenge in getting these estimates, since farmers do not keep proper farm records and they practice intercropping. It is normally easier for cash crops than food crops like bananas, cassava and beans. Nonetheless, UBOS is in the process of working with MAAIF to compute these values.

A Local Government official said the focus should be on the small farmers since they are on the ground. Information should be brought nearer home. He encouraged the revival of the District Farming Institutions. Best practices from other countries should be applied. An example is the agricultural show in all districts in Kenya. This is a showcase for all products in the districts. Such practices need to be brought here to ensure farmers receive the desired information.

PRESENTATION 2

Kungula Crop and Livestock Scheme

Donato Laboke, Lion Insurance Co.

Kungula Agri-Insurance product development was supported by ABI-TRUST. It is derived from the Luganda word to mean Harvest. It ensures that any farmer or financial institution involved in Agriculture and has purchase cover is assured of a return i.e. the harvest will be made either through a loan repayment or the lost yield paid out by the Kungula Agri-Insurance.

The All Risk Mortality (ARM) Livestock Insurance policy, covers death of animals as a consequence of: fire, lightning, flood, rainstorm, windstorm, hailstorm, snow, drought, hurricane, earthquake, landslip, diseases, surgical operation and impact accidental damage by animals, trees or vehicles, aircraft or motorized machinery.

Weather Based Index Insurance is a simplified form of insurance, where payments are made based on an index, rather than measurement of crop loss in the field. The index is selected to represent, as closely as possible, the crop yield loss likely to be experienced by the farmer.

This is due to the:

- Constantly changing weather patterns
- Traditional Agric insurance not ideal for smallholder farmers
- Advancements in technology making it possible to monitor up to a pixel
- Availability of 32 years and above of meteosat data
- Development agency assistance in product development

Livestock Drought Indexed Insurance, covers drought on grazing areas. Remote sensing and climate service provider, with satellites that measure the Relative Evapotranspiration (RE) of grass in the grassing areas are used. And RE factors; related to growth of grass, used as an index (marker) to determine changes in growth, when drought occurs anywhere in Uganda. Insurance compensates automatically after every 3 months for a 12 months contract.

Crop Indexed Insurance covers drought and excessive Rainfall. Here also, remote sensing and climate service provider with satellites that measure the Relative Evapotranspiration (RE) of crops are used. RE factors directly related to yield are used as an index (marker) to determine changes in yield related weather hazards such as drought & excessive rainfall in every county in Uganda.

The Basis of the cover is that there is an expected or pre-agreed value of harvest. 100% cover of loan for crop production is assured for the farmer(s). The requirements include planting season timing, location and size of farm.

Financial institution Lending Challenges

- Fear of risk of non-performance of loans if there were a drought.
- And yet without access to loans, most farmers are not able to purchase high quality inputs that would increase productivity.

The presenter noted that insurance is now covering farmers through schemes like Kungula Crop and Livestock scheme. This covers all animals and plants irrespective of the pest or disease risk especially under Oris mortality cover.

There is to be an IFDC pilot scheme targeting 5000 farmers in 3 districts. 10,000 farmers will be targeted in the next 2 years. Members agreed that MAAIF should be a part of the pilot projects that insurance comes up with, since they are in touch with the farmers.

Q&A Discussion

A member from Insurance Regulatory Authority (IRA) informed the meeting that part of their mandate is to approve policy and sanction all insurance products. They encouraged MAAIF to put emphasis on proper regulation. IRA is the key player in all studies on how to get information and to best regulate insurance products. This means they, together with insurance companies, can provide assurance to small farmers so that they can have a fallback position.

PANEL DISCUSSION 2

SOCIAL PROTECTION, CLIMATE CHANGE ADAPTATION AND WAREHOUSE RECEIPTS

Chaired by Dr. Ococh George

PRESENTATION 1

Integration of Social Protection in Agriculture and Food Insecurity Risk Management

Mariam Sow, NEPAD

According to the International Labor Organisation, Social Protection (SP) can be defined as a set of policies designed to reduce poverty and vulnerability by: 1) promoting efficient labour markets; 2) diminishing people's exposure to risks; 3) enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age.

In Agriculture, such a definition applies in particular 3) will be broadened to other risks including weather and environment related risks. These policies are based on non-market arrangements and the main criteria for selecting beneficiaries is based on targeting mechanisms.

While implementation of SP schemes in Africa has been in the past mainly based on ex-post interventions following agriculture and food crises or catastrophic events, policies are today put in place in a large number of countries in order to institutionalize SP in several sectors including agriculture. Bundling it or combining it with other risk management tools is the most effective way to achieve impacts and lift vulnerable populations and smallholder producers out of poverty by increasing their productive capacity in a sustainable manner. It might be through cash or food transfer or subsidies.

To be effective in increasing agriculture productivity, SP should not be a standalone policy intervention in agriculture, but should be combined with other risk management tools with specific objectives. It should also be extended to other rural stakeholders along the value chain, based on a proper assessment of support needs. It is also important to assess the supply side (health facilities, quality and adequacy of inputs...) and make sure that it is adequate and appropriate.

Q&A Discussion

A member sought clarification on how social services related to Agriculture.

The presenter responded by saying that the schemes are still at very early stage of development. There is the process of integrating social protection schemes with a good piloting scheme. They have been implemented in emergency situations. Long term based on predictable interventions to small holder and vulnerable farmers to help them improve and the capacity to produce. There can be two broad types, in cash or in kind by input subsidy or free distribution. It's difficult to get the exact target of farmers so that those who really need it are not excluded.

PRESENTATION 2

Climate Change and Agriculture and How to minimize Risk

Bob Natifu, Ministry of Water and Environment (MWE)

The scientific evidence is stronger than ever before and the human influence on the climate system is clear. Climate change exposes people, societies economic sectors and ecosystems to risk and hence the need to minimize risk.

The risks are heightened by the increasing greenhouse gases in the atmosphere that are distorting the climate system and hence leading to the frequency and intensity of events as seen in the disastrous incidences in Uganda over the years.

It was noted that Uganda has signed and ratified the climate change convention whose main objective is to contribute to stabilization of greenhouse gases in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. In order to respond to this obligation and ensure effective reporting to the secretariat, the GOU has created a fully-fledged department to address national climate change issues.

Specific to the agriculture sector, it was noted that in order to minimize risk there are innovative policies and investment programmes in place by Government to help small holder farmers anticipate,

absorb and recover from climate shocks and stresses. Additionally there is a national climate change policy in place that puts forward policy priorities to minimize risks specifically in the sector and this includes:

- Access to climate resilient seeds
- Sustainable management practices
- Good Infrastructure
- Markets
- Financial and Insurance Products
- Weather and Climate Services among others

Stabilization of greenhouse gases in the atmosphere in each sector is what should be done. The gases are not to be removed totally since they are necessary for the survival of man and plants. The biggest problem here is the increase beyond the normal which distorts the climate system. NASA website tracks concentration in the air and advises on the level beyond which we should not go. This was in response to a member who sought clarification on whether all gases are to be removed or just checking that the depletion of gases does not go to abnormal levels.

PRESENTATION 3

Warehousing and collateral management

Massimo Giovanola, PARM

The presentation aimed to share with the national stakeholders the results of a study undertaken by a private company (J. Coulter Consulting Ltd) on Warehouse Receipt Systems (WRS) in 9 African countries, including Uganda. The study was sponsored by AfD, CTA and PARM-IFAD.

The study collected and assessed the most relevant information of the two WRS, starting from the historical origins and ending with some recommendations, mostly addressed to the GoU, to make the WRS more efficient.

According to the study Warehouse receipting in Uganda can be classified into two main categories: (a) unregulated warehouse receipting (Type A), consisting mainly of conventional collateral management agreements and a number of *developmental pilots* supported by donors and/or Government; and (b) the regulated public warehousing system (Type B) for grain introduced under the WRS Act of 2006.

Unregulated CMAs account for most warehouse receipting in Uganda and at least three collateral managers share the market. The industry has not been able to put an end to fraud-related problems, and it is reported that the Capital Markets Authority intends to establish a regulatory framework.

Based on the last decades implementing programs and reports of *the Warehouse regulated system*, the study recommends that the Government of Uganda takes a clear decision on the intention of implementing the system and embraces principles vital to its success, concerning targeting, scale, regulatory compliance and governance. In order to align the national grain quality and grading with the EAC standards it is also advised that new guidelines are developed by the national authority and a control system be put in place. External partners should better coordinate and provide their technical and financial support when a new strategy and plan on WRS is presented by the GoU.

Q&A Discussion

- An official from MAAIF said that the warehousing system in Uganda is unregulated and has therefore got to face many challenges due to this. Despite this, the Ministry has gone ahead to form platforms on commodities like maize and beans to streamline and produce very good grains, increase production and productivity and later the whole value chain. There is an umbrella body, Uganda Grain Council (UGC) for grain traders. It was set up to ensure quality of the grain. This body is working together with the Government of Uganda (GOU). Uganda is currently the leader in grain quality in East Africa (EA).
- Clarification was sought on the difference between Conservation Agriculture and Climate Smart Agriculture. It was explained that the two are not so different since they are both

designed to mitigate risk issues in the sector. It involves build climate resilience and minimizes risk encountered by the farmers.

Man's activities have led to reduction in production and productivity. And yet there are more mouths to feed with the population increase and no land increase. For example land degradation has led to use of fertilizer to improve the soil quality.

Generally, it is trying to correct what has gone wrong and yet we, as man, are the cause.

- A member informed the meeting that starting July 2015 there will be a Warehousing Receipt System Act. A Warehousing Receipt System Authority is already in place and funded by the GOU.
- An official from MAAIF raised the issue of trust between farmers and management of warehouses. They don't trust the management to keep their produce. Sometimes this issued is escalated by delayed payment to farmers for their produce.

WORKSHOP SUMMARY

Jan Kerer, International Consultant, PARM

See section on WORKSHOP OUTCOMES.

CLOSING REMARKS

Closing remarks

New Partnership for African Development Statement (NEPAD) by Mariam Sow Soumare

Risks factors have been identified including all useful risks, challenges and tools.

However, there are 2 other dimensions

- Regional dimension – to reach economic growth we need to look at this and address the risk at the regional level since they are inter- related.
- Local dimension of risk - through discussion with the Local Government representatives, a lot has been learned about what is actually on ground. Working with LGs and farmers is crucial. There also has to be a link between the national and government decisions.

MAAIF and GOU were thanked for allowing work on ARM to start. She noted that Uganda is the first and most advance of this flagship program in Africa.

She concluded by saying the workshop was a success and we needed not stop here but work to go forward. Experiences from the continent will be shared with us and our experiences will also be shared with other countries.

Closing remarks

Platform for Agricultural Risk Management (PARM)/ International Fund for Agricultural Development (IFAD) Statement by Jesus Anton

The prioritization exercise has led to five major risks emphasized during the group discussion. Some of them – for example price risks and pest and diseases- may need to be further narrowed down since they are still broad. But this is already a very useful outcome.

The first steps in the identification of the tools have been undertaken. Advancing towards the implementation will require matching the identified risks with tools and strategies that specifically respond to them, taking account of the existing constraints (e.g. information, infrastructure) and

ensuring that they can reach the farmers. The holistic approach will most likely need a set of instruments rather than a single miraculous tool. It will need also to look to tools and instruments that respond across the board of the five identified priorities.

The process continues from here, communicating the outcomes of this workshop to the National Steering Committee, engaging with farmers in capacity development and with all stakeholders in the policy implementation.

He concluded by thanking the GOU for organizing the workshop.

Closing Remarks

Food and Agricultural Organization (FAO) Statement by Dr. Mulat Demeke

He thanked the GOU for what has been achieved and the Coordinator for the initiative. He also thanked all the donor partners for coming together.

He noted that:

- It is time to move from talking to action since inaction affects the entire value chain. The cost of unmanaged risk is very high.
- The starting point is the enacting of policies and a structural frame work. Institutions like the farmer organizations need to be strengthened. There has to be lobbying for favorable policies from the government.
- Local Governments need to build capacity and create awareness.
- There is also a need to review existing policies to see if they are conflicting or undermining risk management activities.
- He wondered why water is a challenge in Uganda and yet we have adequate water sources. He recommended tapping into underground water sources.
- He also said marketing produce and prices should not be an issue given the availability of regional markets such as South Sudan, Kenya and Democratic Republic of Congo . Trade and market infrastructure need to be organized to tap into this available market.

Closing Remarks

Acayo Connie for Hon. Minister of Agriculture, Animal Industry and Fisheries (MAAIF)

She highlighted the 5 high risk areas being price, pests and diseases, input quality, post-harvest handling and drought spells. She then said that managing these risks starts with information and ends with information the key issue here is putting the information and informing the stakeholders. She then read the full message from the Hon. Minister:

Members were thanked for choosing to participate in the validation workshop. He was happy to be speaking to you as part of a growing national platform on agricultural risk management in Uganda.

His representative highlighted the 5 high risk areas being price, pests and diseases, input quality, post-harvest handling and drought spells. Managing these risks starts with information and ends with information. The key issue here is putting the information and informing the stakeholders.

The ministry has already integrated agricultural risk management in our next agriculture sector strategic plan for the next five years; 2015 – 2020. The recommended interventions of this workshop will be used to inform the design of new programmes and projects that we shall implement during the next five (5) years.

We shall work with the local governments on integration of agricultural risk management in their district and sub county annual rolling development plans.

Some of the priority interventions and tools for managing agricultural risks in the country include: (i) developing a policy/strategic framework for agricultural risks; (ii) institutional arrangements for risk

management; (iii) developing human capacity for risk management including curriculum review for training institutions including the Bankers Institute; (iv) undertaking of a number of feasibility studies on selected tools for risk management in order to identify what will work and what not to implement.

Our local government representatives in this validation workshop should take full advantage of this validation workshop to appreciate the key agricultural risks that we must deal and come out with actionable tools that are relevant to their areas in order to better manage the risks, especially by encouraging the farmers not to fear the risks but rather to know that solutions exist and are accessible for them to mitigate them with support of our extension system.

The Representative of the Hon. Minister declared the Agricultural Risk Assessment Study Validation Workshop officially closed.

WORKSHOP OUTCOMES

This workshop was organized by the Ministry of Agriculture in partnership with NEPAD, FAO and the Platform for Agricultural Risk Management (PARM) hosted by IFAD. Stakeholders met to validate findings from two studies: (1) Agricultural Risk Assessment or Risk Profiling in Uganda; and (2) Mapping agriculture information systems in the country. The workshop prioritized agricultural risks through a holistic approach and identified potential risk management policies and tools that fit these priorities. The outcome of the workshop should serve to advance the implementation of the Agricultural Risk Management interventions that have already been integrated in the Agricultural Sector Strategic Plan (ASSP).

The Workshop was able to agree on a prioritization of risks based on the background Risk Assessment Study (that included an estimation of the economic costs of different agricultural risks) and on the assessment and knowledge of the stakeholders.

Very High Priority (each identified risk is estimated to cause losses higher than USD 100 million on an annual basis):

- A. **Price risk.** Commodity prices in Uganda are very volatile for both cash and food crops. Price shocks can be due to a number of reasons e.g. bumper harvests for maize and other food crops, changes in international markets for coffee, or lack of quality assurance for tea. This risk needs to be further narrowed down in terms of the specific commodities or price risks that should be the priority.
- B. **Pests, vectors and Diseases that affect Crops and/or Livestock.** High losses due to pests and diseases have been a recurring problem in Uganda for many years. Despite significant efforts, pests for important crops such as banana, cassava, and coffee are still not contained. New diseases are looming and further threaten the livelihood of farmers (such as MLDN for maize, African swine fever for piggery, foot and mouth disease for cattle, and new castle disease for poultry).

High priority:

- C. **Input risk.** Uganda has very low adoption rates for improved seeds in international comparison. It is therefore of essence that the input markets improve in terms of quality and accessibility. Improving the quality of the input sector also helps to reduce costs associated with counterfeited inputs which are estimated at USD 10.7 to USD 22.4 million per year.
- D. **Weather: droughts.** Drought is the risk with the highest loss potential in a single year (for example USD 383 million in 2011). While the risk of large scale droughts is low in many parts of Uganda, shortfall of rain during critical stages of crop growth is experienced on a frequent basis in many districts. In the absence of irrigation systems, farmers suffer lower yields and loss of revenue.
- E. **Postharvest losses.** The lack of adequate storage facilities at farm level leads to significant losses for smallholder farmers on a seasonal basis. In particular maize farmers face infestations from insects that lead to an estimated loss of app 18% of the harvest, posing also threats to food security. This threat often forces farmers to sell directly after harvest when prices are low.

The discussions in the workshop helped to orientate the possible direction of the specific tools that could respond to these risk priorities. Following the holistic approach that inspires this process, the set of instruments should be part of a risk management system that includes a variety of instruments, some of which lay beyond the boundaries of agricultural policies and tools.

Two main cross-cutting interventions have been identified as crucial for the development of any other instrument and ARM strategy. They respond to all five risk priorities A to E:

1. **Information Systems** that are adapted to the needs for ARM, in particular with indicators of variability over time, with information that covers also local / micro risks and with appropriate accessibility to reach farmers.
2. **Capacity Development on ARM.** Farmers and extension workers need to have capacity and knowledge about information systems, risk assessment and management, the available instruments and their effectiveness to manage different risks. Additional efforts are needed for key state and non-state actors such as national and regional level staff of MAAIF, farmer organizations, financial institutions, etc.

Other instruments and tools were discussed and could respond to one or more of the risk priorities:

3. **The system of storage and warehouses.** Need to build on the on-going government efforts to improve weaknesses and bottlenecks of the warehousing system. In addition, the positive experience with low-cost storage at farm level shows great potential to provide good returns on investment for smallholders. These instruments respond to risk priorities A and E.
4. **Innovative and inclusive financial tools** that improve the access to savings and credit by farmers, including the possibility of combining several tools in particular with insurance. Different financial tools can respond to different risk priority areas A to E.
5. **On-farm risk management**, including good agricultural practices (conservation or climate smart agriculture, water management, diversification of production). This responds mainly to risk priorities B and D.
6. **Social protection.** This is a poverty alleviation policy that can serve as safety net in relation to all identified priority areas.
7. **Instruments or tools to respond to the risk priority B on pest and diseases.** The finalized risk assessment study will help to provide more light to the needs in this area. Interventions on information systems and capacity development should include a specific component on Pest and Diseases.
8. **Reform and improvements of the Input certification system.** After finalizing the policy framework for seeds and fertilizer, implementation of quality assurance in the input system is key. Developing ways to track input products, establishing complaints mechanisms, and ensuring effective regulation, proper storage and handling of inputs are important elements in this effort.

WAY FORWARD AND NEXT STEPS

These priorities as discussed and improved by the NSC/P, will be the basis for the development of feasibility studies for the implementation of ARM policies and tools. PARM will support a limited number of feasibility studies out of the agreed priorities. NEPAD and FAO will be providing support in a number of areas including: linking social protection to agriculture risk management; identification of strategies for financial inclusion; managing price risk and storage mechanisms in the perspective of linking it with the regional dimension. Capacity development components will equally be provided at the regional level through the East African Community on these issues. Other donors and partners will be encouraged to support priorities identified in this process.

A roadmap is also proposed.

APPENDIX 1

LISTENING SESSION WITH LOCAL GOVERNMENT REPRESENTATIVES DURING THE LUNCH BREAK ON 30th June 2015

Participants from the districts:

- Dr. Munyambonera Isaiah – District Veterinary Officer (DVO) Kisoro District
- Asaaba Wilson – For Chief Administrative Officer (Cao) – Kasese District.
- Elem Sam – District Agricultural Officer – Agago District
- Okwera Bosco – District Farmer Forum – Agago District
- Wadada Simon – District Agricultural Officer – Bududa District
- Angutoko Herbert – District Commercial Officer – Arua District

DISCUSSION

- The local governments' representatives (LGR) called on the Risk Management Initiative Team and Partners to expedite the formulation of guidelines for integration of risk management into development plans of local governments for funding and implementation.
- The LGRs also emphasized the need to build human capacity on risk management at the local government-level in order to support the implementation of risk management interventions especially at farm-level.
- Existing structures should be used to fill all vacant posts at the district level. With CSOs available at the district, they can support the process. Consulting firms can also be hired for the process.
- Whereas districts have been given a go ahead to recruit 2 extension officers per sub-county, the funds to be released are not enough to pay salaries for all recruited staff. A case here is Bududa district where the district is to receive funding of only 93million Uganda shillings which can only pay salaries for 6 staff in a year. This district has 16 sub counties meaning they are supposed to recruit 32 extension staff.
- Farmers wondered why information is collected and yet they do not get any feedback after submitting what is collected. There should be proper dissemination to ensure they are not left out.
- How can the farmer be helped to collect basic information?
- In Uganda, farmer organizations have members of between 14 and 16 members and these groups are not strong. They are normally joined by farmers seeking to benefit from free inputs being given by the Government.
- The Public Private Partnership (PPP) is still weak and so is the private sector. It is just starting to emerge and build structures.
- The budget allocation to the district to implement activities, especially under the Production and Marketing Grant (PMG) is very low and if not revised implementation will remain low.
- There should be training of production staff to prioritize risk management and mainstreaming it into the development plan.
- There is the issue of ever changing guideline on implementation of government programs. When a program is started, before its impact can be tested at the grass root level, guidelines are changed. The impact of the programs is therefore not realized at the grass root level.
- Political interference is a problem. A politician can come to the district and make comments like "thieves", calling the district officials thieves. This makes the population lose trust in the officials.
- The issue of counterfeit inputs and fertilizers was raised. Suppliers go to the extent of painting maize pink and supplying it to farmers. Porous borders have made it even more difficult since packaging materials are bought across the border cheaply and the sub-standard inputs packaged and given to farmers. Laws are in place but not implemented strictly. MAAIF needs to emphasize strict regulation.
- High prices of planting materials are a factor. For example, a kilo of substandard maize seed is Ugx. 2,500/- and the genuine one Ugx. 6,000/-. A poor farmer will find it cheaper to buy the sub-standard maize.

ANNEX 1

LIST OF PARTICIPANTS

No.	NAME	TITLE	AGENCY
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98.	Martin Fowler	Advisor	USAID



What is PARM?

The Platform for Agricultural Risk Management (PARM), an outcome of the G8 and G20 discussions on food security and agricultural growth, is a four year multi-donor partnership between the European Commission, the Agence Française de Développement, the Italian Government, the International Fund for Agricultural Risk Management and the New Partnership for Africa's Development (NEPAD) with developing nations to make risk management an integral part of policy planning and implementation in the agricultural sector, within the Comprehensive Africa Agriculture Development Programme (CAADP).

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