

## Development Project Uganda 10792.0

**Title:** Turning high food prices into opportunities for Uganda's subsistence farmers.

**Duration:** 13 months (1 February 2009 – 28 February 2010)

**Number of beneficiaries:** 78,450

**WFP food tonnage:** 1,492 mt (food component) and 1,289 mt (cash equivalent)

**WFP food cost:** US\$868,140 (food component) and US\$706,615 (cash equivalent)

**Total cost to WFP:** US\$4,968,150

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### Executive Summary

Since the beginning of 2008, prices of basic staple commodities such as maize and beans have increased by about 50 percent in Uganda due to greater demand in neighbouring countries, higher fuel prices and poor harvests in some critical parts of the country.<sup>1</sup>

On the one hand, the rising prices of staples and increased regional demand provide a window of opportunity for Ugandan small farmers to move from subsistence to more commercial farming. With improved market infrastructure and enhanced productivity, small farmers have the potential to boost their production and actually begin to sell surpluses – including to WFP through its Purchase for Progress (P4P) initiative.

On the other hand, while they remain net buyers, the rising prices can affect the amount of household income that small farmers devote to food purchases. As a result, the small farmers may not have the resources required to make investments in their livelihoods and may consume less and poorer quality food, undermining their physical capacity to engage in productive activities. This situation has given hunger a new face in Uganda: smallholders not traditionally included in WFP's beneficiary caseload are now in need of assistance.

The proposed programmatic response to the impact of high food prices in Uganda will aim to improve incomes and quality of life for vulnerable smallholder farmers through a safety net that:

- Creates assets that will enable vulnerable smallholder farmers to be better connected to markets and provide post-harvest support, thereby giving farmers a chance to benefit from high food prices (WFP Strategic Objective 3);
- Helps address immediate food and nutrition gaps resulting from high food prices, including micronutrient deficiencies (WFP Strategic Objective 4).

Project activities will focus on improving market infrastructure and enhancing productivity, thereby addressing the primary constraints to small farmers and medium-scale traders selling more good quality food at higher prices. The design of the activities builds upon the findings of recent evaluations.<sup>2</sup> Taken together, the activities should help integrate smallholder farmers more

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<sup>1</sup> IFPRI, 2008, *An Assessment of the Likely Impact on Ugandan Households of Rising Global Food Prices*.

<sup>2</sup> Smart et al., 2007, *Findings of the Independent Evaluation of WFP PRRO 10121.1* and Abola et al., 2008, *Outcome and Impact Evaluation of the UN World Food Programme Food-for-Asset (FFA) Activities in the Sub-regions of Lango, Acholi, Karamoja, and West Nile in Uganda*.

fully and effectively into the dynamics of a growing market, leading to increased incomes, improved quality of life and reduced poverty. At the same time, the provision of cash or food will allow the households to meet their nutritional needs during this period of higher food prices.

The project is in line with the Government of Uganda's Plan for the Modernization of Agriculture and the United Nations Development Assistance Framework (2006-2010).<sup>3</sup> It supports WFP's Enabling Development Objective 2 ('enable poor households to invest in human capital through education and training') and 3 ('make it possible for poor families to gain and preserve assets'), and WFP Strategic Objectives 3 ('restore and rebuild lives and livelihoods in post-conflict, post-disaster and transition situations') and 4 ('reduce chronic hunger and undernutrition'). The project supports Millennium Development Goal 1 ('eradicate extreme poverty and hunger').

The activities of the development project provide an initial response to help integrate smallholder farmers into growing local and regional markets, thus improving their incomes and reducing food insecurity and poverty. These activities are expected to be folded into a new country programme to be presented to the Executive Board in 2009.

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<sup>3</sup> It is also aligned with the new UNDAF, which has been brought forward to 2009 to harmonize it with the Government of Uganda's forthcoming National Development Plan (July 2009 – June 2014).

## 1. SITUATION ANALYSIS

### 1.1 Development Context in Uganda

1. *Development Situation.* Since 1997 the Government of Uganda has promoted a development agenda that has led to generally positive consequences for welfare and hunger indicators. Substantial progress has been made towards reaching Millennium Development Goal (MDG) 1 ('eradicate extreme poverty and hunger'). The proportion of the population living below the national poverty line declined from 56 to 31 percent between 1992/93 and 2002/03,<sup>4</sup> while the proportion of undernourished fell from 24 to 19 percent between 1990-92 and 2001-2003.<sup>5</sup> Indicators of human development have also improved: for example, life expectancy at birth increased from 44.0 to 49.7 years between 2000 and 2005.<sup>6</sup>
2. Although significant challenges remain, the general trend of improvement reflects the success of the Government's broad development strategies. This project has been designed to support the Government's current and newly evolving plans.
3. *Poverty Eradication Action Plan and National Development Plan (PEAP).* The Government is currently revising the Poverty Eradication Action Plan, its principal development framework, which will come to an end in financial year 2008/2009. The current PEAP places greater emphasis on private sector development, calls for a sharper focus on agriculture and insists more on the need to restore security throughout the country.<sup>7</sup>
4. The Government expects to launch a new National Development Plan (NDP) 2009-14, which will act as a successor to the PEAP and should guide the country's path towards poverty eradication and prosperity. It will attempt to better link short-term priorities with long-term goals, integrate sector plans within a coherent overall strategy, and identify concrete programmes to be implemented.
5. *Plan for Modernisation of Agriculture and Prosperity for All.* The Plan for Modernisation of Agriculture (PMA) provides the framework – aligned under pillar 2 of the PEAP – for transforming Uganda's agriculture from a subsistence-based to a commercial-oriented sector. The main goals of the PMA include increasing incomes and improving the quality of life of subsistence farmers through increased productivity and greater access to markets. Prosperity for All (PFA) is a more recent initiative that will attempt to achieve similar aims through integrated socio-economic programmes (e.g. food security, home improvements, income generation, micro-credit, improved marketing) targeted to the rural poor. It is a possible successor to the PMA under the NDP. The share of the government budget devoted to agriculture was 4.0 percent in financial year 2005/2006.
6. *Food and Nutrition Bill.* Although Uganda does not have a national food aid policy, a new bill on food and nutrition will soon be discussed in the Parliament. The bill will provide the

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<sup>4</sup> Uganda's 2006 Annual PEAP Implementation Review, 2007.

<sup>5</sup> FAO 2006, *The State of Food Insecurity in the World 2006*.

<sup>6</sup> UNDP, 2002, *Human Development Report 2002*; and UNDP, 2007, *Human Development Report 2007/2008*.

<sup>7</sup> PEAP Joint Staff Advisory Note, June 2005.

policy framework for addressing the food and nutrition security of vulnerable people, giving legal status to the right to food and freedom from hunger.

## 1.2 Food Security in Uganda

7. *Food Security Context.* At the national level, Uganda is self-sufficient in food production – in part as a result of the development efforts guided by the PEAP and the PMA. The country has been the most important food exporter in the region, particularly of maize to Kenya. Wheat and rice are the principal food imports, coming from global markets. However, the main sources of calories for the population are crops that are not extensively traded internationally – matooke,<sup>8</sup> cassava, and sweet potato. Almost three-quarters of the consumption of these foods come from households’ own production. Although the area of land under cultivation has increased over time, production trends have been on the decline.<sup>9</sup> Food crops as a share of gross domestic product have declined from 32.3 percent in the early 1990s to 24.8 percent in the early 2000s.
8. Over the past 20 years, there has been significant localized food insecurity arising from conflict and natural disasters. In northern Uganda, populations have been internally displaced as a result of fighting between the Lord’s Resistance Army and the Government. In the northeastern region of Karamoja, repeated droughts and general insecurity have led to a succession of poor harvests. These populations have traditionally been the most vulnerable to food insecurity in the country and have made up the bulk of WFP’s beneficiary caseload.
9. *The New Face of Food Insecurity.* However, since January 2008, there has been a sharp upturn in prices, most notably for beans and maize (see graph below). Both commodities experienced a rise in wholesale prices of about 50 percent between January and May 2008. The consumer price index of food crops (taken altogether) peaked in August 2008 at 34 percent above the baseline and remained high: by December it still exceeded the baseline by 25 percent (Uganda Bureau of Statistics - UBOS).<sup>10</sup> The food prices have remained high due to low supplies (caused by poor growing seasons) and high demand (both from Uganda and from neighbouring countries).<sup>11</sup> The UBOS survey for 2008 states that high food prices have been the major ‘driver’ of inflation in the country. These price spikes threaten to undermine the food security of populations who are not (or are not anymore<sup>13</sup>) part of the traditional

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<sup>8</sup> “Matooke” is a local word for banana. Ugandans use the same word "matooke" to describe both the banana and food produced from it.

<sup>9</sup> UNDP, 2007, *Rediscovering Agriculture for Human Development*.

<sup>10</sup> The baseline is 2005/2006: prices in 2007 were generally lower than the baseline.

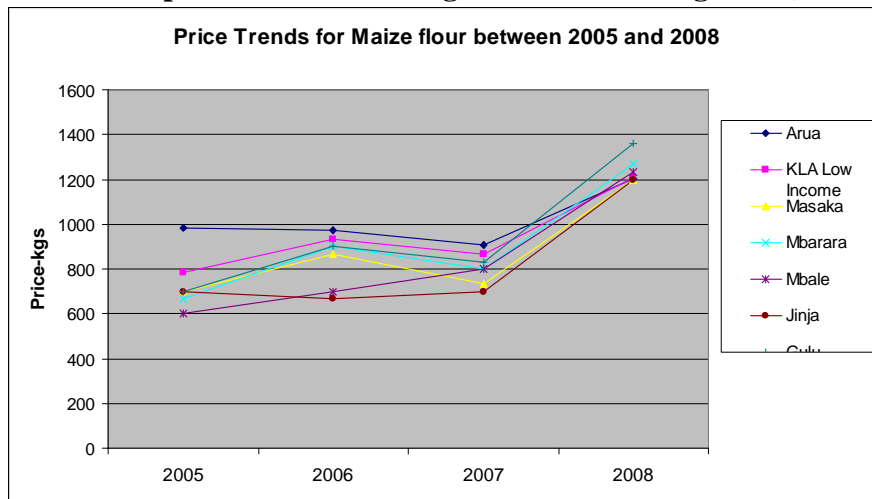
<sup>11</sup> IFPRI, 2008, *An Assessment of the Likely Impact on Ugandan Households of Rising Global Food Prices*.

<sup>13</sup> The VAM Unit’s food security assessments have shown that high prices have been a major shock to internally displaced persons and returnees who have been phased off general food distributions (as well as to those who continue to receive assistance). See WFP, 2008, *Emergency Food Security Assessment: Gulu/Amuru Districts* (in draft), among others.

WFP caseload – but who are now in danger of falling into it. Women are more likely to be affected than men, since they represent 70 percent of smallholder subsistence farmers.

10. According to the most recent available data, the prevalence of underweight and stunting in the central east was 23 and 38 percent respectively. In the southwest, 19 percent of the children under 5 were underweight, while 50 percent were stunted.<sup>14</sup> In Karamoja, the prevalence of underweight is 36 percent, while stunting rates reach 54 percent.<sup>15</sup> The prevalence of childhood anaemia already ranges from 62 percent (in the southwest) to over 80 percent (in the central, eastern and northeastern parts of the country). Childhood vitamin A deficiency is above 20 percent in many regions of Uganda and exceeds 30 percent in the central east.<sup>16</sup> The price shock is likely to exacerbate the poor undernutrition situation. Yet these populations include many smallholder households who were on the verge of making the transition from net buyers to net sellers of food.

**Figure 1: Annual price trends in a range of markets in Uganda (UGX per kg)**



### 1.3 Impact and Opportunities for Subsistence Farmers of the Rising Food Prices

11. *Impact of Rising Food Prices.* In rural areas, over 60 percent of households purchase more food than they sell, by value. It is these ‘net buyers’ of food who are particularly affected by recent food price rises. An International Food Policy Research Institute (IFPRI) study, commissioned by WFP, United Nations Children’s Fund (UNICEF) and Food and Agriculture Organization (FAO), has estimated that a 10 percent rise in food prices reduces purchasing power by 5.5 percent.<sup>17</sup> As a result, small farmers (or agro-pastoralists) may not have the resources required to make investments to enhance productivity and may consume less food, undermining their physical capacity to produce. They may also switch to a lower-cost, less diverse diet, exacerbating existing micronutrient deficiencies.<sup>18</sup>

<sup>14</sup> Government of Uganda, 2006, *Demographic Health Survey*.

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*

<sup>17</sup> IFPRI, 2008, *An Assessment of the Likely Impact on Ugandan Households of Rising Global Food Prices*.

<sup>18</sup> *Ibid.*

12. *Opportunities.* The rising prices of staples and increased regional demand provide a window of opportunity for Ugandan small farmers to move from subsistence to more commercial farming. With improved market infrastructure and enhanced productivity, they have the potential to boost their production and actually begin to sell surpluses – including to WFP through its Purchase for Progress (P4P) initiative.
13. *Constraints.* In his address to the United Nations General Assembly in September 2008, President Museveni said that the “food crisis [...] is certainly good for Uganda’s farmers. [...] The problem has always been the market for this food [...] In Uganda’s case, it has been lack of markets and low processing capacities (value addition).”
14. *Solutions.* This development project will help to tackle these key constraints – poor market infrastructure and low productivity – through the creation of a productive safety net. In its 2008 policy note on “Rising Food Prices: Implication and Policy Responses for Uganda”, the World Bank argues that “Uganda is in a position to benefit from rising food prices and make a significant contribution to improve food security in the region. Critical core public investments in agriculture services and rural infrastructure need to be prioritized for rapid output supply response and to help commercialize farmers beyond their current limited market participation. [...] Construction of feeder and community roads and bridges in the major producing areas would bring farmers closer to markets and promote off-farm activities. Investments in irrigation would increase food supply and reduce seasonal volatilities. [...]” Many of these activities will be components of the productive safety net.
15. This development project is aimed at targeting and helping the populations who represent the ‘new face of hunger’ in Uganda. The rising prices also have an impact on WFP’s current beneficiaries, but this is addressed through an expansion of on-going activities, not this development project. The project supports WFP’s Enabling Development Objective 2 (‘enable poor households to invest in human capital through education and training’) and 3 (‘make it possible for poor families to gain and preserve assets’), and WFP Strategic Objectives 3 (‘restore and rebuild lives and livelihoods in post-conflict, post-disaster and transition situations’) and 4 (‘reduce chronic hunger and undernutrition’). It is also in line with the Government’s Plan for the Modernization of Agriculture and the proposed Prosperity for All.

## **2. PAST COOPERATION AND LESSONS LEARNED**

### **2.1 Related Experiences and Lessons Learned**

20. Although this innovative project represents a departure in the way that the country office – and the organization – approaches hunger problems, WFP Uganda will be able to draw on related experiences and lessons learned from previous activities, such as asset-creation projects and local purchases.
21. *Asset-creation activities.* In June 2008, an evaluation of WFP’s food-for-asset programme

examined both its construction and training activities.<sup>19</sup> The evaluation found that 85 percent of those surveyed used the rural infrastructure developed by the community – with access roads being the most utilized. While 87 percent saw a benefit from the assets, only 41 percent reported that their incomes had improved because of them. The evaluation identified several reasons for the limited income impact: the projects were not directly commercial (e.g. health structures, water points), could not be immediately utilized (e.g. trees need years of growth before harvesting), or were not maintained (e.g. valley dams). A 2007 evaluation of the protracted relief and recovery operation (PRRO) made similar findings about the maintenance of projects.<sup>20</sup> This development project will therefore focus on market-oriented structures that are relatively simple to maintain once constructed (e.g. access roads and market collection points).

22. The 2008 evaluation also highlighted the particular value of skills training. It found that 68 percent of participants in food-for-training had utilized the skills imparted through the programme. In Gulu, the trained participants were encouraged to form cooperatives, and 78 percent of the cooperatives were still functioning. Nearly half of the participants (49 percent) reported an increase in income as a result of the training.
23. However, the evaluation identified ways to strengthen the training activities. First, it emphasized the importance of ensuring that the skills have a clear economic market. Participants trained in furniture repair and construction, for instance, found it difficult to locate jobs. This development project supports agricultural production, which the Uganda Commodities Exchange (UCE), National Agricultural Advisory Services (NAADS) and IFPRI<sup>21</sup> suggest has strong potential for growth given the local and regional demand. Second, the evaluation stressed the importance of supporting the participants with start-up equipment. Many newly-trained participants did not have the financial capital to launch their business enterprises. This project attempts to address this issue, by providing facilities for drying, cleaning and grading agricultural products at the market collection points.
24. *Local purchase.* The country office has a proven track record in local purchase. In recent years, it has procured food commodities in Uganda to support food assistance programmes in Burundi, Democratic Republic of the Congo (DRC), Rwanda and Uganda. During 2005 and 2006, WFP procured 301,000 mt of food commodities in Uganda valued at US\$86,700,000. In 2007, the procurement unit purchased 210,000 mt in Uganda with a total value of over US\$55,000,000.
25. Purchases from small farmers represented approximately eight percent of these totals. Over the past three years, 27,000 mt have been bought from 90 small farmer groups. The quality and quantity of the food purchased has improved when the groups are given training on marketing, post-harvest handling and storage. The proposed project, which represents a substantial scaling-up of purchases from smallholders, will therefore have a strong training component for farmer groups.

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<sup>19</sup> Abola et al., 2008, *Outcome and Impact Evaluation of the UN World Food Programme Food-for-Asset (FFA) Activities in the Sub-regions of Lango, Acholi, Karamoja, and West Nile in Uganda.*

<sup>20</sup> Smart et al., 2007, *Findings of the Independent Evaluation of WFP PRRO 10121.1.*

<sup>21</sup> IFPRI, 2008, *An Assessment of the Likely Impact on Ugandan Households of Rising Global Food Prices.*

## 2.2 Implementation Capacity

26. In supporting the implementation of this new project, the country office will build on its strong field presence, extensive partner network and existing expertise.
27. *Field presence.* WFP Uganda has 10 sub-offices located throughout the country to carry out its ongoing operations. Each geographic area targeted under this proposal can be covered from one of these sub-offices. The sub-offices have a complement of staff with local knowledge and storage facilities. The staff will support the implementation of the project in each area, utilizing storage facilities (extended delivery points) for both the disbursement of commodities to activity sites and, in some cases, the warehousing of food purchased from small farmers (under the Purchase for Progress Initiative).
28. *Extensive partner network.* Partnerships are a key to the success of the project. The principal partner for market infrastructure will be the UCE, while there will be a range of collaborating agencies in the efforts to enhance productivity.
- *Uganda Commodity Exchange (UCE).* Most of the market collection points will be managed using the warehouse receipt system in partnership with the UCE. The Exchange will train warehouse keepers and depositors (farmers and traders) on the functionality of the warehouse receipt system. WFP's contact with farmer associations will be largely at the market collection points and at the post harvest stage.
  - *National Agricultural Advisory Services (NAADS).* NAADS will be a strategic partner for productivity enhancement activities. It is a government agency that aims to increase access and utilization of agricultural advisory services by farming households to improve farmer productivity and to enhance private sector engagement with these communities. It is active in 78 of the 80 districts in Uganda, including the ones covered under this project. The cost for the first phase (2001/2002-2007/2008) of activities is estimated at US\$108 million and support has been received from a number of donors.
  - *Food and Agriculture Organization (FAO).* FAO, a key partner, focuses on training small farmers in agronomy and, to a lesser extent, post-harvest handling through its Farmer Field Schools. The agency is active in the Acholi, Lango, Teso and Karamoja regions, which are all targeted under this project. The country office has had extensive discussions with FAO (and the United Nations Country Team) about WFP's potential contribution to the agricultural sector.
  - *International Fund for Agricultural Development (IFAD).* IFAD provides its assistance to specific government agricultural programmes (implemented by agencies such as NAADS) through sector budget support.
  - *The Alliance for a Green Revolution in Africa (AGRA).* Nairobi-based AGRA supports a number of the NGOs, such as Sesakawa-Global 2000, that WFP plans to work with, especially in the central and western regions of Uganda. The NGOs provide training on



agronomy, enterprise selection, and farming as a business, and work to connect farmers to markets.

29. *Expertise.* WFP Uganda has much of the expertise required to support this innovative project. Its vulnerability analysis and mapping (VAM) Unit has established a comprehensive system of food security information management. The system consists of regular food security and nutrition monitoring, followed up by more in-depth Emergency Food Security Assessments and other surveys, when required. This expertise has been used to identify the areas most in need.
30. However, the country office has also identified some gaps that need to be filled in order to effectively support the implementation of the project. WFP Uganda will require its own in-house expertise on a range of topics, from engineering to market analysis, to facilitate its interaction with government and other partners and the efficient implementation of the project. These staff will be required at both the office in Kampala and the sub-offices supporting this project.

### **3. PROJECT STRATEGY**

#### **3.1 Objectives and Expected Impact**

31. *Objectives.* The proposed response to the impact of high food prices in Uganda is to put in place a safety net that will:
- create assets that will enable vulnerable smallholder farmers to be better connected to markets and provide post-harvest support, thereby giving farmers a chance to benefit from high food prices (WFP Strategic Objective 3);
  - help address immediate food and nutrition gaps resulting from high food prices, including micronutrient deficiencies (WFP Strategic Objective 4).

It directly supports the Uganda United Nations Development Assistance Framework (UNDAF 2006-2010) goal one: “increased opportunities for people, especially for the most vulnerable, to access and utilize quality basic services and realize sustainable employment, income generation and food security.”<sup>22</sup>

32. *Impact.* The safety net will be implemented through the use of cash-, voucher- and food-for-asset activities that focus on market infrastructure development and post-harvest support – two of the principal constraints to small farmers and medium-scale traders selling more quality food at higher prices. Taken together, they should help integrate smallholder farmers more fully and effectively into the dynamics of the growing market, leading to increased incomes, improved quality of life and reduced poverty.

#### **3.2 Activities**

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<sup>22</sup> It is also be in line with the proposed outcomes for the new UNDAF, which is in the process of being drafted.

33. *Market infrastructure development.* The first set of activities will address market infrastructure – both physical and informational. Small farmers generally produce limited quantities of food in widely-dispersed locations. A major challenge is to gather together, or ‘bulk’, the commodities for purchase in safe, easily accessible facilities. Market collection points are storage warehouses that can be constructed in strategically selected locations close to small farmer groups. They allow small farmers to bulk their produce (and clean, dry, and grade it), so that it is easier to sell to medium- and large-scale buyers. The project will therefore construct market collection points through cash- or food-for-work activities in food-insecure communities and through private contracting in other locations.<sup>23</sup>
34. For the market collection points to be useful, the roads running to them – from both farmer communities and major trading centres – need to be clear and in good condition to facilitate the transport of commodities. The project will partner with communities in the areas surrounding the market collection points to rehabilitate or construct critical feeder roads through food- or cash-for-work activities. These efforts will complement and be coordinated with the large-scale infrastructure investments of the Government of Uganda and the World Bank.
35. Once the physical infrastructure is in place, small farmers and medium-scale traders will need to be connected to market and financial systems. The warehouse receipt system, led by the Uganda Commodities Exchange, helps to establish these linkages. The system functions by giving small farmer groups and medium-scale traders a receipt once they deposit their commodities (that have met quality standards) in a market collection point. The system registers the deposit in an online database that can be accessed by larger buyers, including WFP, and facilitates interactions between the farmer groups, traders, and potential buyers on prices. The online system also provides information on prices at the local and regional levels. Moreover, once the farmer groups or traders have the receipt, they can use it as collateral with financial institutions to obtain loans to make investments in production or their trading business. The idea will be to establish the conditions in which the normal market – led by medium-scale traders interacting with farmers – will flourish.
36. *Post-harvest support.* The second critical set of activities centres on efforts to enhance the production of small farmers hit by rising food prices. They will focus on reducing post-harvest losses, raising quality standards, and encouraging value-addition, so that small farmers are able to seize the opportunity presented by the increasing value of food commodities.
37. Small-scale subsistence farmers in Uganda face losses of up to 40 percent at the post-harvest stage due to the use of rudimentary methods such as drumming of grain with sticks, drying on bare ground, and storing semi-dry grain in sacks. WFP will bring partners together to train targeted farmers on appropriate post-harvest technologies to reduce losses. Given the high food prices, preventing these losses could help newly-hungry households to meet their own needs and sell the surplus at a greater profit. The activities will be undertaken through cash- and food-for-training programmes.

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<sup>23</sup> The Uganda Commodity Exchange has conducted a survey of the market infrastructure, which will provide the basis for the determination of needs in various locations.

38. WFP's purchases must strictly comply with East African quality standards. These standards cover a range of issues, such as moisture content, insect damage, foreign matter, pests, and 'health' of the grains. By setting out clear quality standards and training small farmers, WFP and partners will assist small-scale subsistence farmers in identifying production mechanisms and post-handling techniques that suit the requirements of the market – both within Uganda and abroad.
39. WFP Uganda can also help increase the small-scale subsistence farmers' earnings by assisting them to add value to their products in several ways: milling to make grain easier to prepare; fortification to add specific micronutrients to a commodity; and bagging to ensure that the product is not damaged or tampered with. These skills can be transferred through food- or cash-for-training activities. In this way, the farmers will be able to take even greater advantage of high food prices in the future.
40. Since women make up the majority of smallholders, WFP will work with farmer groups in which 50 percent of the leadership positions are held by women. It is expected that over 4,000 women will be in leadership positions.
41. *Addressing immediate food and nutrition gaps.* One of the critical aims of the project will be to meet the immediate hunger needs of the population, including any micronutrient deficiencies associated with their switch to a lower-cost diet as a result of high food prices. In locations where food-for-assets is used, the project will tackle this problem by providing a micronutrient-rich food basket (including micronutrient powder) for pregnant and lactating mothers and children between the ages of 6 and 59 months, as shown below in table 1. For food-for-asset and/or cash-for-asset activities, a flyer (or similar item) with information on nutrition – and especially micronutrients – will be included as part of the distribution. The flyers will explain the importance of micronutrients and help the beneficiaries identify locally-available food baskets that meet their micronutrient needs. Pregnant and lactating mothers and children between the ages of 6 and 59 months will also receive micronutrient powder under the food-for-asset and/or cash-for-asset activities.
42. Taken together, these activities will help targeted small-scale subsistence farmers meet their immediate needs and enjoy a sustained higher income from their production, even after food prices fall back in line with historical trends. This development project is therefore not just about anticipating and responding to an immediate crisis, but rather helping small farmers shape a better future.

### **3.3 Targeting**

43. *Targeting the New Face of Hunger.* Most of the emphasis will be placed on identifying smallholders, who have the potential to be net sellers and therefore reap benefits from higher food prices, but who are now in danger of falling into a hunger trap as a result of the increases. They represent the 'new face of hunger' in Uganda and are located in parts of the country where WFP does not usually work – including areas in the southwestern, central and eastern regions.

44. To target this new group, the VAM unit in the country office has used a two-step process. First, it identified seven priority districts in the south and central parts of the country, based on criteria such as the number of subsistence farmers and the potential for surplus production.<sup>24</sup> Second, using IFPRI data indicating that approximately 25 percent of subsistence farmers are either significant or borderline net buyers of food<sup>25</sup> – and thus vulnerable to the impact of high prices – WFP calculated the likely number of smallholder farmers in need in these districts. These households tend to be rural with relatively large families and dependency ratios.<sup>26</sup> Since there are approximately 36,000 subsistence farmers in these areas formed into groups,<sup>27</sup> WFP and partners will target 25 percent, or 9,000 farmers.
45. *Targeting phased-off WFP beneficiaries at risk.* The safety net will also support previous WFP beneficiaries who had graduated from food assistance, but who are now at risk of sliding back into need. For example, in parts of Acholi sub-region (the districts of Gulu, Kitgum and Pader) in the central north area where internally-displaced persons (IDPs) have recently been phased off food assistance, the peace process has allowed them to access more of their land and to meet their minimum food requirements. However, recent assessments have shown that some of these populations have been seriously impacted by the price rises, jeopardizing their recovery.<sup>28</sup> Some of the drought-affected pastoral and agro-pastoral communities in Karamoja, which have recently been phased off emergency food assistance, are also struggling with the effects of high prices and may need to benefit from this project.
46. A two-step process has also been used to target these smallholder farmers. First, the VAM unit identified nine districts with phased-off populations of smallholder farmers who may be vulnerable to the price shocks.<sup>29</sup> These districts include: Abim and Nakapiripirit in Karamoja Gulu and Amuru in Acholi; Kaberamaido, Katakwi, and Amuria in Teso; and Dokolo and Lira in Lango. Second, since there are at least 16,300 smallholder farmers in these areas formed into groups, it is estimated that a minimum of 4,075 subsistence farmers (or 25 percent) would require interventions through cash- or food-for-asset activities.
47. *Overall.* Taking these two target groups together, the project will reach a total of 13,075 subsistence farmers. Both of these groups will benefit from the food- and/or cash-for-asset

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<sup>24</sup> WFP, 2008, *Purchase for Progress Implementation Plan – Consultancy Report* and National Agriculture Advisory Services figures.

<sup>25</sup> IFPRI, 2008, *An Assessment of the Likely Impact on Ugandan Households of Rising Global Food Prices*.

<sup>26</sup> Ibid.

<sup>27</sup> This data is drawn from National Agriculture Advisory Services figures.

<sup>28</sup> WFP, 2008, *Emergency Food Security Assessment: Gulu/Amuru Districts*. The extremely vulnerable individuals in these communities, including the elderly, people living with HIV/AIDS, and orphans, still benefit from general food distributions in areas where the rest of the population has been phased off.

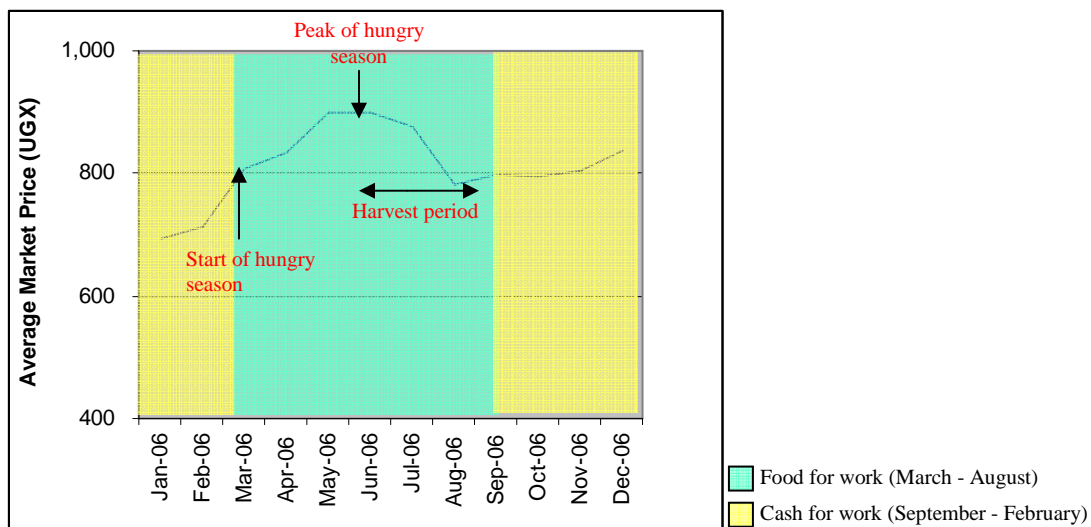
<sup>29</sup> Deutscher Entwicklungsdienst (DED), 2008, draft *Land Use and Crop Yield Assessment for the Acholi Sub-region*. WFP, 2008, *Emergency Food Security Assessment* for the Acholi Sub-region. WFP, 2008, *Integrated Phase Classification Report – Karamoja Sub-region*. The Ministry of Health, WFP and UNICEF have also undertaken nutritional surveys in all districts of Karamoja, Acholi, Teso and Lango. Data is also drawn from National Agriculture Advisory Services figures.

activities. Since households consist, on average, of six members, the project will have 78,450 beneficiaries.

### 3.4 Types of Transfers

48. Recognizing the challenges presented by the high food prices, the project will provide cash or food transfers according to the season. Cash transfers will be used during the post-harvest period (September to February), when prices are low and cash provides maximum purchasing power.<sup>30</sup> Food transfers will be given during the lean season (March to August) when prices are highest and the injection of cash may contribute to inflation.

**Figure 2. Maize prices in Uganda: typical seasonal pattern (2006)**  
(Prices per kg, UGX= Uganda Shillings)



49. The food basket will consist of maize, pulses, and vegetable oil, as indicated in the table below.<sup>31</sup> Micronutrient powder (MNP) will also be targeted at pregnant and lactating mothers and children between the ages of 6 months and 5 years, helping to address the high levels of childhood anaemia in the populations.<sup>32</sup> They will receive sufficient micronutrient powder for six months. However, reducing iron deficiency has a potentially negative side effect: providing iron supplements to children affected with malaria without any anti-malarial treatment may increase the risk of mortality. The project will therefore partner with UNICEF to provide mosquito nets and sensitization on their use to the beneficiaries at the time of the food or cash distributions. It will also work with UNICEF to ensure that beneficiaries suspected of suffering from malaria are referred to health facilities for treatment. In the event that UNICEF or another partner is not working in a particular area, WFP will consider

<sup>30</sup> Since cash-for-assets is a new type of intervention for the country office, the use of cash will start in September 2009 (rather than the ideal of December 2008). WFP Uganda will discuss with banks the possibility of using automated teller machine (ATM) cards or a voucher system as the modality for the transfer.

<sup>31</sup> In the case of cash transfers, an amount equivalent to the local cost of purchasing the food basket will be given. In light of the high food prices, the current daily rate would be UGX 2,400 (or approximately US\$1.20).

<sup>32</sup> It is estimated that 20 percent of the beneficiaries (or 15,890 people) fall into this category. Each targeted person will receive one sachet per day for a six-month period.

providing the nets itself.

**Table 1. Standard ration (in g per person per day)**

<b>Ration</b>	<b>Maize</b>	<b>Pulses</b>	<b>Vegetable Oil</b>	<b>MNP</b>	<b>Kcal</b>
Standard	290	60	15		1349
Special <sup>33</sup>	290	60	15	1	1349

50. Overall, 13,075 farmers (or 78,450 beneficiaries) will receive 1,492 mt of food over 52 days of food-for-asset activities, and 1,289 mt of cash equivalent over 45 days of cash-for-asset activities.
51. WFP Uganda has a Purchase for Progress (P4P) initiative that is exploring the procurement of a wide range of locally-available foods, such as millet, cassava, groundnuts, fish and dried meat. Once the standards and prices for these commodities have been established, the country office would like to identify baskets consisting of local products as alternatives to the standard ration. This approach has several benefits: the baskets are in line with local preferences; they can have high micronutrient content; and they demonstrate to the beneficiaries nutritious combinations of food that are locally available. Any new baskets will be submitted to the appropriate organizational bodies (e.g. WFP's Technical Advisory Group) for review.

### **3.5 Capacity Strengthening and Handover**

52. One of the key strategies for the project will be to strengthen the capacity of partners – particularly the UCE, district government officials and private firms. In order to manage the scale-up of the project, including the construction and equipping of new market collection points, the UCE will need to augment its technical capacity in engineering and information technology. WFP will support the UCE by seconding expert staff in these fields to help implement the project – and to help upgrade the skills of UCE's existing technical team where applicable. Although UCE and WFP will help establish the market collection points, district local governments or private companies will be involved in supervising their operations. Where appropriate, WFP will partner with the Government or private companies to jointly supervise the functioning of the market collection points (including technical aspects such as grading) until they have sufficient expertise and experience to run them on their own.
53. The approach of this development project is not so much to exclusively target small-scale farmers, but rather to support the structures and functioning of the market, so that smallholders are effectively incorporated into it. Its vision is that basic market infrastructure – including grain stores equipped with cleaning, drying and grading machinery – and strong demand incentives will connect smallholders to the larger economy throughout the country. The UCE will run the warehouse receipt system, and WFP will support it by continuing to

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<sup>33</sup> This ration applies to pregnant women and lactating mothers and children between the ages of 6 months and 5 years.

purchase food receipts as a stimulus to production.

54. The activities of the development project provide an initial response to help integrate smallholder farmers into growing local and regional markets, thus improving their incomes and reducing food insecurity and poverty. These activities are expected to be folded into a new country programme to be presented to the Executive Board in 2009.

## **4. MANAGEMENT, MONITORING AND EVALUATION**

### **4.1 Management**

55. In conjunction with the Government of Uganda at both the national and district levels, WFP's programme unit in the country office will support the management of this development project. Specifically, WFP's support to the project will be carried out under the responsibility of the Agriculture and Market Support Coordinator. Under the Coordinator, there are a group of carefully selected professionals, based in the WFP office in Kampala, who will provide guidance and support on the infrastructure and productivity enhancement efforts of the project. At the sub-offices, regional agriculture focal points will be identified to support all aspects of the project, from infrastructure improvement to productivity enhancement.

### **4.2 Monitoring and Evaluation (M&E)**

56. The country office uses a results-based management approach to its programming. As a baseline for the project, WFP Uganda will draw on two sources. First, the country office is currently undertaking a joint Comprehensive Food Security Vulnerability Analysis (CFSVA) assessment, which has a comprehensive agricultural livelihoods component that will capture relevant data to this development project. Second, the country office is planning to carry out a P4P baseline survey that will identify some of the infrastructure and productivity gaps. The surveys will be used to establish the baseline figures for the outcome indicators, against which the project's success will be measured.
57. The project's M&E system will be an integral part of the country office's M&E management system coordinated by a fully staffed sub-unit. Data will be captured and stored in the WFP Integrated Programme Activity Database (IPAD) against which reports will be generated. In addition to the information captured in the IPAD – which is largely quantitative in nature – qualitative data will be captured using separate tools. The system will provide information for managing results and improving project performance.
58. Given the relatively short duration of this development project, a single final evaluation will be held after the first year of the project to assess overall performance.

### **4.3 Resource Mobilization**

59. A total of US\$5 million is budgeted for implementation of the activities in this development

project, while actual needs in the country for these kinds of interventions are estimated at approximately US\$19.5 million annually. The country office will work to mobilize additional resources for the types of interventions outlined in this development project, in line with the actual needs in the country and consistent with the approach and activities that will be included in the new country programme to be considered by the Executive Board in 2009. Once the new country programme is approved, the activities and resource mobilization efforts related to this development project will be folded into the new country programme.



## ANNEX IA – BUDGET SUMMARY

### WFP PROJECT COST BREAKDOWN

	Quantity (mt)	Average cost (US\$) per mt	Value (US \$)
<b>COSTS</b>			
<b>A. Direct operational costs</b>			
Cereals <sup>34</sup>	1,183	480.00	567,840
Pulses	245	980.00	240,100
Vegetable oil	61	800.00	48,800
Micronutrient Powder	3	3800.00	11,400
Cash/Vouchers	1,289	548.19	706,615
<b>Total commodities</b>	<b>2,781</b>		<b>1,574,755</b>
<b>External transport</b>			<b>8,675</b>
<b>Landside transport</b>			<b>16,807</b>
<b>ITSH</b>			<b>135,061</b>
<b>Total LTSH</b>			<b>151,868</b>
<b>Other direct operational costs</b>			<b>2,760,500</b>
			<b>4,495,798</b>
<b>B. Direct support costs (see table below for details)</b>			<b>147,333</b>
<b>C. Indirect support costs (7 percent of total direct costs)</b>			<b>325,019</b>
<b>TOTAL WFP COSTS</b>			<b>4,968,150</b>

<sup>34</sup> This is a national food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.

**ANNEX IB**

<b>DIRECT SUPPORT REQUIREMENTS (US\$)</b>	
<b>Staff</b>	
International professional staff	
National professional staff	95,333
National general service staff	52,000
Temporary assistance	
Incentive Rest & Recuperation	
International Consultants	
Staff duty travel	
<b>Subtotal</b>	<b>147,333</b>
Rental of facility	
Utilities (general)	
Office supplies	
Communication and IT services	
Insurance	
Equipment repair and maintenance	
Vehicle maintenance and running cost	
Other office expenses	
Financial costs (Planning)	
United Nations Organizations Services	
<b>Subtotal</b>	
Furniture tools and equipment	
Vehicles	
TC/IT equipment	
<b>Subtotal</b>	
<b>TOTAL DIRECT SUPPORT COSTS</b>	<b>147,333</b>

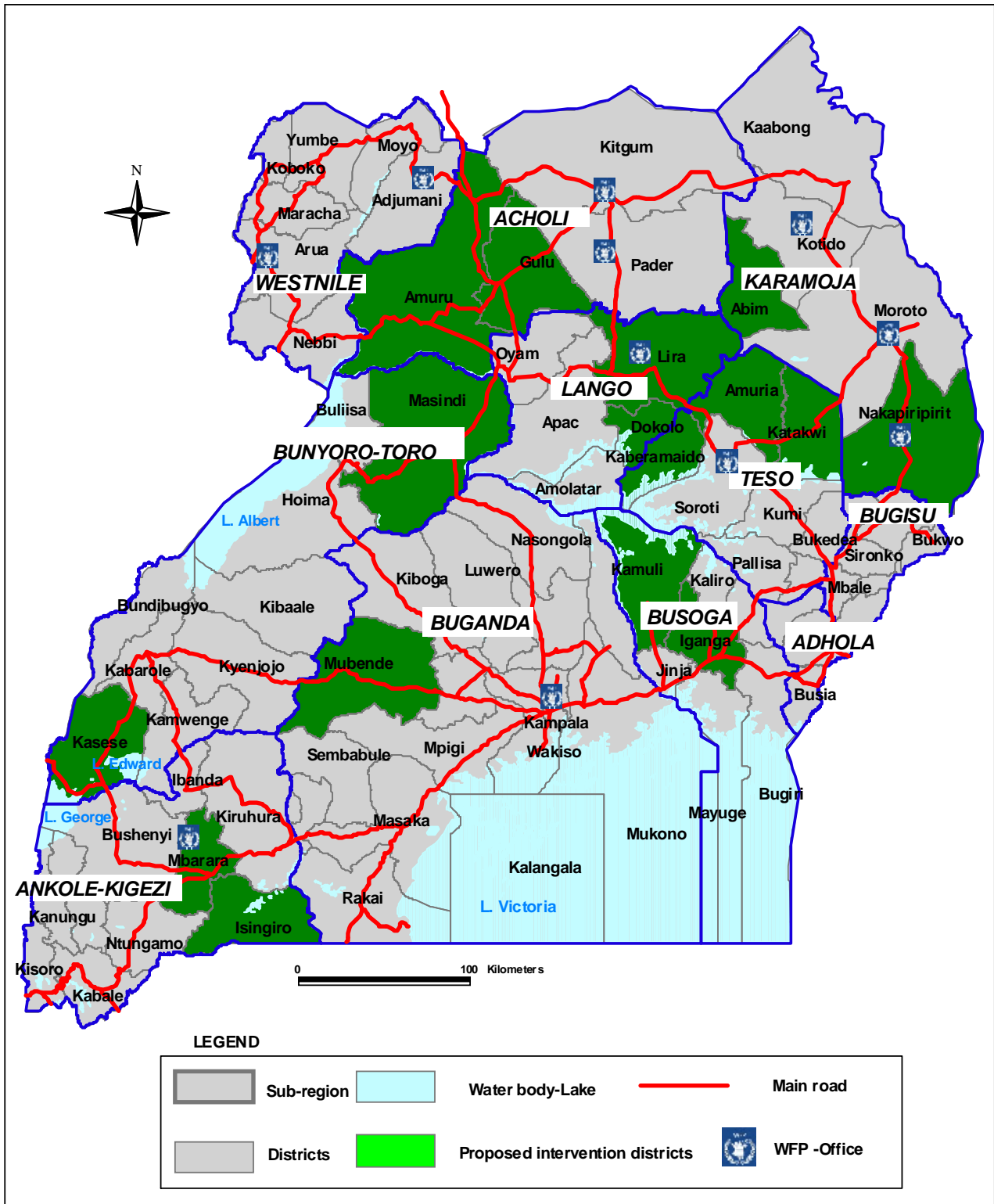
## Annex 2 – Uganda Development Project 10792.0 – Logical Framework

Results-Chain (Logic Model)	Performance Indicators	Risks, Assumptions	
<p><b>UNDAF Outcome:</b> Increased opportunities for people, especially for the most vulnerable, to access and utilize quality basic services and realize sustainable employment, income generation and food security.</p>	<p><b>UNDAF Outcome Indicator:</b></p> <ul style="list-style-type: none"> <li>▪ Percent and number of people living below the poverty line</li> <li>▪ 15 percent of WFP food purchased locally bought from smallholders</li> </ul>		
<p><b>Development Project: Turning High Food Prices into Opportunities for Uganda’s Subsistence Farmers</b></p>			
<p><b>Outcome 1.1</b> Targeted communities have increased access to assets in fragile, transition situations (Strategic Objective 3).</p>	<ul style="list-style-type: none"> <li>▪ Community asset score (community assets include physical assets such as infrastructure).</li> </ul>	<ul style="list-style-type: none"> <li>▪ No major disasters occur in the intervention areas.</li> <li>▪ Warehouse receipt system is accepted by the target users.</li> <li>▪ No major pipeline break in food supply.</li> <li>▪ Stakeholders recognize market opportunities and are willing to take advantage of them.</li> <li>▪ Normal conditions for cultivation during the project period (weather, inputs, diseases etc.)</li> <li>▪ Agricultural inputs are made available, through sustainable means and easily accessed by farmers.</li> </ul>	

Results-Chain (Logic Model)	Performance Indicators	Risks, Assumptions	
<p><b>Output 1.1</b></p> <p>Developed, built, or restored livelihood assets by targeted communities and individuals (specifically, physical market infrastructure and training in post-harvest handling and value-addition)</p>	<p>Number of community assets created or restored by communities or individuals.</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>▪ 500 kilometres of feeder roads constructed/rehabilitated.</li> <li>▪ 10 warehouses / market collection points constructed/rehabilitated.</li> <li>▪ 400 of farmers groups transacting business through the WRS system.</li> <li>▪ 15,000 mt of food stored, registered and sold under WRS.</li> <li>▪ Market information system developed/ strengthened at 10 warehouses/market collection points.</li> <li>▪ 30 percent increase in the number of farmers that have access to market information.</li> </ul> <p>Number of women and men trained in livelihood-support thematic areas.</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>▪ 80 percent of planned trainings undertaken (by category).</li> <li>▪ 40 percent of female to male participation in trainings (by category).</li> <li>▪ distribution including quantity, quality and timeliness).</li> <li>▪ Quantity of non-food items distributed, by type, as percentage of planned distribution.</li> </ul>		

<b>Results-Chain (Logic Model)</b>	<b>Performance Indicators</b>	<b>Risks, Assumptions</b>	
<p><b>Outcome 1.3</b> Improved nutritional status of targeted women, girls and boys (Strategic Objective 4).</p>	<ul style="list-style-type: none"> <li>▪ Prevalence of underweight among targeted children under 5 (weight-for-age and percentage). (Target: 10 percent reduction in underweight prevalence among targeted children under 5).</li> <li>▪ Prevalence of iron deficiency anaemia (IDA) in women and children (target: 10 percent reduction in childhood anaemia)</li> </ul>		
<p><b>Output 1.3</b> Food and non-food items distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions.</p>	<ul style="list-style-type: none"> <li>▪ Number of women, girls and boys receiving food and non food items, by category and as a percentage of planned figures.</li> </ul> <p>Targets:</p> <ul style="list-style-type: none"> <li>▪ 2,868 mt of food commodities distributed through food-for-asset activities</li> <li>▪ Micronutrient information distributed to 80 percent of participants in cash- and food-for-asset projects</li> </ul>		

Annex 3 – Map of Uganda



## **Annex 4 – Acronyms**

AGRA	Alliance for a Green Revolution in Africa
CFSVA	Comprehensive Food Security and Vulnerability Analysis
DED	Deutscher Entwicklungsdienst (The German Development Service)
EFSA	Emergency Food Security Assessment
FAO	Food and Agriculture Organization
GAM	Global Acute Malnutrition
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IPAD	Integrated Programme Activity Database
MNP	Micronutrient Powder
MDG	Millennium Development Goal
NAADS	National Agricultural Advisory Services
NDP	National Development Plan
PEAP	Poverty Eradication Action Plan
PFA	Prosperity for All
PMA	Plan for the Modernization of Agriculture
P4P	Purchase for Progress
UBOS	Uganda Bureau of Statistics
UCE	Uganda Commodity Exchange
UNICEF	United Nations Children’s Fund
UNDAF	United Nations Development Assistance Framework
VAM	Vulnerability Analysis and Mapping
WFP	World Food Programme
WRS	Warehouse Receipts System