

Uganda

Country Summary

Strengthening Competitiveness in Regional Agricultural Trade



June 2021

Uganda Economy Snapshot

Agriculture contributes approximately 37% of Uganda's Gross Domestic Product (GDP) and accounts for most of the country's foreign exchange earnings driven by cash crops such as coffee at 19% of GDP.

The latest World Bank economic analysis for Uganda released in June, asserts that prospects for Uganda's economic growth are undermined by increasing pressure on its natural resources. The country's Gross Domestic Product contracted by 1.1% in 2020, and is estimated to have recovered to 3.3% during the 2021 fiscal year. An economic growth of 4.6% is projected for 2022 and 6.4 in the 2023 fiscal year.

Uganda is witnessing a significant shift to agriculture necessitating the need for rapid adoption of sustainable land use. The annual forest cover depletion rate of 2.6 percent is one of the highest rates globally estimated to potentially erode agricultural GDP by 27%.

Agriculture Sector Development Strategy

In its 2021 budget, Uganda has prioritised increase exports promotion for economic growth with a specific focus on agro-based exports. The country has targeted enhanced productivity driven by improved extension support, adoption of modern technologies, strengthening of cooperatives, access to credit and agro-processing among other programmes.

Over the last 5 years, Uganda has implemented the Agriculture Sector Strategic Plan (ASSP) for the period 2015/16 to 2019/20 whose strategic direction was anchored on four main objectives focused on 12 priority commodities:

- 1) Increasing agricultural production and productivity;
- 2) Increasing access to critical farm inputs;
- 3) Improving agricultural markets and value addition; and
- 4) Improving service delivery through strengthening the institutional capacity of the Ministry of Agriculture, Animal Industry and Fisheries and its agencies.

The country's priority commodities include bananas, beans, maize, rice, cassava, tea, coffee, fruits and vegetables, dairy, fish, livestock (meat), and four strategic commodities, namely, cocoa, cotton, oil seeds, and oil palm.

Uganda's export growth is curtailed by: 1) Inadequate capacity by both the public and private sector to comply with sanitary and phytosanitary standards (SPS) and EAC grain quality standards. 2) Over reliance on rain-fed agriculture has resulted in the countries inability to consistently supply and sustain large export orders. 3) Limited in-country value addition. 4) Reliance on smallholder producers with ability to comply with quality standards and supply chain inefficiencies.

Source: World Bank, African Development Bank

USAID 2016-2021 Country Development Cooperation Strategy (CDCS)

USAID/Uganda is implementing its 2016 – 2021 CDCS that focuses on three key pillars: **resilience, demographic drivers** and **systems**. The CDCS notes that 70% of Uganda's active labour force is engaged in agriculture which, despite increasing urban migration, contributed to 70% of poverty reduction between 2006 and 2010. It has been projected that Uganda will likely experience lower agricultural productivity due to climate change resulting in increased incidence of pests and diseases, and weather-related post-harvest issues affecting 73% of rural households.

Uganda also has one of the highest youth unemployment rates in Sub-Saharan Africa estimated at 87%. USAID/Uganda has prioritized efforts aimed at positively impacting youth economic productivity. It has been established that the youth are interested in agriculture, agro-enterprise development and small business development. The Mission is working to improve productive/employable skills among the youth by addressing the skills mismatch between market demand and actual youth essential skill or education level.

The agricultural market system in Uganda is plagued by structural inefficiencies and distortions. The country has a low level of fertilizer use estimated at only 2 %; only 13% of crop area is planted with improved seed varieties as well as high post-harvest losses of about 40%. The Mission is partnering with public and private stakeholders as well as other development agencies to improve the overall market system by targeting system level changes in inputs, policy implementation, strengthening business relationships and creating incentives for actors to improve services and encourage sector players to work within the formalized market system.

Preliminary Findings on Uganda's Agriculture Trade Competitiveness

1. As regards Intraregional agricultural trade patterns Uganda and Kenya are the biggest players in regional agricultural export markets and also dominates agricultural exports to the rest of the world.
2. Uganda's top 5 (five) regional exports to the COMESA region includes Maize, vegetables, leguminous, cane or beet sugar, tobacco, milk and cream. The country also imports cane or beet sugar alongside palm oil, sugar confectionery, rice, vinegar and undenatured ethyl alcohol from COMESA countries.
3. In terms of leading agricultural commodity trade partners, Uganda is among the top three export destination for regional trade for 6 countries and is also a leading exporter to South Sudan among four other countries. Uganda supplies almost 70% of imports by South Sudan.

Preliminary Findings on Uganda's Agriculture Trade Competitiveness

4. When looking at production and export similarity (production similarity index - QSI), it has been noted that Uganda and Tanzania have relatively high similarities in their agricultural commodities.
5. An assessment of products with highest trade expansion index values among COMESA countries indicates that Uganda has a high export potential in essential oils and resinoids as well as beverages, spirits and vinegar.
6. An assessment of the countries against low similarity in patterns of production specialization which suggests untapped export expansion potential in the region (export similarity indices -ESI), established that all country pairs involving any of the nine COMESA countries have their ESI values within a range that presents opportunity for trade expansion with the exception of Uganda-Zambia which presented a slightly here level of similarity.
7. When analyzing trade performance in regional markets, Uganda is among Madagascar, Kenya and Rwanda that have increased both exports as well as market share.
8. It was noted that Uganda is most competitive in the exports of coffee, eggs and cattle in terms of their ratios of export unit value. Uganda has also been ranked 9th out of the top most competitive countries in the region.
8. It is estimated that the elimination of cross-border trade barriers can raise the value of non-food crops by US\$200 by 2030 with Kenya capturing 50% of the value and 25% each by Uganda and Tanzania.
9. Candidate commodities selection for Uganda's export expansion in the study has identified coffee, cocoa, cottonseed, freshwater fish and ground nuts oil, Seed cotton, soybean oil, sesame oil, tobacco, tea, hides and skins as leading commodities.
10. An assessment of Uganda's good business practices revealed key gaps in Investment in productive infrastructure and Elimination of harassment at borders .

Dimension	Score
Promotion of technology adoption and innovation along agricultural value chains	High
Promotion of competition in the economy	High
Trade logistics and facilitation measures	High
Investment in productive infrastructure	Low
Access to finance	High
Technical business management and enterprise skills development	High
Elimination of harassment at borders	Low
Export promotion	High



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