Chronic Poverty and Agriculture in Uganda

Volume 1

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### Acronyms and abbreviations

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<th>Description</th>
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<tbody>
<tr>
<td>ASPS</td>
<td>Agriculture Sector Programme Support</td>
</tr>
<tr>
<td>CBR</td>
<td>Centre for Basic Research</td>
</tr>
<tr>
<td>CIS</td>
<td>Community Information System</td>
</tr>
<tr>
<td>CDO</td>
<td>Cotton Development Organisation</td>
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<td>CPRC</td>
<td>Chronic Poverty Research Centre</td>
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<tr>
<td>DDA</td>
<td>Dairy Development Authority</td>
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<tr>
<td>DRT</td>
<td>Development Research and Training</td>
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<tr>
<td>EPRC</td>
<td>Economic Policy Research Centre</td>
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<td>ERP</td>
<td>Economic Recovery Programme</td>
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<tr>
<td>FOWODE</td>
<td>Forum for Women in Democracy</td>
</tr>
<tr>
<td>GoU</td>
<td>Government of Uganda</td>
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<tr>
<td>LGDP</td>
<td>Local Government Development Programme</td>
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<tr>
<td>MAAIF</td>
<td>Ministry of Agriculture, Animal Industries and Fisheries</td>
</tr>
<tr>
<td>MAPS</td>
<td>Marketing and Agro-Processing Strategy</td>
</tr>
<tr>
<td>MDS&amp;IP</td>
<td>MAAIF Development Strategy and Investment Plan</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
</tr>
<tr>
<td>MOP</td>
<td>Moving Out of Poverty</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>MTTI</td>
<td>Ministry of Tourism, Trade and Industry</td>
</tr>
<tr>
<td>NAADS</td>
<td>National Agricultural Advisory Services</td>
</tr>
<tr>
<td>NARO</td>
<td>National Agricultural Research Organisation</td>
</tr>
<tr>
<td>NARS</td>
<td>National Agricultural Research System</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NFA</td>
<td>National Forestry Authority</td>
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<td>NSCG</td>
<td>Non-Sectoral Conditional Grant</td>
</tr>
<tr>
<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
</tr>
<tr>
<td>PFA</td>
<td>Prosperity for All</td>
</tr>
<tr>
<td>PMA</td>
<td>Plan for Modernization of Agriculture</td>
</tr>
<tr>
<td>PMAU</td>
<td>Poverty Monitoring and Analysis Unit</td>
</tr>
<tr>
<td>PPA</td>
<td>Participatory Poverty Assessment</td>
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<td>RDS</td>
<td>Rural Development Strategy</td>
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<td>SACCO</td>
<td>Savings, Cooperative and Credit Society</td>
</tr>
<tr>
<td>SEP</td>
<td>Strategic Exports Programme</td>
</tr>
<tr>
<td>UBOS</td>
<td>Uganda Bureau of Statistics</td>
</tr>
<tr>
<td>UCDA</td>
<td>Uganda Coffee Development Authority</td>
</tr>
<tr>
<td>UDHS</td>
<td>Uganda Demographic and Health Survey</td>
</tr>
<tr>
<td>UNHS</td>
<td>Uganda National Household Survey</td>
</tr>
<tr>
<td>UPE</td>
<td>Universal Primary Education</td>
</tr>
<tr>
<td>UPTOP</td>
<td>Uganda Programme for Trade Opportunities and Policy</td>
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</table>
Executive summary

The paper analyses the appropriateness, relevance and effectiveness of existing agricultural policies and programmes in addressing the needs of chronically poor people in Uganda. It examines pathways through which chronically poor people in Uganda can exit poverty, if aided by strategic agricultural sector interventions. The analysis was mainly based on existing literature and data. Volume 2 of this report presents an inventory of the key policies and programmes in the agricultural sector.

Context
Agricultural policy in Uganda has evolved through three major phases since the 1980s. Key reforms have included the unbundling of commodity marketing boards, development of non-traditional exports, trade liberalisation, and private sector led policies and interventions. Multi-sectoral interventions have been implemented since the late 1990s at national, district and lower local government level, as part of the strategies under the Poverty Eradication Action Plan (PEAP) and the Plan for Modernization of Agriculture (PMA). To date, the country has several agricultural policies and plans, and over 60 principal and subsidiary laws and statutes, some of which are under implementation, while many others remain unimplemented.

As a result of these and many other sectoral initiatives, income poverty has oscillated from 34 percent in 1999–2000 to 38 percent in 2002–03, and now to 31 percent. The majority of persons below the poverty line are engaged in agriculture. In 2002–03, 70 percent of all persons below the poverty line in Uganda were engaged in crop agriculture as their main livelihood means. This suggests that agricultural interventions are yet to be sufficiently poverty reducing.

Agricultural interventions and chronic poverty
It is concluded in this study that the agricultural programmes and policies, as they exist presently, do not fully benefit chronically poor people and some of them exclude them, both directly and indirectly. This is largely due to the structural reforms, which demand that agricultural sector interventions are demand led and private sector driven – an approach that the chronically poor cannot easily identify with, due to the constraints they face. Many of the interventions are designed to reach the ‘economically active poor’, who have productive assets, such as land, and are often considered to be progressive. For the chronically poor to exit poverty through agricultural interventions, there is a need to review some of the policies and programmes, in order to remove the bottlenecks that limit access to services for chronically poor people. The public value created by most of the policies and programmes is not sufficient to pull people out of chronic poverty.

Agricultural-based pathways that are suggested to address chronic poverty include provision of inputs and extension advice, soil conservation and management, provision of microfinance, and promoting agriculture marketing cooperatives. These should be complemented by encouraging chronically poor people to engage in non-farm activities, increasing access to education, and ensuring peace and security.

Recommendations
The identified pathways for moving people out of poverty can only be achieved when the
government and other development partners review and re-orient their approach to public sector reforms as follows:

1. Revisiting the broader policy reforms of the private sector led liberalised approach, to ensure that the public sector plays a more active role in the provision of public goods and services in the agricultural sector. The government should facilitate the provision of agricultural inputs, such as pesticides, and invest in soil conservation and management – areas that are presently left to the private sector.

With the implementation of the Rural Development Strategy (RDS), the government seems to be gradually moving in this direction. Finances have been earmarked in the FY 2008–09 budget for the provision of agricultural inputs. However, the implementation modalities must be carefully developed to ensure that the chronically poor benefit from such initiatives.

2. Channelling more investments into the provision of agricultural goods and services necessitates the creation of more fiscal space for increasing budget allocations to the agricultural sector from their present level of less than four percent. New Partnership for Africa’s Development (NEPAD) recommends that African countries should commit at least 10 percent of their annual budget to agriculture. Even an increase in allocation to six percent would make a large difference to agricultural performance, provided sufficient investments were channelled to areas that matter to subsistence farmers and chronically poor people.

The ongoing review of the macroeconomic framework in the process of developing the five-year National Development Plan (NDP) presents an opportunity for addressing this issue.

3. Reviewing the PMA framework and programmes to make them more pro-poor and inclusive. Programmes need not necessarily focus on the economically active poor; strategies may be designed to also reach out to those without land and education, so that they can benefit from agricultural sector interventions, such as through labour-based programmes.

4. Implementing deliberate social protection programmes that mitigate and cushion the chronically poor against the risks they face and help them build their capital base. This would enable them to actively participate and benefit from agricultural sector interventions. Such programmes could include cash transfer schemes, provision of microfinance, provision of inputs, and facilitating children from very poor families to attain education and vocational skills.

5. Creating a conducive policy environment and supportive infrastructure and services for the growth of non-farm activities. Poor people need to be provided with business development services and entrepreneurship skills at no cost, as they cannot afford to pay for such services. They should be enabled to access cheap microfinance and serviced working spaces (with the necessary infrastructure, such as electricity, water and roads). They should also be enabled to access market information and markets in cities and towns.


INTRODUCTION

1.1 Agriculture in the economy

This paper analyses the appropriateness, relevance and effectiveness of existing agricultural and related policies and programmes in addressing the needs of chronically poor people in Uganda. It examines pathways through which chronically poor people in Uganda can exit poverty, if aided by strategic agricultural sector interventions.

The share of agriculture in the economy has steadily declined over the years, although the sector continues to contribute substantially to economic growth. Agriculture contributed significantly to the national economy in the 1980s (60 percent), with this figure declining to 36 percent of GDP presently. Table 1.1 shows the sector growth rate and contribution to GDP for the past two decades, in relation to the other sectors of the economy.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>GDP at factor cost</td>
<td>1.3</td>
<td>5.7</td>
<td>6.4</td>
<td>5.4</td>
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<tr>
<td>Sector shares in aggregate GDP growth</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Agriculture</td>
<td>0.60</td>
<td>0.44</td>
<td>0.28</td>
<td>0.21</td>
<td>0.29</td>
</tr>
<tr>
<td>Industry</td>
<td>-0.03</td>
<td>0.23</td>
<td>0.30</td>
<td>0.32</td>
<td>0.29</td>
</tr>
<tr>
<td>Services</td>
<td>0.43</td>
<td>0.34</td>
<td>0.43</td>
<td>0.48</td>
<td>0.43</td>
</tr>
<tr>
<td>Sector growth rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>1.44</td>
<td>4.77</td>
<td>3.89</td>
<td>2.89</td>
<td>3.81</td>
</tr>
<tr>
<td>Industry</td>
<td>-0.23</td>
<td>8.43</td>
<td>10.24</td>
<td>7.48</td>
<td>9.13</td>
</tr>
<tr>
<td>Services</td>
<td>1.71</td>
<td>6.02</td>
<td>6.38</td>
<td>5.45</td>
<td>7.17</td>
</tr>
</tbody>
</table>


The share of agriculture in the economy has declined, while that of industry grew rapidly over the 1990s. The agricultural sector growth rate has declined in recent years (2.89 percent), as compared to 4.77 percent in the late 1980s. The majority of Ugandans are employed and derive their livelihood from agriculture. The proportion of Ugandans employed in the agricultural sector increased from 65.5 percent in 2002–03 to 73.3 percent in 2005–06 (Annex 1, Fig. 1). Correspondingly, the number of households that mainly depend on subsistence agriculture as the main source of income and livelihood has grown from 3.8 million households in 2002 to 4.2 million households in 2005–06. Earlier in 1995–06, the number of agricultural households was estimated at 3.2 million.

1 UBOS, 2006a.
households.\textsuperscript{2} The bulk of farming households in the country are engaged in crop growing, complemented by livestock rearing.

Food crops have continued to dominate agricultural GDP (66 percent), with a modest growth in the share of other sub-sectors (Table 1.2). There has been a major shift from non-monetary to monetary agriculture since the 1990s, indicating that farming in Uganda is increasingly becoming more commercialised and market based. This shift is associated with liberal policy reforms that were adopted in the 1990s, and have since been implemented, promoting monetisation of the agricultural sector through trade liberalisation. This issue is further discussed in the next section.

<table>
<thead>
<tr>
<th>Sector</th>
<th>1990</th>
<th>1999</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash crops</td>
<td>6</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Food crops</td>
<td>69</td>
<td>65</td>
<td>66</td>
</tr>
<tr>
<td>Livestock</td>
<td>17</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Forestry</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Fisheries</td>
<td>5</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Monetary</td>
<td>45</td>
<td>54</td>
<td>58</td>
</tr>
<tr>
<td>Non-monetary</td>
<td>55</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: UBOS, Statistical Abstracts for several years.

The majority of poor people are engaged in the agricultural sector, and particularly in the production of food crops. The growth of the food crop sub-sector is therefore important for poverty reduction efforts.

Men and women engage differently in farming activities. Typically, men grow cash crops, while women are more involved in producing food crops, mainly for home consumption. However, this gendered division of labour is fast changing, with the monetisation of the agricultural sector. Crops previously grown for subsistence, such as maize and groundnuts, are becoming cash crops and are increasingly falling under the control of men. Women too are gradually moving into the market economy, though on a small scale.

The monetisation of what used to be termed ‘food crops’ in Uganda has negatively affected household food security, as less produce is available for domestic consumption, especially in the poorer households. Malnutrition has been reported to be high in poor households in western Uganda, because good quality food, such as milk, is sold to raise household income, leaving small quantities of low quality food for household consumption\textsuperscript{3}. As more women join the market economy, the labour that is available to produce food for the household is also gradually reducing, further affecting household food security.

\textsuperscript{2} UBOS, 2006b; UBOS, 2006a; UBOS, 2007.  
\textsuperscript{3} MFPED, 2002.
1.2 Evolution of agricultural policy in Uganda

Agricultural policy in Uganda has evolved through three major phases since the 1980s, with the main purpose of improving the output and export performance of key commodities. Although the reforms overlap over the years, it is possible to distinguish those undertaken prior 1987, when the Economic Recovery Programme (ERP) was introduced; those implemented during 1987-1997 under the ERP; and others after 1997 under the Poverty Eradication Action Plan (PEAP).

I. Pre-Economic Recovery Programme policy performs

Before the mid-1980s, agricultural sector policies and programmes were centralised. The marketing and pricing of agricultural inputs and produce was mainly through marketing boards and a limited number of licensed traders. The marketing Boards included the Coffee Marketing Board (CMB), Lint Marketing Board (LMB) and Uganda Tea Authority (UTA). The bias then was towards supporting traditional export crops, with less attention paid to the food crop sub-sector. This implied less support to the majority of poor farmers, who were engaged in food crop production. All the production and marketing subsidies were given to commercial farmers as an incentive for promoting increased production for export. The producer prices were controlled by government, and commodities were sold largely in the unprocessed form.

During this period, there was a marked increase in volumes produced of traditional export crops. However, the sector continued to be constrained by low productivity, lack of credit, inefficient markets for capital and agricultural inputs, shortage of foreign exchange for importation of agricultural inputs, and government monopoly over food and export markets. Annual growth in the agricultural sector was about 1.2 percent between 1965 and 1980, and 2.3 percent between 1980 and 1985.4 These constraints spurred the government to engage in fresh policy reforms, with the purpose of increasing efficiency in the agricultural sector – hence the introduction of other measures under the ERP.

II. Reforms under the Economic Recovery Programme

Under the Economic Recovery Programme introduced in 1987, government policy aimed at achieving a stable macroeconomic framework that promoted growth and private sector investment. In the agricultural sector, government policy focused on three key areas:

i. Rehabilitation of traditional exports like coffee, cotton, tea and tobacco, in order to increase export earnings and the balance of payments;

ii. Development of non-traditional exports to diversify production; and

iii. Removal of key constraints to sustainable agricultural development.

To achieve these objectives, the government adopted a Policy Agenda for the Agricultural Sector in 1989 that focused on the following six critical areas of policy and institutional reforms:

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4 UPTOP, 2006.
• Agricultural pricing and incentives
• Trade liberalisation and promotion
• Restructuring of marketing boards
• Rationalising crop processing capacity
• Rehabilitation/restructuring of cooperative unions
• Strengthening agricultural research and extension.

Emphasis was put on preventing the erosion of farmers’ price incentives, increased efficiency in processing of crop and livestock products, improvements in marketing arrangements, removal of monopoly of marketing boards, and strengthening the provision of agricultural inputs, research and extension services.

As a result of these reforms, the agricultural sector registered a significant recovery, achieving annual GDP growth rates ranging between four percent and 10 percent (averaging five percent) between 1986 and 1999.\(^5\) Between 1990 and 1993, the real price of Robusta coffee rose from Ushs 90 per kilogram to Ushs 196; Arabica coffee from Ushs 263 to Ushs 504; and maize from Ushs 23 to Ushs 126. All these changes had a positive effect on household welfare, especially for those households engaged in producing marketable commodities. For example, before liberalisation, producers of coffee received only 20 percent of the international price. By 1996, the proportion of the price received had risen to about 80 percent. There is recent evidence,\(^6\) however, that suggests that liberalisation of the coffee market seems to have benefited rich farmers most.

Good prices for marketable commodities (especially cash crops) are therefore one of the key exit routes out of poverty, but mostly for the wealthier sections of the community.

III. Reforms under the Poverty Eradication Action Plan

The reforms under the ERP were reviewed, revised and then consolidated with new ideas to form a national planning framework, the Poverty Eradication Action Plan (PEAP), in 1997. The main development objective of the PEAP is to reduce poverty from 44 percent in 1997 to 10 percent by 2017. Maximisation of economic growth and promotion of macroeconomic stability are cornerstones of the PEAP. The nature of interventions in the PEAP has evolved over the years, as this planning framework has been revised periodically\(^7\) to bring on board emerging policy issues.

The PEAP is implemented through multi-sectoral strategies that are operationalised at district level and by the lower

\(\text{Box 1: PMA Priority Areas}\)

- Agricultural Research and Technology Development
- Agricultural Advisory Services
- Rural Financial Services
- Agricultural Education
- Agro-processing and Marketing
- Sustainable use and management of natural resources
- Supportive Physical Infrastructure

\(^5\) MAAIF and MFPED, 2000.
\(^6\) Bussolo et al, 2006.
\(^7\) PEAP was revised in 2000 and 2004 and is now (2008) undergoing a third round of revision to produce a five-year national development plan (NDP).
local governments. One of the important pillars of the PEAP since its inception has focused on improving household incomes and reducing poverty, particularly among farming households, through improved productivity, production and competitiveness of the agricultural sector. A multisectoral coordinating framework, the Plan for Modernization of Agriculture (PMA), was launched in 2001 to operationalise this policy objective. The PMA aims at re-orienting subsistence farmers from producing mostly for household consumption to producing more for the market. The outcomes sought include an increase in poor farmers’ incomes and quality of life, and improved food security through adoption of modern farming methods and specialised farming for target markets.

Many plans and programmes have evolved through which the PMA is implemented. The most advanced are the National Agricultural Advisory Services (NAADS), National Agricultural Research System (NARS) and Non-Sectoral Conditional Grant (NSCG). These programmes are further discussed in the subsequent chapters, as they relate to chronic poverty.

As discussed in the next section, income poverty has gradually reduced over the years, with the implementation of the PEAP, PMA and other sectoral policies. However, it is noted that poverty remains highly prevalent among farming households, despite these interventions. Recently, there have been a plethora of other initiatives launched by the government specifically to address the concerns of poor farmers, including the Prosperity for All (PFA), Rural Development Strategy (RDS), Rural Financial Services delivery and the Sub-county Development Programme. The NAADS too is under review to ensure that it better targets the poor households.

1.3 Poverty dynamics

As a result of all the above and many other sectoral initiatives, income poverty has oscillated from 34 percent in 1999–2000 to 38 percent in 2002–03, and lately to 31 percent in 2005–06. The absolute number of poor persons is shown in Figure 1.1. Some sections of the population have not benefited equally from these positive trends, this being particularly so for those residing in rural areas, the majority of whom are engaged in agriculture. In 2005–06, 571,000 persons in urban areas were below the poverty line, which is not comparable in any way to the figure of 7,870,000 persons who could not meet their basic needs in rural areas.
Fig 1.1: Absolute numbers of persons living below the poverty line (millions)

Source: UNHS

The majority of persons below the poverty line are engaged in agriculture, particularly in crop agriculture, as their main livelihood means (Table 1.3). In 2002–03, for example, 70 percent of all the persons below the poverty line were engaged in crop agriculture; poverty was very low (four percent) among those involved in non-crop agriculture, particularly livestock keeping. This suggests that engagement in non-crop agriculture, such as livestock keeping, apiary and fish farming, offers an important exit strategy from poverty within the agriculture sector.

Table 1.3: Number of people below the poverty line in Uganda by sector in 1999–2000 and 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>Population share</th>
<th>Headcount (P0)</th>
<th>Absolute numbers in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>99/00</td>
<td>02/03</td>
<td>99/00</td>
</tr>
<tr>
<td>Uganda</td>
<td>100</td>
<td>100</td>
<td>33.8</td>
</tr>
<tr>
<td>Crop agriculture</td>
<td>67.6</td>
<td>52.2</td>
<td>39.0</td>
</tr>
<tr>
<td>Non-crop agriculture</td>
<td>3.2</td>
<td>5.4</td>
<td>41.9</td>
</tr>
<tr>
<td>Mining</td>
<td>0.5</td>
<td>0.2</td>
<td>41.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.0</td>
<td>7.1</td>
<td>23.3</td>
</tr>
<tr>
<td>Public utilities</td>
<td>0.2</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Construction</td>
<td>1.5</td>
<td>1.8</td>
<td>20.1</td>
</tr>
<tr>
<td>Trade</td>
<td>7.2</td>
<td>14.2</td>
<td>12.7</td>
</tr>
<tr>
<td>Hotels</td>
<td>1.0</td>
<td>2.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>2.2</td>
<td>2.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Misc. services</td>
<td>3.1</td>
<td>2.3</td>
<td>18.2</td>
</tr>
<tr>
<td>Govt. services</td>
<td>5.5</td>
<td>6.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Not working</td>
<td>5.0</td>
<td>5.7</td>
<td>42.7</td>
</tr>
</tbody>
</table>

Source: UNHS data
1.4 Chronic poverty in Uganda

There exists a large body of literature in Uganda that defines and characterises chronic poverty.8 “Chronic poverty occurs when individuals, households or regions are trapped in severe and multi-dimensional poverty for an extended period of time, and where poverty is transmitted across generations, such that people are born in poverty, live in poverty and pass it on to their children”.

Recent work by the Chronic Poverty Research Centre (CPRC) Uganda has provided guidance that the poorest 20 percent of the population can provide a proxy indicator for chronic poverty, as these find it difficult to move out of poverty over extended periods. In 2005, it was estimated that more than seven million Ugandans, or 26 percent of the total population, lived in chronic poverty.10 This is a substantial proportion of the population that policy makers and implementers cannot afford to ignore, as national poverty cannot reduce significantly without lifting this category out of poverty. The groups that are most affected by chronic poverty are listed in Box 1.2.

Box 1.2: Groups that are most vulnerable to chronic poverty in Uganda

- Persons with disability, especially women
- Widows and widowers, especially those without assets
- Street children, orphans and other disadvantaged children
- Elderly people, especially those with no social support
- Refugees and internally displaced persons
- HIV/AIDS affected and infected households and persons
- Casual and unskilled labourers
- Uneducated people
- Isolated communities
- Landless people


Among these groups, chronic poverty was found to be most prevalent among children, women and people living in large households. Geographically, chronic poverty is highly prevalent in rural areas and in Northern Uganda. Household survey data also suggest that the Eastern region has a high representation of chronically poor people. This paper analyses the extent to which some of these groups have or have not benefited from agricultural sector policies and interventions in the country, and suggests entry points and pathways through which they can exit chronic poverty.

Many agricultural policies and programmes have been initiated in Uganda, with the main purpose of increasing household income through increased production and marketing of both food11 and cash crops and livestock. One of the implicit pre-requisites for benefiting

8  www.drt-ug.org
9  Hulme, Moore and Shepherd, 2001.
10  CPRC Uganda, 2005.
11  This encompasses those foods that are predominantly produced for household consumption, such as cassava, maize, sweet potatoes and yams. However, many of these crops have gained commercial value in recent years, and are also regarded as non-traditional cash crops.
from these policies and programmes is that households must have land on which to cultivate these crops and rear the livestock.

The macroeconomic reforms, particularly trade and market liberalisation undertaken since the 1990s, that are integral to agricultural sector programmes constrain the effective participation of chronically poor people in production. The purchasing power of the poor is low, such that they are unable to purchase inputs from the liberalised input market. It is often not possible for them to access credit that would enable them buy the inputs. Without the key factors of production, the chronically poor are left out of the agricultural production processes.

In the next section, we discuss the key determinants of growth and poverty reduction that provide a basis for examining the pro-poorness of agricultural policies and programmes in Uganda.
Chronic Poverty and Agriculture in Uganda

CHAPTER 2

DETERMINANTS OF GROWTH AND POVERTY REDUCTION

Exit from chronic poverty requires a clear understanding of the key factors that help individuals and households move out of poverty and, for the purposes of this study, the extent to which these determinants are agriculture-related. Two recent studies\(^{12}\) provide useful insights into the key determinants of growth and poverty reduction in Uganda. Both studies used panel data evidence and hence provide useful information on the characteristics of the chronically poor. This chapter provides a conceptual framework and the context within which the analysis is conducted.

2.1 Characteristics of the chronically poor

Deininger and Okidi (2007) use data from a panel of 1,200 households that span the period 1992-2000 to explore determinants of economic growth and poverty reduction for Uganda. Specifically, they isolate and assess the characteristics of households that were in poverty both in 1992 and 2000. Table 2.1 gives their main findings.

Table 2.1: Characteristics of poor & non-poor households in Uganda, 1992 and 1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation of head</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>72%</td>
<td>78%</td>
<td>53%</td>
<td>53%</td>
<td>70%</td>
<td>69%</td>
</tr>
<tr>
<td>Other primary</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturing and trade</td>
<td>14%</td>
<td>9%</td>
<td>9%</td>
<td>23%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Services</td>
<td>11%</td>
<td>9%</td>
<td>9%</td>
<td>18%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Female headed household</td>
<td>29%</td>
<td>27%</td>
<td>33%</td>
<td>27%</td>
<td>30%</td>
<td>27%</td>
</tr>
<tr>
<td>Education of head</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has no education</td>
<td>31%</td>
<td>30%</td>
<td>26%</td>
<td>17%</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Has some primary education</td>
<td>26%</td>
<td>25%</td>
<td>35%</td>
<td>46%</td>
<td>27%</td>
<td>33%</td>
</tr>
<tr>
<td>Completed primary education</td>
<td>14%</td>
<td>10%</td>
<td>24%</td>
<td>27%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Assets</td>
<td>1384</td>
<td>1419</td>
<td>3570</td>
<td>4914</td>
<td>2167</td>
<td>2670</td>
</tr>
<tr>
<td>Total asset value (US$ equivalent)</td>
<td>64%</td>
<td>56%</td>
<td>56%</td>
<td>53%</td>
<td>57%</td>
<td>51%</td>
</tr>
<tr>
<td>Of which land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing materials and water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roof thatched</td>
<td>61%</td>
<td>47%</td>
<td>56%</td>
<td>33%</td>
<td>61%</td>
<td>42%</td>
</tr>
</tbody>
</table>

The data show that the majority of the chronically poor derive their livelihood from agriculture, with their share having increased from 72 percent to 78 percent within the 1992-99 period. Uganda Poverty Participatory Assessment Process (UPPAP) studies\(^\text{13}\) show that, although landlessness is a key characteristic of the chronically poor, many on the other hand have or own large areas of the land that were inherited, but which they are unable to use effectively, due to lack of basic inputs and implements. They use small fractions of land to produce agricultural commodities that are primarily for household consumption.

Close to half of the chronically poor households (42 percent) also had a non-farm enterprise or were engaged in off-farm income-generating activities. This indicates that there is a need to diversify income sources as a means of moving out of poverty. They offer their labour elsewhere to gain an additional income. In terms of asset accumulation, investment was virtually absent for the chronically poor, while the non-poor were able to accumulate assets at a rate of more than four percent per annum. Among the chronically poor, land was found to constitute more than 50 percent of assets held.

Asset accumulation is a factor related to the prevailing tax rates, interest rates and other macroeconomic variables that negatively or positively impact on the factor markets and ultimately households’ capital base. This suggests that, although Uganda has demonstrated macroeconomic stability and commendable growth rates over the past decade (refer to Chapter 1), the benefits have not translated into asset accumulation for the poorest sections of the population. The macroeconomic policies should be re-focused, to ensure that they elicit a meaningful investment response from the majority of households in Uganda, including the chronically poor households. Increasing the economy’s capital stock is an important means of enhancing economic growth and reducing poverty in the country.

In terms of human development, the chronically poor were found to be largely unskilled, with low or no education, and were often sick. They lived in poor quality housing and were among those that have been greatly affected by civil strife and interpersonal violence.

\(^\text{13}\) MFPED, 2002.
Access to electricity, initial health status and changes in agricultural prices emerged as important determinants of income growth and poverty reduction. Price changes were found to have been particularly beneficial for the poor during the 1990s, both directly, when they sold their commodities, and indirectly, when they offered their labour to commercial producers. The study highlights the importance that the profitability of agricultural production, and in particular prices for agricultural output, could play in enhancing growth and reducing poverty in Uganda. It stresses the importance of diversification of producers’ crop portfolio, and engagement in non-farm activities, marketing and agro-processes as important responses to guarding against price-related and other risks at the local and economy-wide level. These are important exit routes out of poverty.

2.2 Assets and capabilities for movement into and out of poverty

A recent study by MFPED and CBR (2007) provides further insights into the key factors responsible for households’ movement in and out of poverty. The study was conducted in 18 villages that were panel sites for the 1992 and 2000 Uganda National Household Survey (UNHS) in six districts. Box 2.1 below summarises the key assets and capabilities that often support movement out of poverty, in order of priority. The two most important factors that support movement out of poverty are: having multiple income sources, and possessing vocational skills. These findings are in agreement with the Deininger and Okidi (2007) study findings. However, it should be noted that the majority of chronically poor people lack even one source of income, and they rarely possess vocational skills. Hence movement out of poverty is often very difficult them.

Box 2.1: Assets and capabilities supporting movement out of poverty

- Having multiple income sources – diversified crop farming, non-crop or off-farm income sources
- Possessing unique vocational skills, primary education and a job
- Being hardworking
- Inheriting and/or buying and utilising productive assets – especially land – profitably
- Having hardworking spouse(s) (often wife) and/or abundant family labour
- Having a good saving culture
- Being enterprising.

Source: MFPED and CBR (2007)

Belonging to a self-help initiative or a savings/micro-credit group was a factor that was found to be of relative importance for households and individuals moving out of poverty. An interesting finding is that many individuals and households moved out of poverty without a high initial asset base. Assets were usually acquired along the way. Ownership of land per se was not a critical factor for moving out of poverty, but the way land was being utilised was important. The study illustrated this point by showing that a significant proportion of the chronically poor that had been sampled had land, assets such as bicycles, ploughs, cows, goats, chicken and agricultural equipment, and yet had remained in poverty between 1992 and 1999.

14 Kisoro, Kabale, Masaka, Kamuli, Lira and Luwero.
This was a surprising finding, given the generally believed and proven notion (see discussion above) that chronically poor people do not own any assets. This points to two possible explanations: one, that chronically poor people actually own a few productive assets but often find it difficult to use them productively, due to the constraints that they face; two, the current extension system that is demand driven forces poor households to demand assets, such as through the NAADS system, that they fail to maintain and generate sufficient income from. On the other hand, some households who did not possess such assets in 1992 had managed to move out of poverty by 1999 using the assets and capabilities given in Box 2.1. One could conclude that movement out of poverty for the chronically poor may not necessarily be linked to accumulation of productive assets. The availability of assets must be matched by other capabilities, such as education, to be able to put them to productive use.

With regard to agricultural and agricultural-related policies specifically, many individual life stories of poor men and women analysed across the country in the Moving Out of Poverty study (MFPED and CBR, 2007) show that being able to market their produce and to do petty trade in addition to crop/animal farming, was key to triggering households and individuals to move out of poverty. Being able to utilise improved farming techniques and crop varieties acquired due to the National Agricultural Research Organisation (NARO) and National Agricultural Advisory Services (NAADS) has been an important factor in moving farming households out of poverty, even among the chronically poor, who have been able to access such services. Households that moved into and stayed in poverty had experienced substantial deterioration in access to credit and agricultural input over the 1996-2006 period.

### 2.3 Poverty-focused policies and programmes

The above discussion suggests a number of criteria that could be referred to in order to determine the extent to which a policy or a programme is poverty focused. In general, policies and programmes that lead to an improvement in the social welfare and economic status of the chronically poor individuals, households and communities are categorised among those that are poverty-focused. From the agricultural perspective, poverty-reducing policies and programmes are those that have, among others, the following characteristics, effects and/or outcomes:

i. Enable access and effective utilisation of key productive assets, particularly land and labour;
ii. Facilitate and support diversification of income sources to include non-crop and off-farm enterprises;
iii. Increase the skills level and education of the chronically poor;
iv. Facilitate improved processing and marketing of agricultural commodities, including ensuring reasonably good prices;
v. Encourage group formation;
vi. Increase access and use of improved farming techniques and crop/animal varieties;
vii. Provide key infrastructure that facilitates agricultural production, processing and marketing, including roads, electricity and credit.
Even when they satisfy the above criteria, agricultural policies/programmes on their own may not lead to movement out of poverty if not complemented by other supportive aspects, such as peace and security, a healthy population, favourable macroeconomic environment (pro-poor growth, reasonable tax incentives and low taxation, fair interest and exchange rates), good governance, entrepreneurship and having a saving culture.

This set of criteria forms the basis for subsequent discussions in the proceeding chapters on whether the agriculture and agricultural-related policies are poverty-focused, and on their ability to enable the chronically poor to exit poverty. The next chapter summarises the key agricultural and agricultural-related policies and programmes in Uganda. In Chapter 4, a sample of these policies and programmes are analysed to gauge the extent to which they are pro-poor and address the needs of chronically poor people.
AGRICULTURAL POLICIES AND PROGRAMMES IN UGANDA

The government of Uganda (GoU) has put in place several agriculture and agricultural-related policies and programmes, aimed at improving household production and incomes and ultimately leading to poverty reduction. Volume 2 of this report is an inventory of the key policies and programmes in the agricultural sector, a selection of which are further analysed in this volume. This chapter outlines these plans, policies and programmes, to provide a basis for further analysis in the subsequent chapters.

3.1 Overview of agricultural policies and plans

Main policies and plans
The key agricultural policies and plans in Uganda are summarised in Box 3.1. They can be categorised into three groups: first, are the policies and plans that are overarching in nature, providing overall guidance to priority actions and investments in the sector; second are the structural reforms of a crosscutting nature that underpin policy/programme implementation; and, third, are those that accrue to specific sub-sectors or commodities.
There are over 60 principal and subsidiary laws and statutes that are agricultural related, which provide the legal basis for the implementation of these policies and plans (refer to Volume 1). While a few of these laws have been enacted in recent years, the majority are between 20 and 40 years old and in some cases outdated. Examples include the Animal Diseases Act 1964, the Plant Protection (Cassava Mite) Rules 1973, and the Uganda Tea Growers Regulations 1969. The diseases that affect the various crops and animals have changed and the implementation modalities have also changed greatly, indicating a need to revise the outdated laws to bring them in line with the current constraints facing the sector.

There are several other national policies that are not agricultural related, but have big implications for agricultural sector development and performance. Many are crosscutting in nature. They include the following, among many others:
Policy thrust and implementation status

The agricultural sector is governed by several policies, some of which have been fully translated into action, while many others still remain on paper. The overarching national policies that have come into play in recent years – PEAP, PMA, MDS&IP, PFA, RDS – have received great attention in terms of implementation when compared to some of the sectoral/commodity policies, some of which have never been implemented. A case in point is the Uganda Food and Nutrition Policy, which has remained unimplemented for over five years on account of a lack of institutional structures and financing. Since the chronically poor households are most affected by poor nutrition, non-implementation of such a policy means that they cannot benefit from what exists on paper.

There is no known framework for sequencing implementation of these policies which come into existence as and when the relevant institution decides to prepare them. Many take more than four years in the process of preparation, so that by the time they come into action, some sections are irrelevant and need reviewing. An example is the MAAIF sector investment plan, which was prepared in 2005, but is undergoing review to align the interventions with the current policy challenges. The plan was not fully prioritised and hence parts of it were difficult to implement.

While the older agricultural policies were more concerned with expanding production in selected commodities, the new policies and programmes are highly focused on increasing both agricultural production and productivity and linking the farm to the market, in line with the privatisation and liberalisation policies. While it is desirable for chronically poor people to earn an income through the market, they often fail, due to lack of access to market information, inputs and implements that constrain their ability to produce both the household and market. Hence, it is likely that they may be excluded from benefiting from the new wave of policies, because of these constraints. The majority of the chronically poor practice subsistence non-diversified agriculture, and hence are most unlikely to also benefit from commodity-specific policies that are targeting export-oriented producers. There is therefore a need to review the agricultural policies to ensure that the chronically poor are not excluded by neo-liberal policies from effectively contributing to the economy.

15 MAAIF memos.
3.2 Agricultural programmes

Over the past 20 years, the government has made substantial progress in reducing poverty, largely stemming from the political and financial commitment to programmes put in place to rehabilitate and develop the economy. The national investment areas have changed over the years in line with the changing priorities of the government. Fig 3.1 gives highlights of the new project commitments made since 1980. During the 1980s, there were a few projects, but they tended to be largely and primarily in the agriculture sector. Expenditure in the agricultural sector during the 1980s played an important role in rebuilding both the sectoral and the national economy.

The early 1990s saw many new projects, as a result of the growing political stability, the initiation of the PEAP and significant donor interest. The bulk of the expenditure shifted to the roads sector, and agriculture remained with fewer new projects during the decade. The current decade has seen renewed commitment to the agriculture sector after the release of the 2000–2001 household survey, which indicated that close to a half of crop farmers in Uganda were below the poverty line, and this was the main contributory factor to the high poverty levels. As illustrated by the data and analysis in the preceding chapters, the bulk of the farmers, especially those practising subsistence crop farming, did not benefit from the liberalisation policies of the 1990s and hence remained in chronic poverty, contributing greatly to the population in poverty.

Fig 3.1

![Expenditure Commitment to New Projects](chart)

Source: MFPED (2007c).

Volume 2 of this report provides a summary of the key agricultural projects in Uganda. Some are national in coverage, while many others focus on specific geographic areas and target groups. Table 3.1 gives illustrative examples of some of the key agricultural programmes and projects in the country. Some have been completed, while the others are still ongoing. Some of them have contributed to increased production at household

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16 We use this as a proxy indicator of the total number of projects in a sector in a given decade.
17 MFPED, 2007c.
level, while many others have not delivered as expected, due to constraints ranging from inadequate resources, mismanagement, and lack of community involvement, to undeveloped institutions to guide proper implementation.

Unlike the policies, many of the newer agricultural programmes are a continuation or re-packaging of the older programmes, sometimes with no evaluation of their outcomes and impacts. In many cases, the programmes and projects come in phases, with a justification that the latter phases aimed to complete the objectives and actions of the former phases. There are also cases when projects with similar objectives are run parallel to each other, with a justification that the target audiences are different. These are the challenges that have made it rather difficult for evaluations of performance and impact to be undertaken in the agricultural sector in Uganda. This is an area that requires further analytical work and follow up.

The next chapter analyses the extent to which some of these policies and programmes address chronic poverty.

<table>
<thead>
<tr>
<th>Programme/project</th>
<th>Purpose</th>
<th>Geographical coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Agricultural Support Programme</td>
<td>Increasing incomes and food security</td>
<td>Tororo, Pallisa, Masaka, Rakai, Kabarole, Bundibugyo</td>
</tr>
<tr>
<td>Strategic Exports Programme</td>
<td>Increase agricultural production and productivity in selected enterprises</td>
<td>Countrywide</td>
</tr>
<tr>
<td>Cotton Sub-sector Development Programme</td>
<td>Increase cotton production among small-scale farmers</td>
<td>Countrywide</td>
</tr>
<tr>
<td>Prevention of Food Losses</td>
<td>Producing high quality crops for home consumption and prevent losses</td>
<td>Kasese, Kamuli, Lira, Rakai</td>
</tr>
<tr>
<td>Dairy Development Project</td>
<td>Rehabilitation of dairy farms to increase production among small-scale farmers</td>
<td>Countrywide</td>
</tr>
<tr>
<td>Improvement of Fish Landing Sites</td>
<td>Improve fish landing site facilities and retail marketing of fish by small-scale fish farmers and women</td>
<td>Countrywide</td>
</tr>
<tr>
<td>National Agricultural Advisory Services (NAADS)</td>
<td>Increase agricultural production and productivity through increased access to improved technologies and better farming practices</td>
<td>Over 60 out of the 84 districts are covered, though in selected sub-counties</td>
</tr>
<tr>
<td>Non-Sectoral Conditional Grant (NSCG)</td>
<td>Empower rural communities to invest in public services that improve rural incomes and reduce poverty</td>
<td>41 districts as of 2007-08</td>
</tr>
<tr>
<td>Integrated Fisheries Development Project</td>
<td>Improve fish processing, marketing and distribution facilities</td>
<td>Bukungu, Majanji, Lwampanga and Masese fish landing sites. Mbale, Kamuli and Luwero districts</td>
</tr>
<tr>
<td>Project Name</td>
<td>Objective</td>
<td>Area</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>National Livestock Productivity Improvement Project</td>
<td>Improve household incomes through increased livestock production and marketing</td>
<td>Countrywide</td>
</tr>
<tr>
<td>Agricultural Marketing Support Project</td>
<td>Increase agricultural productivity, incomes and food security</td>
<td>Northern districts</td>
</tr>
<tr>
<td>Agricultural Sector Programme Support</td>
<td>Increase production, productivity, food security and incomes among small-scale farmers</td>
<td>Countrywide</td>
</tr>
<tr>
<td>Cocoa Development Project</td>
<td>Revive and promote cocoa growing among all farming areas</td>
<td>Countrywide</td>
</tr>
<tr>
<td>North West Smallholder Agricultural Development Project</td>
<td>Enhance food security and household incomes among smallholder farmers through improved marketing, environmental management, community mobilisation</td>
<td>Northern Districts – Adjumani, Arua, Moyo, Nebbi, Yumbe</td>
</tr>
</tbody>
</table>
AGRICULTURAL POLICIES AND CHRONIC POVERTY

4.1 Introduction

This chapter assesses and analyses the role and contribution of some of these policies and programmes to poverty reduction, and specifically to reducing chronic poverty. A key question is whether, and the extent to which, chronically poor people benefit or are excluded from agricultural interventions. The analysis does not attempt to cover the entire breadth of polices that are highlighted in Volume 2 of this report. Instead, it focuses on eight of them, for illustrative purposes:

- Poverty Eradication Action Plan
- Plan for Modernization of Agriculture
- MAAIF Development Strategy and Investment Plan
- Prosperity for All
- Rural Development Strategy
- Macroeconomic policies
- Budgetary policy

The choice of these policies is guided by three basic criteria:

i. They are the overarching national policies that have been translated into concrete actions in the agricultural sector with implications for chronically poor people.

ii. Information and data about them is available for purposes of analysis.

iii. They attract public financing and wide-scale implementation and hence are likely to have positive implications for poverty reduction.

4.2 Poverty Eradication Action Plan

Policy objective

Poverty eradication is the main objective of the government of Uganda’s development policy, as stated in the national planning framework, the Poverty Eradication Action Plan (PEAP). Over the years, the policy content in the PEAP has been revised periodically, in order to address emerging challenges. The current edition was revised and published in 2004 and is valid for the period 2004/05–2007/08. The key challenges that the PEAP 2004 seeks to address, and on which the government is presently focusing all its attention, are to:

a) consolidate national security, deal with the consequences of conflict and improve regional equity;

b) restore sustainable growth in the incomes of the poor;
c) build strong social and economic infrastructure;
d) enhance human development; and
e) use public resources more efficiently

Strategic interventions
Agricultural growth is central to the government of Uganda’s efforts to reduce poverty and inequality further, and hence the PEAP 2004 contains a pillar on ‘Enhancing Production, Competitiveness and Incomes’, aimed at addressing the challenges enumerated above. The PEAP thus provides overall guidance and the policy direction for public and private sector interventions in the agricultural sector in Uganda. Two types of intervention are promoted:

i. Direct interventions to accelerate agricultural growth through improved provision of public goods, including research, extension and support to marketing.
ii. Indirect interventions to provide an enabling environment for increased competitiveness of agricultural products, through the provision of supportive infrastructure (roads, rail, energy, and air transport), a reduction in prohibitive regulations of the private sector, macroeconomic stability and increased access to microfinance.

The PEAP and chronic poverty
In its current form, the strategic interventions contained in the PEAP that are agricultural related are generic in nature. They are aimed at reducing general poverty and increasing household income for all types of households, including rich and poor, subsistence and commercial farmers. In themselves, the PEAP interventions or actions are not implementable, as they are not backed by specific budgets. Rather, they are mainly operationalised through the Plan for Modernization (PMA), which is discussed in detail below.

Contribution to livelihoods of the chronically poor
The PEAP interventions, though universal in nature, have made a great contribution to reducing chronic poverty in Uganda. The provision of universal primary education, which is mostly accessed by poor households in Uganda, builds human capital among chronically poor households. This is key to production and access to other services. The availability of energy in the rural growth centres has led to an expansion of informal sector activities, where the majority of chronically poor people offer their labour for a living. The pursuance of macroeconomic stability ensures that the purchasing power of the poor is not eroded by inflationary prices of key agricultural commodities. The emphasis on peace and security is critical for improving the livelihoods of internally displaced persons and those affected by conflict in the North and other parts of the country.

Gaps in addressing chronic poverty
Although the PEAP interventions are beneficial in many ways to the chronically poor, there are also instances where they have excluded the disadvantaged:

- The PEAP subscribes to the private sector led, demand-driven approach to delivery of services. This approach does not favour chronically poor people, who are unable to demand services as most often they are not aware of them and they also lack purchasing power. In this way, they are excluded from benefiting from the demand-driven services.
Despite the observed problem of declining soil fertility and land fragmentation that is most prevalent among the chronically poor who live on marginal lands, the PEAP shies away from any public intervention to address this problem. This is left to the private sector and to individuals to find the most suitable solution.

As discussed above, one of the most important ways to reduce chronic poverty is to ensure that there is adequate facilitation by the public sector at farm level, to ensure improved processing, marketing and pricing of agricultural commodities. The bulk of support to processing and marketing that is promoted by the PEAP targets export commodities, including coffee, cotton, tea, fish, livestock, horticulture, Irish potatoes and ICT. Chronically poor people are rarely engaged in the production of high value commodities and hence miss out on the opportunities in this area. High value commodities that require heavy capitalisation, like horticulture and ICT, are largely the preserve of wealthier farmers with sufficient productive assets such as land.

The PEAP commits itself to providing market information. This is mainly accessed through internet services, television and media that chronically poor people are most unlikely to have access to. Evidence of this is abundant in the participatory assessments carried out in 2002. These show that many Ugandans have stayed in poverty for several years because of a lack of markets and market information as well as poor prices for agricultural products. Lack of markets/market access was ranked as the third most important cause of poverty in the 2002 PPA, after limited access to and shortage of land, and poor health.

However, despite these gaps, the PEAP provides certain poverty-reducing goods and services that are beneficial, even to the chronically poor in the agricultural sector. The provision of roads, electricity and markets in communities has multiplier effects that trickle down to the chronically poor, directly and indirectly. Provision of electricity in towns, for example, has led to expansion of small businesses and processing facilities that offer employment to some of the chronically poor, especially the landless, women and youth who lack any form of assets.

Future prospects
As the PEAP is to expire in the financial year 2007-08, the government has embarked on producing a five-year National Development Plan (NDP) that has as its central theme ‘Growth, Employment and Prosperity’. The policy thrust is centred on enhancing growth and household incomes for all socioeconomic categories. Increasingly, the interest among senior policy makers and politicians in Uganda is to create a middle class, which will in turn provide employment and services for the poor. Hence, industrialisation, commercialisation and export are to be cornerstones of the new plan. The NDP is therefore unlikely to focus greatly on issues of chronic poverty like its predecessors, although it will retain some interventions that have great relevance for the chronically poor.

18 MFPED, 2002.
4.3 Plan for Modernization of Agriculture (PMA)

Vision and objectives
The Plan for Modernization of Agriculture (PMA) is a strategic framework for eradicating poverty through multi-sectoral interventions that support agricultural transformation and increase in household incomes. It is part of the GoU’s broad strategy for poverty eradication. The PMA vision is ‘poverty eradication through a profitable, competitive, sustainable and dynamic agricultural and agro-industrial sector’. The government aims to achieve this vision through two main ways:

a) transforming subsistence farmers by orienting their production towards the market; and
b) Transforming the agricultural sector in general by accelerating agricultural growth through promoting technological change and creating an enabling environment for large-scale private sector investments in agriculture.19

The PMA has four main objectives:

i. Increasing incomes and quality of life of subsistence farmers.
ii. Achieving food security through the market.
iii. Increasing employment.
iv. Promoting sustainable use and management of natural resources.

Strategic interventions
The PMA has seven priority intervention areas or pillars that are mutually interrelated:

1. Research and technology development
2. National Agricultural Advisory Services
3. Agricultural education
4. Improving access to rural finance
5. Agro-processing and marketing
6. Sustainable natural resource utilisation and marketing
7. Sustainable natural resource utilisation and management
8. Physical infrastructure.

To support the implementation of the PMA at the district and lower local government level, the GoU also provides a Non-Sectoral Conditional Grant (NSCG) to allow communities to invest in goods and services of a public nature that address their felt needs.

PMA and chronic poverty
The PMA itself is just a coordinating framework and a set of principles and guidelines for institutions that implement activities that fall under the seven pillars. It does not attract financing, except for the PMA Secretariat which plays the coordination role, and the programmes that have evolved from it. Presently, the National Agricultural Advisory Services (NAADS) and the NSCG are the two programmes that have been effectively rolled out. They can give us a good indication of the extent to which the PMA and its component programmes are beneficial to the chronically poor. They are discussed below.

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The principles underpinning the PMA are also important pointers to the extent to which this policy framework is poverty focused. The PMA has good intentions of addressing poverty, as it largely targets poor subsistence farmers with the purpose of improving their capital assets (natural, physical, financial, human and social). In reality, however, the target beneficiaries tend to vary from one PMA-related programme to another. For example, the NAADS documents refer to the target beneficiaries as the ‘economically active poor’, which in practice means that chronically poor persons who lack productive assets cannot benefit from this service. Similarly, the rural finance component is vague about its targeted beneficiaries. It refers only to shifting the concentration of financial services from urban to rural areas, without specifying who is supposed to benefit.

The PMA principle of empowering poor people and local communities in group formation, and their involvement in decision making, is important for bringing the chronically poor on board, as they are often unable to act individually. The fact that PMA programmes are decentralised to village level also helps in bringing services much closer to poor people. However, although these principles encourage the participation of the chronically poor in agricultural sector interventions, they are often excluded by approaches to implementation. These require farmers to have a given level of knowledge and skills as well as assets if they are to participate effectively.

Under the PMA framework, the government’s role is limited to the provision of public goods, institutional reform, policy development and regulatory functions. The government withdrew from providing goods and services that are considered to be ‘private’ or ‘commercial’ in nature, and left them to the private sector to handle, including:

- Supplying or producing planting materials, artificial insemination and other agricultural inputs (except for research and demonstration purposes);
- Processing and marketing agricultural outputs;
- Subsidising or providing credit directly to farmers; and
- Constructing irrigation infrastructure.

Unfortunately, these are the very goods and services that are most needed by chronically poor people. In 2000, the poorest people in 36 communities in Uganda indicated that the main constraints they faced that had kept them in poverty included lack and un-affordability of agricultural inputs, the high incidence of pests and diseases, market problems, poor community access roads, lack of food and land shortage. The private sector that is expected to deliver these privatised goods and services remains under-developed and, where it is functional, it is driven by profit motives, charging prices that are not affordable to the poor. In this way, the PMA excludes the poorest from benefiting from such services.

### 4.4 MAAIF development strategy and investment plan

**Objective and strategic interventions**

Realising that the PMA is much broader in scope, focusing on rural development as a means of enhancing agricultural growth, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) in 2006 developed the Medium-term Development Strategy and
Investment Plan (MDS&IP). This channels investments directly into agriculture (MAAID 2006a).

There are 12 strategic intervention areas in the MDS&IP to support agricultural modernisation:

i. Institutional development for agricultural sector institutions and local government;
ii. Capacity building for irrigation, drainage, water harvesting, soil and water conservation and range land management;
iii. Agricultural planning and policy;
iv. Capacity building for the production of improved seeds, planting materials and animal breeding stock;
v. Livestock epidemic disease and pest control;
vi. Regulatory services for livestock and fisheries;
vii. Plant pest and disease control, regulation and certification;
viii. Processing and marketing of crops, livestock and fish;
ix. Agricultural research and technology development;
x. Agricultural advisory services;
x. Construction of supportive physical infrastructure (fish landing sites and livestock market and slaughter facilities); and
xii. Promotion of increased agricultural production and productivity.

The MDS&IP and chronic poverty

Many of the focus areas under the MDS&IP are not very different from what is contained in the PMA. Therefore the same implications discussed above for the PMA and chronic poverty also apply to a great extent for the MDS&IP. The following are interventions that are specific to the MDS&IP and that have implications for chronic poverty:

- **Beach management units:** As part of a drive to strengthen agricultural sector institutions, MAAIF is involved in the supervision of over 700 beach management units (BMUs). These are community-based organisations that manage fishery and fishing activities at the local level – there are 40 on Lake Albert, 13 on Lakes George and Edward and 291 on Lake Victoria. The BMU arrangement is very pro-poor, as the communities, through self-management of fisheries, respond to income-generating activities. The fisheries sector is dominated by youth and casual labourers (both men and women) who lack assets such as land and instead engage in fishing and related activities to earn a living.

- **Water for production:** Efforts are underway to pilot small-scale irrigation technologies in Masaka, Luwero, Jinja, Bugiri, Pallisa and Kumi districts. If these are disseminated widely, they are likely to have positive benefits for addressing poverty among poor subsistence farmers, whose agricultural production remains low due to erratic rains. Some small-scale valley dams and tanks have been constructed in the Karamoja region to improve access to water for livestock in these dry lands. Poor pastoral communities also benefit significantly from such interventions. The main

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22  MAAIF, 2006a.
23  MFPED, 2006.
challenge is that many of the constructed water-for-production facilities become dysfunctional quickly, due to poor design.

- **Livestock epidemic disease and pest control:** In line with the national policies of liberalisation and privatisation, the provision of curative animal health services has been privatised. The government remains responsible for supplying vaccines for epidemic diseases such as rinderpest, foot-and-mouth disease (FMD) and rabies, with vaccination being the responsibility of local governments. However, local governments are poorly resourced and are often unable to meet their obligations to provide the vaccines. Other diseases are controlled through veterinary extension workers and private sector operators. Clinical services, artificial insemination and other professional practices are carried out by private veterinarians.

However, it is mostly the wealthier cattle keepers who are able to access and pay for the privatised veterinary services, which are relatively expensive. Most of the poor farmers lose their cattle to diseases because of their inability to afford curative medicines. Veterinary services are located far away, and the majority of poor people lack financing to access them. Table 4.1 shows the distance that households in Uganda travel in order to reach the source of extension services. Close to half of all households that received extension services in 2004 reported to be within 5km reach, while more than 20 percent were located more than 10km away.

![Table 4.1: Percentage distribution of households by distance to source of extension service in 2004](image)

<table>
<thead>
<tr>
<th>Extension service</th>
<th>&lt; or = 1km</th>
<th>1km-5km</th>
<th>5km-10km</th>
<th>&gt;10km</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop husbandry</td>
<td>13.0</td>
<td>41.3</td>
<td>20.3</td>
<td>25.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Animal husbandry</td>
<td>10.7</td>
<td>45.9</td>
<td>24.2</td>
<td>19.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Fish farming</td>
<td>9.0</td>
<td>36.4</td>
<td>15.8</td>
<td>38.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Other</td>
<td>16.9</td>
<td>24.8</td>
<td>35.0</td>
<td>23.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: National Service Delivery Survey (NSDS) 2004

- **Plant pest and disease control:** It is evident from the limited surveys that have been carried out\(^{24}\) that crop pests, weeds and disease are one of the main causes of food shortages among poor rural households. The management and control of pests, weeds and diseases is a prerequisite for increased household production and incomes. Under the MDS&IP, the government has limited its role to prevention and control of epidemic plant pests and diseases, and surveillance and monitoring, leaving other activities to the private sector. Poor people who lack resources have found it very difficult to control the high incidence of crops and diseases on their small farms. This is one of the factors that have made some people move into and stay in poverty for over a decade. The policy in this regard is not pro-poor, and excludes those who most need preventive and curative drugs and services.

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24 See for example Bahiigwa (2002).
4.5 Prosperity for All

Vision and objectives

‘Prosperity for All’ (PFA) also known as ‘Bonna Bagagawale’\(^{25}\) is a Government of Uganda initiative aimed at deepening PEAP interventions at the community and household level, in order to address structural bottlenecks to production and marketing. PFA is about wealth creation for all, through market-led production as a means of improving human development. The initiative represents the operationalisation of the ruling party Presidential Manifesto of 2006, which had as its slogan ‘Prosperity for All’, and which focused on promoting agricultural modernisation, export growth and industrialisation. Implementation started in FY 2006-07.

The vision is that ‘every household in Uganda is able to access basic necessities, namely: food, shelter, clothing, health and education’. The PFA also aims to eliminate hunger and poverty among Ugandan households, through deepening existing poverty reduction and economic development programmes. This initiative is still in the very early stages of implementation and the concept is just evolving. Hence there are very few documents that clearly spell out the scope of the PFA. Use is made of the limited papers\(^{26}\) and statements by the President and other senior government officials on the PFA.

Strategic interventions

The PFA initiative espouses investments in already existing programmes, and in new projects that specifically target poor rural households as well as export producers. Among the existing programmes that are being promoted are the NAADS, rural electrification, primary health care programmes, universal primary education, universal secondary education, and roads. Reprioritisation of available national resources to meet the PFA aspirations has resulted in plans to expand and deepen NAADS in all sub-counties in Uganda, as well as construction of new power sources and promotion of solar energy among rural households, provision of bursaries for pupils from poor households to enable them to access primary and secondary education, and provision of agricultural inputs, particularly crop and animal improved breeding stock.

One of the new strategic interventions is the ‘Presidential Initiative against the Twin Evils of Hunger and Poverty’. The programme consolidates the projects implemented since 2004 by the Poverty Alleviation Department in State House. Interventions aim at achieving the following outcomes: food security, home improvement, income generation, improved marketing, and increased access to micro-credit. The programmes that are implemented in different parts of the country and in varying scales, depending on the target households, include the ones below. Box 4.1 provides a summary of other programmes under PFA that are being piloted across the country.

- **Food security** – In order to improve availability and quality of food within rural households, planting materials are being distributed for food crops, including cassava, sweet potatoes, yams, maize, sorghum and beans. Planting materials for commercial crops such as upland rice can be easily accessed at affordable retail prices from private sellers.

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\(^{25}\) This is a Ugandan local term that literally translates into ‘wealth creation’.

• **Home improvement** – In order to curb the incidence of disease and mortality, programmes have been initiated to improve sanitation and hygiene, public health, water harvesting and storage, and the health environment.

• **Income generation** – this has involved the promotion of high value crops, value addition, improved marketing and small-scale enterprises within villages.

• **Micro-credit** – This is provided through savings, cooperative and credit societies (SACCOs) and microfinance institutions (MFIs) for expanding production and increasing savings.

### Box 4.1: Other Presidential Initiatives under ‘Bonna Bagagawale’

- Industrial development of banana, pineapples, cassava, soya, sunflower and honey
- Promotion of agro-model farms and communities – the target is to establish at least 1,000 model farms per district
- Promotion of apiary industry (bee keeping and marketing of the products)
- Multiplication of goats for export
- Cassava starch production for export
- Promotion of fish farming
- Introduction of aromatic oils production and processing

### Prosperity for All and chronic poverty

In totality, the PFA initiatives have a lot of potential for reducing poverty in Uganda if they are well targeted and implemented. The deepening and expansion of already existing programmes helps in bringing services closer to the people and may address the question of affordability in the long run. The main challenge is that, apart from the existing national programmes, the rest of the PFA interventions are not properly publicised and there are no written guidelines on who or which categories of people are supposed to benefit from this initiative. Several of the interventions under PFA target model farms that can quickly adapt and set examples for other farmers to follow. Obviously, chronically poor people are not among the model farmers, and usually take a long time to adopt new practices, due to low literacy levels and scepticism about the potential benefits of the programme.

The majority of Ugandans are not fully aware of the intentions and scope of the PFA. They have tended to confuse it with and equate it to provision of micro-credit, which is one of the major programme areas. If even the most literate are not aware of the PFA, then the chronically poor, the majority of whom lack education, are least likely to understand and access the investments under this programme. They will, however, benefit from the national programmes that target rural poor households.

### 4.6 Rural Development Strategy

#### Purpose and objectives

In the FY 2005-06, the government approved the Rural Development Strategy (RDS), aimed at deepening agricultural interventions, particularly in the rural areas. It is one of the strategic interventions under the Prosperity for All (PFA) initiative. The RDS seeks to
increase rural household incomes, both through expansion of productivity and production of key agricultural commodities, and by facilitating their efficient marketing.

The interventions entail a combination of measures to increase output and improve storage, marketing and processing capabilities at household level. As a response to the constraints households may have in obtaining inputs, the programme will involve the development of rural financial services through savings and credit cooperatives. Implementation of the RDS is in the early stages, with the main activities presently focusing on institutional development and capacity building, especially in the districts and lower local governments.

**Intervention areas**
The RDS focuses on six intervention areas/strategies:

- **Sub-county development strategy**: To strengthen the delivery of services, the government will work directly with the sub-counties, which according to the Local Government Act, are the lowest level of planning. The present approach has been for central government to work mainly with the districts, which in turn direct activities at the sub-county level. However, it has been realised that many of the expected outcomes are never achieved at the lower levels because of bottlenecks in the implementation and financing of sub-county programmes.

- **Agricultural extension services**: The RDS seeks to deepen the NAADS programme by intervening in specific areas that would help in enhancing agricultural productivity, establishing strategic public private partnerships and linking farmers to farmer associations and markets. Financing has been made available for the provision of inputs for the production of coffee, tea, cotton, fish farming and fruits. In addition, the sub-county chiefs and technical officers (veterinary doctors, agricultural officers, community development officers) have been facilitated (with the requisite facilities and skills) to improve planning, monitoring and evaluation of agricultural programmes. These change agents are responsible for identifying the most viable commodities for households to produce and linking households to the credit facilities.

- **Community Information System**: The government is gradually establishing the Community Information System (CIS), which will help to track changes in assets, agricultural production and incomes at the household and community level. Data will be collected regularly by the sub-county chiefs under the close supervision of the Uganda Bureau of Statistics (UBOS).

- **Rural financial services**: As part of the RDS, the government is planning to support the establishment and strengthening of microfinance institutions (MFIs) and Savings and Credit Cooperative Organisations (SACCOs). These are intended to provide credit lines to households and cooperatives to enable them to increase agricultural production and improve access to markets.

- **Marketing**: The government will implement the Marketing and Agro-Processing Strategy (MAPS) to address marketing constraints, especially as they affect strategic exports. Emphasis is on value addition through cluster development, producer support, infrastructure development and export competitiveness.
• **Water for production:** The focus here is to provide small-scale irrigation countrywide, in order to address the constraints associated with rain-fed agriculture. This includes construction and rehabilitation of valley tanks and dams for livestock development. It also involves rehabilitation of irrigation schemes at Mubuku, Doho and Olweny rice schemes before they are handed over to farmer user groups.

**Contribution to poverty/chronic poverty reduction**

It is too early to evaluate the impact of the RDS on poverty reduction, as implementation has only just started. However, on the surface, the strategy is likely to contribute greatly to general and chronic poverty reduction, due to three reasons:

1. The shortening of implementation linkages by focusing on the sub-county level is likely to reduce leakages of resources targeted at agricultural sector interventions. Anecdotal evidence suggests that a large proportion of funds earmarked for agriculture are diverted at the district level to other sectors that show quick impact, such as roads and education.

2. The programme addresses key constraints on poor farmers, namely lack of agricultural inputs for controlling pests and diseases, and lack of markets and extension.

3. Growth in large-scale farming enterprises and small-scale agro-processing industries in rural areas will have spill over effects of employment creation for chronically poor people, who lack land but have labour to offer to earn a living.

The main challenge is that the implementation and targeting modalities have not been clearly defined, and hence the programme risks being captured by the rural elite. Also the focus is largely export-oriented, which may exclude poor farmers who lack land, are unable to join producer associations and produce food crops mainly for household consumption. Joining the SACCOS requires a minimum level of literacy and knowledge base to be able to contribute savings and transact profitably. Chronically poor people often lack these skills and hence may miss out on this opportunity.

### 4.7 Macroeconomic policies

Although not directly related to agriculture, macroeconomic policies have far-reaching impacts on the functioning and performance of this sector, and ultimately the welfare of the population.

**Macroeconomic objectives and targets**

The government’s primary macroeconomic objective is to promote rapid, broad-based and sustainable private sector and export-led economic growth that is adequate to reduce poverty. The government’s target rate of real economic growth is seven percent per annum.

The specific medium-term macroeconomic objectives in support of its growth objective are to:

- Constrain annual consumer price inflation to a maximum of five percent.
- Increase private sector credit and private investment by reducing the government’s fiscal deficit and maintaining low and stable interest rates.
• Maintain foreign exchange reserves equivalent to a minimum level of five months of imports, providing a buffer against external shocks, such as delays in aid disbursements.
• Maintain a competitive real exchange rate that supports export growth.

Maintaining low inflation remains the cornerstone of Uganda’s macroeconomic policy, as high inflation increases uncertainty in the economy, and erodes the value of money, thus discouraging savings and investment. The analysis in this section attempts to throw light on how and whether these policies have been beneficial to the agricultural sector and hence to poverty reduction efforts.

**Economic performance**

Although the government has achieved its objective of maintaining low and stable inflation, the country has, over the past five years, experienced appreciation pressures on the exchange rate, high and volatile interest rates and slow growth in private sector credit. The large inflows from the export sector, NGOs and offshore investments in Uganda government bills and bonds have put pressure on the exchange rate, thus undermining the profitability of Uganda’s exports, which are largely agricultural. Figure 4.2 below shows the exchange rate trend from January 2004 to March 2007. As at end June 2006, the average monthly inter bank mid-rate was UShs 1,859.95 per US dollar, but has since appreciated by 5.9 percent to UShs 1,750.68 per US dollar in March 2007.

The high appreciation of the exchange rate has led to an escalation of interest rates, which are no longer conducive for private sector borrowers, particularly in the agricultural sector. Table 4.2 shows that the agricultural sector receives less than one percent of the loans and advances from formal credit institutions. And the bulk of what is received in the agricultural sector is advanced to large exporters, processors and traders. Chronically poor people do not benefit from such formal credits, as they lack the collateral and knowledge to enable them access this service.

**Figure 4.2: Nominal Exchange Rate Movements, January 2004 to March 2007**

![Graph showing exchange rate movements from January 2004 to March 2007.]

*Source: Bank of Uganda*
Table 4.2: Sectoral distribution of loans & advances of credit institutions 2003-2006 (percentage of total)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.1</td>
<td>0</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.1</td>
<td>0.4</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>Trade and commerce</td>
<td>15.5</td>
<td>18.8</td>
<td>22.8</td>
<td>20.4</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>1.2</td>
<td>2.5</td>
<td>0.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Building and construction</td>
<td>76.8</td>
<td>73.2</td>
<td>69.1</td>
<td>69.4</td>
</tr>
<tr>
<td>Other services</td>
<td>2.3</td>
<td>5.2</td>
<td>5</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Bank of Uganda

Efforts to reach out to the poor, to enable them to engage directly in economic growth though expanding microfinance outreach to remote rural areas, have been modestly successful, but not necessarily for the chronically poor subsistence farmers, as discussed in the next section.

Agricultural performance

As a consequence of the unfavourable changes in the macroeconomic variables, in addition to other factors, the performance of the agricultural sector has been poor, with a very low growth rate (Table 4.3), yet this is the sector where the majority of poor people are engaged. Agricultural growth in recent years is largely attributed to the recovery of the cash crop sub-sector, due to improving world commodity prices and weather, and less to the food crop sub-sector, where the majority of the chronically poor derive their livelihood. Such a low growth rate signifies low output and contribution from the agricultural sector to the national economy, and low returns to those engaged in this sector. As a share of total output, agricultural production has continued to decline over the years. The share fell from about 21 percent in 2005-06 to 19 percent during 2006-07. It is estimated that the sector share declined to 32.1 percent of the GDP in 2006-07, compared to 42 percent in 1997-98.

Table 4.3: GDP growth rates by sector

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.4</td>
<td>0.5</td>
<td>-0.2</td>
<td>2.1</td>
</tr>
<tr>
<td>o/w cash crops</td>
<td>0.3</td>
<td>4.2</td>
<td>-9.3</td>
<td>0.8</td>
</tr>
<tr>
<td>o/w food crops</td>
<td>0.9</td>
<td>-0.9</td>
<td>-0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>8.6</td>
<td>11.6</td>
<td>8.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.6</td>
<td>11.9</td>
<td>-0.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>6.9</td>
<td>6.5</td>
<td>-5.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Construction</td>
<td>13.8</td>
<td>11.9</td>
<td>14.1</td>
<td>11.5</td>
</tr>
<tr>
<td>Wholesale and retail services</td>
<td>3.0</td>
<td>10.0</td>
<td>6.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>15.2</td>
<td>8.7</td>
<td>7.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>21.3</td>
<td>21.5</td>
<td>19.8</td>
<td>22.0</td>
</tr>
</tbody>
</table>

The chronically poor are unlikely to participate fully in generating economic output, since the majority are in the agricultural sector, which is generally performing poorly. Other implications of the macroeconomic policies for chronic poverty are discussed in the next section on budget policy.

### 4.8 Budget policy

The budget is the most important policy instrument of government that reflects its commitment to fulfil specific goals and priorities. It determines the extent to which different groups of people – men and women, boys and girls, poor and non-poor – and regions benefit from the service provided by the state through public intervention. Prioritisation of sectoral interventions and actions has differential impacts on different categories of people. Of interest in this study is the extent to which agriculture and the supportive sectors have been adequately financed to help in reducing poverty in general, and chronic poverty in particular.

#### Budget expenditure patterns

The government of Uganda’s public expenditure has been largely guided by the PEAP in the last 10 years. It incorporates the national vision, the millennium development goals (MDGs) and political aspirations. The policy focus has largely concentrated on five priority sectors as key to reducing poverty in the country: health, education, water, agriculture and roads. Table 4.4 shows the sectoral shares since the financial year 2000-01.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>8.2%</td>
<td>8.2%</td>
<td>8.6%</td>
<td>9.7%</td>
<td>11.0%</td>
<td>10.10%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Roads and works</td>
<td>12.3%</td>
<td>12.4%</td>
<td>11.2%</td>
<td>9.0%</td>
<td>11.9%</td>
<td>10.10%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.0%</td>
<td>4.8%</td>
<td>5.2%</td>
<td>4.0%</td>
<td>3.4%</td>
<td>4.00%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Education</td>
<td>17.5%</td>
<td>18.3%</td>
<td>14.2%</td>
<td>13.9%</td>
<td>18.3%</td>
<td>17.10%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Health</td>
<td>9.8%</td>
<td>11.2%</td>
<td>11.2%</td>
<td>11.6%</td>
<td>11.3%</td>
<td>13.70%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Water &amp; sanitation</td>
<td>5.2%</td>
<td>3.8%</td>
<td>8.1%</td>
<td>6.9%</td>
<td>3.3%</td>
<td>3.00%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Law and order</td>
<td>3.9%</td>
<td>4.8%</td>
<td>4.8%</td>
<td>4.5%</td>
<td>5.2%</td>
<td>4.90%</td>
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<td>Accountability</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.7%</td>
<td>7.0%</td>
<td>6.1%</td>
<td>4.70%</td>
<td>4.8%</td>
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<tr>
<td>Economic functions and SS</td>
<td>12.5%</td>
<td>12.9%</td>
<td>19.3%</td>
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<td>9.3%</td>
<td>11.10%</td>
<td>16.3%</td>
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<tr>
<td>Public sector magt.</td>
<td>10.8%</td>
<td>4.8%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>5.2%</td>
<td>6.00%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Public administration</td>
<td>10.8%</td>
<td>12.4%</td>
<td>7.3%</td>
<td>6.1%</td>
<td>7.3%</td>
<td>7.60%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Interest payments due</td>
<td>4.2%</td>
<td>5.5%</td>
<td>4.8%</td>
<td>6.7%</td>
<td>7.7%</td>
<td>7.80%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Total (excl. unallocated)</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

While allocation to the agricultural sector has gradually increased in nominal terms to 146.6 bn UShs in 2006-07, the percentage share of this sector has remained relatively low (3.6 percent) compared to other priority sectors (education 17.6 percent, roads 11.3 percent, health 9.3 percent) except for water and sanitation. Arguably, a large proportion of expenditures that impact on agriculture are outside this allocation, contained under the PMA approach. For example, allocations to roads, water for production and education all have positive implications for agricultural development.

But this is the sector where the majority of the chronically poor – over 70 percent – derive their livelihood. Such a small allocation to the sector does not allow for adequate provision of the goods and services that are most needed by the farmers. NEPAD estimates that African states would need to allocate 10 percent of their annual budgets to agriculture, if this sector is to contribute meaningfully to economic growth and poverty reduction. Uganda is still well below that target which was assented to by the GoU.

**Agricultural allocations and expenditures**

Table 4.5 shows that, in nominal terms, the volume of approved budget funds to agriculture has not increased substantially over the years. In real terms, the budget has decreased since the beginning of the decade – from over UShs 280 bn at the start to UShs 210bn in 2005-06. Releases have followed a similar trend, falling from approximately UShs 180 bn to UShs 150 bn over the same period (Oxford Policy Management, 2007). This is contrary to the often-hyped policy statement that ‘agriculture is the backbone of Uganda’, since it receives a very small proportion of the national budget.

### Table 4.5: Allocations to agriculture and agricultural-related institutions, 2001/02-2005/06 in nominal UShs bn

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
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<tbody>
<tr>
<td>Central government</td>
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<tr>
<td>MAAIF*</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>recurrent</td>
<td>7.45</td>
<td>5.82</td>
<td>7.85</td>
<td>6.58</td>
<td>6.64</td>
<td>7.22</td>
<td>11.46</td>
<td>10.71</td>
<td>14.49</td>
<td>13.55</td>
</tr>
<tr>
<td>development</td>
<td>125.86</td>
<td>63.19</td>
<td>125.61</td>
<td>79.10</td>
<td>90.67</td>
<td>56.54</td>
<td>85.06</td>
<td>39.28</td>
<td>106.07</td>
<td>60.71</td>
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<tr>
<td>Other ministries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lands, Forestry &amp; Water-for-Prod.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>recurrent</td>
<td>1.51</td>
<td>1.12</td>
<td>1.84</td>
<td>1.10</td>
<td>1.38</td>
<td>1.12</td>
<td>0.19</td>
<td>0.16</td>
<td>0.24</td>
<td>0.21</td>
</tr>
<tr>
<td>development</td>
<td>58.75</td>
<td>43.95</td>
<td>50.69</td>
<td>30.96</td>
<td>56.44</td>
<td>51.64</td>
<td>50.02</td>
<td>14.94</td>
<td>34.23</td>
<td>19.63</td>
</tr>
<tr>
<td>Semi-autonomous agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DDA</td>
<td>0.50</td>
<td>0.50</td>
<td>0.16</td>
<td>0.16</td>
<td>0.24</td>
<td>0.24</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>CDO</td>
<td>1.26</td>
<td>1.26</td>
<td>0.95</td>
<td>0.95</td>
<td>1.77</td>
<td>1.77</td>
<td>1.98</td>
<td>1.98</td>
<td>1.03</td>
<td>1.03</td>
</tr>
<tr>
<td>UCDA</td>
<td>2.12</td>
<td>1.85</td>
<td>1.89</td>
<td>1.76</td>
<td>2.78</td>
<td>2.25</td>
<td>2.61</td>
<td>2.69</td>
<td>2.76</td>
<td>3.12</td>
</tr>
<tr>
<td>NFA</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.03</td>
<td>1.03</td>
<td>10.76</td>
<td>10.76</td>
<td>13.25</td>
<td>13.25</td>
</tr>
</tbody>
</table>
### Chronic Poverty and Agriculture in Uganda

#### Agricultural Allocations and Chronic Poverty

Most of the interventions that are likely to benefit the poor occur at the local level. A large proportion of agricultural expenditures occur at the national level in the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the National Agricultural Research Organisation (NARO) and the semi-autonomous agencies (Figure 4.2). Most of this expenditure is for policy development and regulation, research and facilitation of the commodity export sector. Such expenditures do not benefit the chronically poor directly, as they are not involved in production for export and nor are they often reached by improved technologies.

The expenditures that directly affect the chronically poor are at the local government level, which receives a small fraction of the total expenditure (Table 4.5). The bulk of resources at this level are earmarked for the NAADS programme and additional funds are channelled to the Non-Sectoral Conditional Grant (NSCG) and Agricultural Extension.

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**Note:** *including NARO and NAADS Secretariat*

**From 2003/04 an amount appears in this vote under Donor Development. This cannot be accessed by the NAADS programme and yet, in at least one year, it is reported as having been fully spent.*

***NSCG data were made available by the PMA Secretariat and analysed by the study team.***

****LGDP figures are from an analysis by the study team of data provided by the LGDP Co-ordination Unit.***

---

### Table: Agricultural Allocations and Chronic Poverty

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Local Government</th>
<th>Agricultural Extension</th>
<th>Total GoU Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>2.47</td>
<td>2.16</td>
<td>2.48</td>
</tr>
<tr>
<td>2002/03</td>
<td>3.06</td>
<td>2.83</td>
<td>3.06</td>
</tr>
<tr>
<td>2003/04</td>
<td>3.06</td>
<td>3.19</td>
<td>3.06</td>
</tr>
<tr>
<td>2004/05</td>
<td>3.06</td>
<td>3.89</td>
<td>3.08</td>
</tr>
<tr>
<td>2005/06</td>
<td>3.08</td>
<td>3.85</td>
<td>3.08</td>
</tr>
</tbody>
</table>

**Source:** MFPED Aid Liaison Department database; information collected by Study Team 28 from MoLG, PMA Secretariat and NFA; DDA, NFA and UCDA annual reports; MFPED, various MTEF projections.
line with the privatisation/liberation policy adopted by the government, public finances do not go to areas such as soil management, on-farm disease control and pest management, and marketing, which are key constraints to the chronically poor.

Figure 4.2:

The extent to which public expenditures in agriculture have been beneficial to chronically poor households is further discussed in the next chapter, which assesses the pro-poorness of agricultural sector programmes.
AGRICULTURAL PROGRAMMES AND CHRONIC POVERTY

5.1 Introduction

In this chapter, three sample agricultural programmes are analysed in depth to provide an indication of the extent to which they address the needs and concerns of the chronically poor. These are the National Agricultural Advisory Services (NAADS), the Non-Sectoral Conditional Grant (NSCG) and the Strategic Export Programme. Four key criteria guided the choice of these programmes for analysis:

i. They illustrate the national policy priorities and the implementation approach that has been adopted by the government of Uganda – liberalisation, privatisation, and decentralised and demand-driven service delivery;

ii. They cover a wide geographical area;

iii. They are intended to reduce poverty among agricultural households

iv. They have received substantial public funding and hence are monitored; and information is thus available about programme performance.

5.2 National Agricultural Advisory Services

Objectives and benefits

The National Agricultural Advisory Services (NAADS) is one of the core programmes of the PMA that was launched in 2001 and has been progressively implemented over the years. The NAADS seeks to increase farmer access to information, knowledge and technology through effective, efficient, sustainable and decentralised extension with increasing private sector involvement. It is a 25-year programme, with an initial phase of seven years – a large part of which is dedicated to piloting and testing the approach to derive best practices that will be adopted in the remaining period. The main objectives, approach and benefits under the NAADS are summarised in Box 5.1.
Box 5.1: The National Agricultural Advisory Services (NAADS)

The NAADS is a demand-driven, farmer-led agricultural service delivery system targeting poor farmers.

Programme objectives

The NAADS programme objectives are to:

i. promote market oriented/commercial farming;
ii. empower subsistence farmers to access private extension services, technology and market information;
iii. promote farmer groups to develop capacity to manage farming enterprises;
iv. create options for financing and delivery of agricultural advice for the different types of farmers, but with emphasis on subsistence farmers, particularly women, youth and people with disabilities;
v. gradually shift from public to private delivery of agricultural advice;
vi. Catalyse the participation of the private sector to fund agricultural advisory services.

NAADS components

1. Advisory and Information Services to Farmers
2. Technology Development and Linkages with Markets
3. Quality Assurance – Regulation and Technical Auditing of Service Providers
4. Private Sector Institutional Development
5. Programme Management and Monitoring and Evaluation

Institutional framework

The institutional framework for the implementation of NAADS constitutes the following institutions:

• Farmer groups and farmer fora
• Local governments
• NGOS/CBOs that serve as service providers
• Private sector
• NAADS Board and Secretariat
• Ministries – MFPED and MAAIF

Implementation

The NAADS is now implemented in 64 out of 80 districts. Implementation started in 2001 in six trailblazing districts – Kabale, Kibale, Mukono, Soroti, Tororo and Arua. It has since then expanded, first to 10 additional districts in 2002-03 – Bushenyi, Busia, Iganga, Kabarole, Kapchorwa, Kitgum, Mbarara, Wakiso, Luwero and Lira; then five new districts in 2003-04 – Hoima, Kamuli, Mbale, Nakapiripiti and Rakai; eight additional districts in 2004-05 – Apac, Kumi, Masaka, Moyo, Rukungiri, Yumbe, Kanungu and Bugiri; and the others since 2005-06.

Services

The services and benefits that are directly attributable to NAADS include:

• Facilitating farmers to acquire knowledge and skills through organised farmer groups
• Farmer empowerment
• Adoption of improved technologies and better farming methods
• Orienting farmers to produce for the market, thus engaging in farming as a business
Target beneficiaries
At its inception, the NAADS was designed to target economically active poor farmers. These are defined as subsistence and semi-commercial farmers with access to productive assets and with skills and knowledge. Over the years, the target group has been redefined, to comprise of three groups:

I. Educated and reasonably wealthy farmers – mainly men – who can quickly organise themselves and use the opportunities under the demand-driven approach;
II. Medium not so wealthy farmers, who use existing social networks and existing organisations to access services when they are properly supported;
III. The poorest and those who are socially excluded – including marginalised groups like widows, the elderly and the disabled.

NAADS and chronic poverty
Beneficiary assessments conducted in recent years suggest that NAADS has mostly benefited the medium and poorest farmers (groups II and III), though in some instances it has excluded certain vulnerable groups. The PMA evaluation conducted in 2005 and covering four sample districts in Uganda where the NAADS had been implemented showed mixed results about the benefits of NAADS for the poorest. It showed, on one hand, that poorer farmers were more likely to be included in farmer groups than other farmers and were receiving advisory services in three out of four districts. On the other hand, the data indicated that farmers are less likely to belong to farmer groups if they farm on less than two acres of land. And those living in remote areas were less likely to belong to farmer groups than others.29

1. A study by Oxfam GB and Forum for Women in Democracy (FOWODE) during 2004 in Luwero showed that the majority of NAADS beneficiaries were subsistence farmers producing mainly for their own consumption, and that women were well represented in the groups (female participation was about 70 percent). The main concern raised was that widows, the least educated and the elderly were deliberately excluded. It was difficult for a person to benefit fully from NAADS unless he/she had access to capital (land and finances).

Another study in Mukono district30 found similar results. An analysis of five farmer groups indicated that women were over-represented, forming 60-90 percent of the target beneficiaries. There was, however, a poor representation of youth and persons with disabilities (PWDs), most of whom lack productive assets and are not skilled. Refer to Table 5.1.

Table 5.1: Beneficiaries in selected NAADS farmer groups in Mukono district

<table>
<thead>
<tr>
<th>Farmer group</th>
<th>Date when formed</th>
<th>Total membership</th>
<th>Male farmers</th>
<th>Female Farmers</th>
<th>Youth</th>
<th>PWDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakabago Widow Elderly &amp; Orphans Care</td>
<td>2002</td>
<td>34</td>
<td>4</td>
<td>30</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Tukolerewamu</td>
<td>2004</td>
<td>18</td>
<td>5</td>
<td>13</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

30 Nabbumba, 2005.
A study to assess which groups actually benefit from the agricultural public expenditures (mainly to NAADS) using the national service delivery survey showed some interesting findings. Among rural agricultural households, there was a substantial disparity in access to crop extension services (for households in crop production that indicated a need for extension services – chart 4.2). In the poorest rural quintile, 12.7 percent of households with a need reported receiving crop services, while 18.2 percent of the richest rural quintile received such services. Among rural households active in livestock production and indicating a need for veterinary services, there was no similar pattern of association between quintile and veterinary extension visits. The poorest also access veterinary services in almost equal measure as the wealthy.

Households headed by men were somewhat more likely to receive extension services than households headed by women (14.1 percent of male-headed households reported one or more extension visits during the pervious 12 months, compared to only 11.4 percent of female-headed households. The conclusion here is that chronically poor persons (or the poorest 20 percent) do benefit from expenditures in the agricultural sector, though to a lesser extent than the better off.

5.2 Non-Sectoral Conditional Grant

Purpose and objectives

The NSCG is a multi-sectoral financing mechanism that was introduced in 2000-01 to support PMA implementation. Funds are disbursed to local governments with the aim of empowering rural communities financially to make investments in public services that are directly linked to improving rural incomes and reducing poverty. At the time when the NSCG was introduced in 2000-01, only 24 districts qualified to access funding. The

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31  MFPED, 2007b.
32  Rural expenditure quintiles divide rural households into quintiles based on annual household consumption expenditure per adult equivalent, adjusted for regional price differences.
programme has since been rolled out and now covers 41 districts, in all regions of the country. The NSCG allocation increased from UShs 2 billion in 2000-01 to Shs 6.4 billion in FY 2006-07. A set of guidelines and procedures were issued to the local governments by the PMA Secretariat on the use of the NSCG, including specifying the nature of investments that communities could make.

Target beneficiaries and investment areas
The NSCG funds are for assisting rural communities to carry out community projects. The people themselves have to decide on the type of development activities to be carried out. Among the key principles for the use of the NSCG are: ensuring investments have a poverty and gender focus; participatory and empowering decision-making; community project ownership; and making investments of a public good nature. Investment areas may include: extension advice; adaptive research and development; environment and natural resource management; capacity and institutional building; marketing information; communal infrastructure; participatory planning; women’s empowerment; school gardening; and land registration, certification and adjudication.

NSCG and chronic poverty
The Agricultural Sector Programme Support (ASPS) and the PMA Secretariat did a sample study in 2005 to provide a basis for future evaluation of the NSCG processes and outcomes.33 The study investigated the beneficiaries’ satisfaction with the poverty focus of NSCG investments. About 37 percent of the households, including the poorest in the target villages, expressed satisfaction that NSCG projects addressed poverty. The projects were appreciated because of their contribution to household income and the areas’ development. Dissatisfaction among the majority of households (63 percent) was attributed to some of the projects not helping them solve their immediate needs, particularly feeding, educating and treating the family when sick. This could be explained by earlier findings of the second PMA sector review, conducted in 2003, which indicated that there was little or no evidence to show that the NSCG planning processes distinguish sufficiently between the people who are targeted from a poverty perspective.

A follow-up NSCG monitoring exercise in 200734 found that the majority of beneficiaries (about 80 percent) had found NSCG projects extremely beneficial to the communities. Roads had opened up the villages to trade, improved goat breeds, and led to higher yields and incomes; crop and livestock multiplication had led to improved household nutrition; and farmer training had improved farm management. However, the majority of the beneficiaries were those farmers with land on which to cultivate the improved breeds, with some formal education to be able to understand the training, and with some money for transporting themselves to the demonstration sites. The NSCG in this case excludes the chronically poor, who lack most of these capitals.

The NSCG does not target individual problems, but is focused on communal problems. In this way, the NSCG creates public value for all people, including the poorest. However, many of the facilities that are built with NSCG funds, such as roads and markets, would be most beneficial if the chronically poor had something to sell beyond subsistence farming.

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33 PMA Secretariat. PMA Annual Report 2004/05.
34 Nabbumba, 2007.
5.3 Strategic Exports Programme

Objectives
In September 2001, the government introduced the Strategic Exports Programme (SEP), an initiative to promote exports. The programme identified nine agricultural commodities that were perceived to be strategic exports, including coffee, cotton, tea, livestock, fish, horticulture and Irish potatoes. In order to ensure implementation of the SEP, the government provided a total of UShs 52.5 bn to promote production, processing and marketing of these commodities.\(^\text{35}\)

Interventions and outcomes
A total of 46 million coffee seedlings were distributed to 200,000 households, while 16 wet coffee processing machines, with the capacity to process 20,000 tonnes of coffee per annum, were imported. In addition, the government initiated the organic coffee certification scheme for 16,000 farmers. In the tea sub-sector, 300,000 improved clones were imported for multiplication and five million seedlings were distributed to 1,300 farmers. About 500 hectares of tea estates were rehabilitated. In the horticulture sub-sector, 315 farmers were trained in nursery management, 35 farmers in export marketing and 10 exporters in the mechanisms of accessing international markets. Fish farming was promoted and 20 water sources were stocked with three million fish fry.

Export earnings from these commodities have been on the increase in the past eight to 10 years, with coffee contributing over 50 percent of the country’s export revenues. However, the share of the traditional exports in total exports has been on a declining trend, due to the fall in world market prices and the steady growth of non-traditional exports, particularly maize, fish and fish products, vanilla, legumes, fruits and flowers (Table 5.2).

Table 5.2: Value of agricultural exports 2000-2005 (million US$)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional export crops</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coffee</td>
<td>125,316</td>
<td>97,652</td>
<td>96,626</td>
<td>100,233</td>
<td>124,237</td>
<td>172,942</td>
</tr>
<tr>
<td>Cotton</td>
<td>22088</td>
<td>13,434</td>
<td>9,519</td>
<td>17,755</td>
<td>42,758</td>
<td>28,821</td>
</tr>
<tr>
<td>Tea</td>
<td>37,050</td>
<td>30,031</td>
<td>31,293</td>
<td>38,314</td>
<td>37,258</td>
<td>34,274</td>
</tr>
<tr>
<td>Tobacco</td>
<td>26,889</td>
<td>32,096</td>
<td>45,262</td>
<td>43,042</td>
<td>40,702</td>
<td>31,486</td>
</tr>
<tr>
<td>Sub-total</td>
<td>211,343</td>
<td>173,213</td>
<td>182,700</td>
<td>199,344</td>
<td>244,955</td>
<td>267,523</td>
</tr>
<tr>
<td>As % of total</td>
<td>76</td>
<td>54</td>
<td>57</td>
<td>56</td>
<td>58</td>
<td>53</td>
</tr>
<tr>
<td>Non-traditional exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maize</td>
<td>2,437</td>
<td>18,339</td>
<td>10,609</td>
<td>13,724</td>
<td>17,896</td>
<td>21,261</td>
</tr>
<tr>
<td>Beans and other legumes</td>
<td>4,454</td>
<td>2,354</td>
<td>3,284</td>
<td>5,235</td>
<td>8,968</td>
<td>8,693</td>
</tr>
<tr>
<td>Fish and fish products</td>
<td>30,818</td>
<td>78,150</td>
<td>87,945</td>
<td>88,113</td>
<td>103,309</td>
<td>142,691</td>
</tr>
<tr>
<td>Cattle hides</td>
<td>12,893</td>
<td>25,532</td>
<td>9,810</td>
<td>4,925</td>
<td>5,409</td>
<td>7,064</td>
</tr>
<tr>
<td>Sesame seeds</td>
<td>747</td>
<td>796</td>
<td>510</td>
<td>2,183</td>
<td>2,788</td>
<td>4,779</td>
</tr>
<tr>
<td>Soya beans</td>
<td>12</td>
<td>91</td>
<td>74</td>
<td>87</td>
<td>118</td>
<td>126</td>
</tr>
<tr>
<td>Cocoa beans</td>
<td>1,191</td>
<td>1,921</td>
<td>2,023</td>
<td>7,001</td>
<td>6,801</td>
<td>9,638</td>
</tr>
</tbody>
</table>

\(^{35}\) UPTOP, 2006.
Despite the increases in national revenues, the total production of coffee, which is most widely grown cash crop in Uganda, has been on a declining trend, due to unfavourable prices and infection by coffee wilt disease. Other major traditional cash crops have experienced a similar trend. The dramatic decline in cotton prices between 2003 and 2005, by as much as 45 percent, led to cotton production declining by two-thirds from 31,652 tonnes in 2004-05 to 9,977 tonnes in 2005-06.

**Strategic exports and chronic poverty**

Among the strategic exports, coffee and cotton are the most widely grown cash crops by all households, including poor farmers. However, the chronically poor face a higher risk when these commodities are affected by pests and diseases, as they lack money to purchase the necessary pesticides. They are also unable to mitigate unfavourable prices on the international market. Anecdotal evidence indicates that poor farmers in many parts of Uganda have cut down their coffee trees in the past few years, due to poor prices and the wilt disease that could not be controlled.

Given that cotton is most widely grown in the poorest regions of the country (Northern and Eastern Uganda), the decline in prices and production is likely to have impacted negatively on poor households. Other interventions under the SEP programme, such as tea and horticultural production and fish farming, are mostly targeted at commercial farmers, who can afford to adopt expensive technologies and practices and can easily access market information.

The growth of non-traditional exports – such as maize, fish and fish products, groundnuts and soyabeans – presents opportunities for both small-scale subsistence farmers and large-scale farmers to earn an income. However, for the chronically poor, this presents a risk to household food security and nutrition, as poor people sell from the little food they have, in order to earn an income. UPPAP and UBOS studies indicate poor households in Western Uganda experiencing acute malnutrition because of increased sales of commodities that were previously considered as food crops. Hence, the SEP programme presents both opportunities and risks for the chronically poor to move out of poverty.
5.4 Conclusion

The three sampled programmes – NAADS, NSCG and SEP – illustrate that agricultural programmes in Uganda have elements of pro-poorness, but at the same time they also present risks to movement out for poverty, especially for chronically poor households. The NAADS programme has benefited many poor farmers across the country, and especially women, who are among the vulnerable groups. However, certain categories of vulnerable groups, particularly the least educated, the elderly, people with disabilities and youth, are excluded from benefiting from NAADS, due to the constraints that they face. The poorest quintiles are unable to access extension services under NAADS and other extension programmes.

The NSCG creates public value through the creation of community social amenities that are also used by the chronically poor. But the use and benefits derived from such facilities by the poor are limited by their lack of education, skills and incomes. Both rich and poor households grow coffee and other crops, but the chronically poor find it difficult to mitigate the risks posed by unfavourable international prices, and pests and diseases, due to the constraints they face. The chronically poor need to be empowered in various ways to enable them participate actively and benefit from the agricultural programmes being implemented in Uganda. The next chapter proposes ways in which this can be done.
CHAPTER 6

PATHWAYS OUT OF CHRONIC POVERTY

6.1 Introduction

There are several pathways that could deliver chronically poor households out of poverty. However, it must be noted that there is no single path that alone could lead chronically poor households out of poverty. Evidence from earlier chapters suggests that movement out of chronic poverty can only be through the interplay of several factors/pathways which are implemented and contributed to by a diverse range of actors. Such actors include the chronically poor themselves, the communities in which they live, the non-state actors and the government.

The findings also show that working through the agricultural sector alone is not sufficient to deliver chronically poor people out of poverty, given the demand-driven and private sector led nature of the programmes that are currently being implemented by the government. Chronically poor people lack most of the capitals that are necessary to be able to participate effectively and benefit fully from current government interventions. They need to be empowered so that they can mitigate the risks they face as they try to produce food and earn an income through the agricultural sector.

The chronically poor differ in the factors that hinder their development. Hence, approaches to empowering the chronically poor should vary, depending on the specific constraints that they face. For example, the pathways for moving out of poverty will differ for those chronically poor people who have access to land, as opposed to those without access to this important resource. These are the issues that inform the pathways that are discussed in the rest of this chapter. For ease of analysis, the interventions are grouped into two. These are: agricultural sector based interventions, largely targeted at chronically poor people with some land and other productive assets; and interventions that are outside agriculture.

6.2 Agriculture-based pathways

Four pathways are proposed for moving the chronically poor out of poverty through the agricultural sector.

i. Agricultural inputs and extension advice

Many chronically poor people own some land, especially in the rural areas where they are using portions of it for producing some commodities, largely for home consumption. Their levels of production and productivity are extremely low, due to poor farming practices and lack of agricultural inputs and extension advice. They cannot afford the cost of agricultural inputs that are sold by private entrepreneurs. Poor households need to be facilitated to access agricultural inputs, particularly pesticides to control the pests and diseases that mostly affect the food crops, as well
as the few cash crops that they grow. Some cannot even afford simple tools, such as hoes and pangas.

There are good examples of ‘inputs for work’ and ‘input voucher system’ programmes in Uganda implemented by NGOs such as Africa Network 2000 and AT Uganda. The government could learn from these and scale them up to increase poor people’s access to agricultural inputs and implements. The provision of inputs to the poor would necessitate reform of the existing extension system in the country to ensure that it also reaches the chronically poor and provides them with the inputs. Use of improved inputs should go hand in hand with improved agronomic practices so that production and productivity increase at household level.

ii. Soil conservation and management

A major constraint to farming and household nutrition among chronically poor households countrywide is the declining soil fertility. Soil management is an expensive agronomic practice, which requires heavy investment in terms of fertilisers, mulching, ridging, conservation tillage and organic farming and specialised skills. Chronically poor people cannot implement soil conservation and management practices on their own, due to lack of money, knowledge and skills. They need to be supported and empowered to access the necessary knowledge to improve their soils. At the same time, the government needs to re-orient its current programmes to ensure that soil conservation and management is not left to poor people and the private sector, but that public investments are earmarked for this purpose. The PPAs that have been conducted in Uganda show that households that moved out of poverty in Kabale and Kisoro reported having acquired skills in soil conservation methods from the activities of NGOs such as Africa Network 2000.

iii. Microfinance

Access to microfinance is another important pathway that could lead some households out of chronic poverty. Most microfinance lending institutions in Uganda exclude the poorest, who lack collateral and knowledge about how and where to access such funds. Even the few who manage to access funds for agriculture tend to use them for other pressing problems such as food and health, and in turn fail to pay back the small loans. Small agricultural loans that are interest-free and require no collateral could be introduced through the Savings and Credit Cooperatives Organisations (SACCOS) that have been formed countrywide, targeting poor households to increase production. The loans could either be provided in the form of cash or in kind as agricultural inputs, and conditioned such that payback is by sale of the commodities produced through the SACCOS.

iv. Agriculture marketing cooperatives

Before the advent of privatisation, the poor too could market their commodities through the cooperatives that were spread across the country, and which have since collapsed. Findings in the earlier chapters show that lack of markets and market information is one of the factors that has led households to stay in chronic poverty. Increased production and productivity must go hand in hand with improved access to market information and markets. However, individual poor farmers on their own cannot find the markets, because of lack of information and access constraints.
In the recent MOP study, poor households that improved in wellbeing cited having access to information, especially about markets and government policies and programmes. They mentioned getting access to information on loans from radios, church announcements, friends, community groups and traders. Men were more likely than women to have access to mass media. According to the Uganda Demographic and Health Survey (UDHS) report (2006), one in four women and one in nine men have no exposure to any mass media. There was limited media exposure among women in northern Uganda. Overall, half of the women in internally displaced persons’ (IDP) camps and three-quarters of all women in Karamoja were not exposed to any media on a weekly basis.

An important pathway out of chronic poverty therefore is the formation of agricultural marketing cooperatives that buy in bulk and store the farmers’ produce, provide market and other forms of information and sell to larger markets. To be effective and efficient, such cooperatives require support from government in the initial phases of starting, in the form of business development services and funds to construct communal stores, acquire vehicles and other equipment. This would cut down the cost of entry to the cooperative which chronically poor people cannot afford. Over time, the cooperatives should become self-sustaining using the profits obtained through bulk sales.

### 6.3 Non-agriculture pathways

i. **Education as a pathway:**
Education in all its various forms could be an important pathway out of chronic poverty, due to its multiplier effects which help people access basic services, including those in the agricultural sector. Most of chronically poor people in Uganda are largely unskilled, with low or no education (refer to Chapters 1 and 2). Lawson et al (2003) further confirmed this when they observed that chronically poor households are headed by the less well educated (Table 6.1). On average, individuals heading chronically poor households have one year less of primary education and a third of the level of secondary education, compared to households that are never poor.

#### Table 6.1: Education of household head and spouse

<table>
<thead>
<tr>
<th>Education at 1992</th>
<th>Chronically poor</th>
<th>Moving out of poverty</th>
<th>Moving into poverty</th>
<th>Never In poverty</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Head</td>
<td>(1) (2) (3) (4) (5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of primary years completed</td>
<td>3.47</td>
<td>3.54</td>
<td>3.92</td>
<td>4.51</td>
<td>3.96</td>
</tr>
<tr>
<td>Average number of secondary years completed</td>
<td>0.25</td>
<td>0.41</td>
<td>0.31</td>
<td>0.75</td>
<td>0.50</td>
</tr>
<tr>
<td>Spouse education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of primary years completed</td>
<td>1.87</td>
<td>2.65</td>
<td>2.85</td>
<td>3.65</td>
<td>2.90</td>
</tr>
<tr>
<td>Average number of secondary years completed</td>
<td>0.08</td>
<td>0.06</td>
<td>0.19</td>
<td>0.28</td>
<td>0.16</td>
</tr>
</tbody>
</table>

*Source: Lawson et al., 2003.*

37 UBOS and ORC Macro (2006), pp. 41-43.
The MOP study showed that households that moved out of chronic poverty were those with educated household members who were able to get gainful employment, or those that possessed particular skills that they used to make a living. Such skills often included plumbing, masonry, art and crafts among the women, tailoring, carpentry and bicycle repair, among others. Many such skills had been gained through vocational training institutions or informal training at workplaces and by friends.

While universal primary education (UPE) has been under implementation since 1997, children from chronically poor families continue not to attend school or to drop out early. The UNHS (QQA module 2006) indicated that many of these children in rural areas drop out of school due to failure to obtain essential school materials, such as pens, pencils, exercise books, school uniform and lunch. Many others fall out of schools due to failure to meet school extra charges, such as registration fees, examination fees, money for the report, church fees, money for tests, building fees, milling fees and other kinds of fees. There is a need for targeted support to children from chronically poor households, to alleviate some of these extra costs. UPE should be vocationalised to pass on life skills that will enable pupils to participate meaningfully in economic development when they graduate from school.

ii. Involvement in non-farm activities

Diversification of income sources through involvement in non-farm activities is another important pathway that would deliver the chronically poor out of poverty. Non-farm activities enable the diversification of livelihood opportunities, both as a means to cope with difficulties (for example, inadequate natural capital such as land, negative trends, e.g. in prices, or shocks such as drought), and as a way of growing with success. Involvement in small non-farm income generation activities such as kiosks, shops, brewing, trade, arts and craft has played a significant role in reducing poverty, in both rural and urban areas.

A major challenge would be access to microfinance for starting up these enterprises. However, poor people often need very small sums of money to start such enterprises, which may be borrowed from friends or community-based associations. There is also evidence in the participatory assessments conducted in Uganda that many poor people use savings from agricultural production to start up small off-farm income-generating activities.

iii. Saving

Saving is another critical path out of poverty for the chronically poor. Of the poor people who were running small enterprises in the national household survey of 2005-06, 73 percent of them financed these from small personal savings. This indicates that poor people can save and their savings can be a big push to help them move out of poverty when ploughed into viable income-generating activities. Poor people in rural places have to learn how to save their meagre incomes and also to plough them into income-generating activities. The formation of self-help groups at community level is an important means of cultivating this saving culture among the chronically poor.

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38 Uganda National Household Survey Report (Qualitative Module) 2005/06, p.56.
iv. Peace and security

Guaranteeing peace and security is a pre-requisite for development and for the reduction of chronic poverty. Many people in Uganda have suffered from various forms of insecurity that has aggravated their poverty situation. Those in Northern Uganda have suffered most from the rebel insurgency and cattle rustling for almost 20 years, resulting in mass displacement, limited access to land and loss in productivity. UNHS data show that almost one-third of the chronically poor households in Uganda reside in the Northern region, and the main explanatory factory is insurgency and internal displacement. By 2007, the number of internally displaced persons in Northern Uganda was estimated to be 1.7 million.39 These vulnerable groups cannot engage productively in agriculture unless peace and security prevails and they are able to access their land and other basic services.

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CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

The analysis in the preceding chapters shows that Uganda has several agricultural policies and programmes that are intended to improve production and productivity at household level and ultimately lead to increased household incomes. These have evolved over the decades to suit the prevailing broader policy reforms, including privatisation, liberalisation, decentralisation and macroeconomic stabilisation. The analysis illustrates that these broad policy reforms have had both positive and negative implications for the chronically poor who derive their livelihood from the agricultural sector. For example:

- The universal provision of social services under the Poverty Eradication Action Plan (PEAP) benefits all socioeconomic categories in the country; however, the chronically poor are excluded from benefiting from private-sector led, demand-driven programmes such as NAADS, as often they are not aware of them, are unable to join farming groups and lack the purchasing power.

- The Plan for Modernization of Agriculture (PMA) has good intentions of addressing poverty by focusing on subsistence farmers; however, in reality, PMA programmes are targeting ‘the economically active poor’, which means that chronically poor persons who lack productive assets cannot benefit from these services.

- Beneficiary assessments of the NAADS show that the majority of beneficiaries are subsistence farmers, including the medium and poorest farmers. However, the programme excludes certain vulnerable groups, such as the youth, persons with disabilities, widows, the least educated and the elderly, who lack productive assets and skills.

- The growth of non-traditional exports, such as maize, fish and fish products, groundnuts and soya beans, presents opportunities for both poor and wealthy farmers. However, for the chronically poor, this presents a risk to household security and nutrition, as they sell even the little that should be feeding the family.

It may be concluded that the agricultural programmes and policies as they exist presently do not fully benefit the chronically poor and some of them exclude them, both directly and indirectly. For the chronically poor to exit poverty through agricultural interventions, there is a need to review some of the policies and programmes, in order to remove the bottlenecks that limit chronically poor people’s access to services. The public value created by most of the policies and programmes is not sufficient for pulling people out of chronic poverty.

Agricultural-based pathways that are proposed in this study to address chronic poverty include provision of inputs and extension advice, soil conservation and management, provision of microfinance, and promoting agriculture marketing cooperatives. These should be complemented
by encouraging chronically poor people to engage in non-farm activities, increasing access to education and ensuring peace and security.

7.2 Recommendations

The identified pathways for moving people out of poverty can only be achieved when the government and other development partners review and re-orient their approach to public sector reforms as follows:

1. Revisiting the broader policy reforms of the private sector-led liberalised approach to ensure that the public sector plays a more active role in the provision of public goods and services in the agricultural sector. The government should facilitate the provision of agricultural inputs such as pesticides, and invest in soil conservation and management, areas that are presently left to the private sector.

With the implementation of the Rural Development Strategy, the government seems to be gradually moving in this direction, with finances having been earmarked in the FY 2008-09 budget for the provision of agricultural inputs. However, the implementation modalities must be carefully developed to ensure that the chronically poor are not left out of benefiting from such initiatives.

2. Channelling more investments in the provision of agricultural goods and services necessitates the creation of more fiscal space for increasing budget allocations to the agricultural sector from less than four percent presently. NEPAD recommends that African countries should commit at least 10 percent of their annual budget to agriculture. Even an increase in allocation to six percent would make a large difference to agricultural performance, provided sufficient investments are channelled to areas that matter to the subsistence farmers and the chronically poor.

The ongoing review of the macroeconomic framework in the process of developing the five-year National Development Plan (NDP) presents an opportunity for addressing this issue.

3. Reviewing the PMA framework and programmes to make them more pro-poor and inclusive. Programmes need not necessarily focus on the economically active poor; strategies may be designed to also reach out to those without land and education, so that they can benefit from agricultural sector interventions, such as through labour based programmes.

4. Implementing deliberate social protection programmes that mitigate and cushion the chronically poor against the risks that they face and help them build their capital base so that they can actively participate and benefit from agricultural sector interventions. Such programmes could include cash transfer schemes, provision of microfinance, provision of inputs and facilitating children from very poor families to attain education and vocational skills.

5. Creating a conducive policy environment and supportive infrastructure and services for the growth of non-farm activities. Poor people need to be provided with business development services and entrepreneurship skills at no cost, as they cannot afford
to pay for such services. They should be enabled to access cheap microfinance and serviced working spaces (with the necessary infrastructure, such as electricity, water and roads). They should also be enabled to access market information and markets in cities and towns.
References


MFPED (2007). *Background to the Budget for FY 2007/08*. MFPED: Kampala


Presidential Manifesto……


Annex 1:

Fig 1: Proportion of employed persons by sector of employment

<table>
<thead>
<tr>
<th>Sector</th>
<th>UNHS 2002/03</th>
<th>UNHS 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>65.5</td>
<td>73.3</td>
</tr>
<tr>
<td>Service</td>
<td>26.8</td>
<td>22.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7.7</td>
<td>4.2</td>
</tr>
</tbody>
</table>