

# Right Target, Wrong Mechanism? Agricultural Modernization and Poverty Reduction in Uganda

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**Summary.** — Household consumption surveys suggest that the downward trend in rural poverty indicators recorded in Uganda during the 1990s has been reversed since 2000. This paper examines the Ugandan government's strategy to reduce rural poverty, the Plan for Modernization of Agriculture (PMA). It argues that, while there appear few better choices of "target" for the PMA than to improve incomes of the rural poor through increased agricultural productivity, emphasis on decentralization as a mechanism for poverty reduction is misplaced in the current political context of Uganda. The paper considers what alternative mechanisms might better deliver reductions in rural poverty.

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## 1. INTRODUCTION

In debates regarding the effects of structural adjustment, privatization, de-regulation, and increasing the openness of African economies to international trade, Uganda has become something of a *cause célèbre*. In a recent examination of Uganda's economic development since 1986, *Dijkstra and van Donge* comment that "Uganda is often seen as an African show case for the beneficial effects of structural adjustment. High growth rates have been combined with a high degree of 'ownership' of the reforms" (2001, p. 841). Others have drawn more pessimistic conclusions, however, notably that structural weaknesses in the Ugandan economy persist and that agricultural supply response to reforms has been weak (*Belshaw, Lawrence, & Hubbard, 1999*).

The purpose of this paper is not to revisit this debate regarding the causes and effects of reform and economic change, but rather to assess

the current phase of the Ugandan government's economic strategy, specifically the Plan for Modernization of Agriculture (PMA) and its role within the Poverty Eradication Action Plan (PEAP). These programs are closely linked, backed by large donor funding and regarded as critical for the future of the economy at both the macroscale, in terms of growth and

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exports, and at the microscale of rural development and poverty alleviation.

Uganda's status as African "show case" and the linkage of the PEAP and PMA with a set of measures implemented throughout Africa within Structural Adjustment Programmes (SAPs), such as decentralization, privatization, and export promotion, mean that the impact of PEAP and PMA will have significance beyond the borders of Uganda. This paper draws on field data on income structure of farming households and early findings from monitoring the implementation of the PMA. It asks firstly whether the PMA has identified the "right target" in agricultural modernization to achieve a reduction in rural poverty, and, secondly, whether the programs being implemented represent the most effective mechanisms for achieving that goal.

## 2. THE PMA IN THE UGANDAN CONTEXT: TRENDS IN POVERTY AND AGRICULTURE

### (a) *Poverty trends*

Poverty trends in Uganda have been monitored for more than a decade using national household consumption surveys (Appleton, 2001a, 2001b; Balihuta & Sen, 2001; UBOS, 2003). Appleton's (2001a, 2001b) analyses of poverty trends during the 1990s concluded that the number of rural households below the poverty line in Uganda fell from 69% in 1992 to 49% in 1997–98 and to 39% in 1999–2000. Balihuta and Sen comment that

one of the key features of Uganda's economic performance in the 1990s has been the sharp and sustained

fall in rural poverty... much of the decrease in rural poverty has occurred in the 1997–2000 period—that is, after the liberalization of the agricultural sector in the 1990s. (2001, p. 4)

However, the most recent survey, in 2002–03, indicates an annualized growth rate of household consumption of only 0.9% in Uganda for the three-year period 1999–2000 to 2002–03. This represents "a dramatic deceleration compared to the rates implied by the household surveys in the 1990s" (UBOS, 2003, p. 43), and is reflected in a reversal of the downward trend in rural poverty indicators over the past decade (Table 1). Further, rising Gini coefficient values imply that the increase in rural poverty since 2000 has been accompanied by a continuation of a trend of increasing inequality within rural areas since 1997. Data summarized in Table 2 show rural consumption levels are a half to a third of those of urban households, but all urban and most rural households recorded a drop in consumption during 2000–03. It is perhaps significant that the exception was the highest decile of rural households, which registered a 5% increase in consumption expenditure.

### (b) *The plan for modernization of agriculture*

The Ugandan Government's Poverty Eradication Action Plan (PEAP) was established in 1997 as its policy framework for fighting poverty for the period 1997–2017, with an overall goal to reduce "absolute poverty" to less than 10% of the population by 2017 (MFPED, 2000, 2001a). Internationally accepted as Uganda's Poverty Reduction Strategy, the PEAP promotes multisectoral activities toward four principal goals: (i) a framework for economic growth and transformation, (ii) good governance and security, (iii) an increased

Table 1. *Changes in rural poverty estimates<sup>a</sup> (per cent)*

Region	1992 IHS	1997–98 MS-4	1999–2000 UNHS	2002–03 UNHS
National rural	59.7	48.7	37.4	41.7
Central	54.3	34.5	25.2	27.6
East	60.6	56.8	36.7	48.3
West	54.3	44.0	27.4	32.7
North	73.0	61.8	65.4	65.0
Gini coefficient	0.324	0.311	0.332	0.363

Source: UBOS (2003, Tables 6.3.2 and 6.3.5).

IHS: Integrated Household Survey.

MS-4: Fourth Monitoring Survey.

UNHS: Uganda National Household Survey.

<sup>a</sup> Poverty indicator: "headcount" percentage of population living in households with real private consumption per adult equivalent below the poverty line for their region.

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