Comprehensive Africa Agriculture Development Programme (CAADP)

BROCHURE 3 — OCTOBER 2009

UGANDA

AGRICULTURAL GROWTH AND POVERTY REDUCTION

PAST PERFORMANCE AND PROSPECTIVE OUTCOMES

The Comprehensive Africa Agriculture Development Programme (CAADP) aims to add value to efforts of individual countries, where necessary, to ensure that their growth and poverty reduction objectives are achieved. Doing so requires reviewing past, current, and emerging efforts against these objectives. This includes:

- examining the recent growth performance of the agricultural sector, as well as future growth and poverty outcomes based on observed trends;
- determining how such outcomes compare with targets established for the agricultural sector under CAADP;
- assessing how agricultural sector growth contributes to attaining the Millennium Development Goal of halving by 2015 the proportion of people living below the poverty line in 1990 (MDG-1); and
- analyzing whether current trends should be modified for future effective agricultural sector growth and poverty reduction and, if so, how.

Is Uganda on Track to Meet CAADP'S Growth and Poverty Targets?

Recent Performance and Trends Compared to CAADP Targets

Uganda's recent overall growth performance has been quite robust, with annual GDP growth rates around 7.7 percent, resulting in GDP per capita growth rate of 4.5 percent between 2004 and 2008 (Figure 1). However, the performance of the agricultural sector has been disappointing. The sector grew at an average rate of 1.1 percent between 2004 and 2008, resulting in negative per capita agricultural growth, given Uganda's annual population growth rate of 3.4 percent.

Future growth trends for the agricultural sector under the status quo can be projected from 2005 to 2015. Assuming crop yields remain around the averages observed during the late 1990s and early 2000s and annual growth in the land put into agricultural production continues at

Figure 1: Average annual economic growth rates for Uganda, 2004-08 (%)

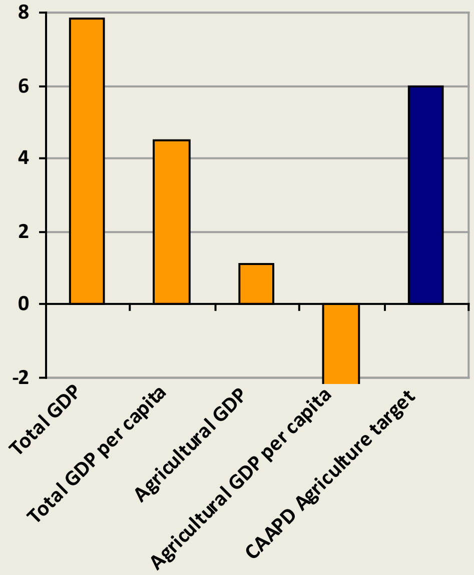
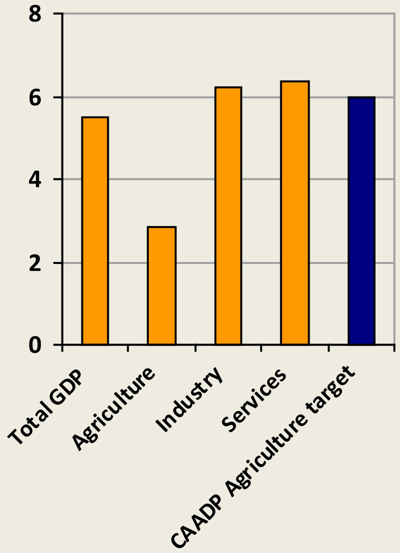


Figure 2: Projected annual economic growth rates for Uganda under current trends, 2005-15 (%)



two percent, future agricultural sector growth is projected to stabilise at 2.8 percent per year. This growth will contribute to national economic growth stabilizing at around 5.5 percent annually, with average per capita growth of 2.0 percent (Figure 2).

Even though GDP growth is projected to be lower than the national annual economic growth target of 7 percent, and agricultural growth will be far less than the CAADP target of 6 percent annually, these economic growth rates are sufficient to enable Uganda to meet the MDG-1 poverty target. Under these economic projections using current trends, the national poverty headcount falls to 24 percent of the population, meeting and going beyond the 28 percent MDG-1 poverty target (Figure 3). The decline in poverty is experienced across all population groups. However, despite meeting the MDG-1 poverty target with these growth rates, the absolute number of poor people increases because of Uganda's rapid population growth to 9.2 million in 2015, an increase of 0.8 million poor people from 2005 (Figure 4). For Uganda, meeting MDG-1 is not sufficient to effectively reduce poverty.

Can Current Government Strategies Achieve CAADP'S Growth and Poverty Targets?

Over the last 10 years, the Government of Uganda's agricultural sector policies and strategies have been outlined in four key strategic documents: the Vision 2025, the Poverty Eradication Action Plan (PEAP), the Plan for Modernization of Agriculture (PMA), and the Development Strategy and Investment Plan (DSIP) of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). However, in the last four years, the Government has initiated several policy reforms in agriculture. Additional sector-specific priorities are contained in the Rural Development Strategy (RDS) and the Prosperity for All (PFA) agenda for action. In order to harmonize the different policy initiatives into one document, MAAIF has formulated a National Agriculture Policy (NAP), and is completing revision of the DSIP. Both are in line with the five-year National Development Plan (NDP), the successor to the PEAP now being finalized.

Figure 3: Poverty headcount rates for Uganda for 2005 and projected to 2015 under current trends (%)

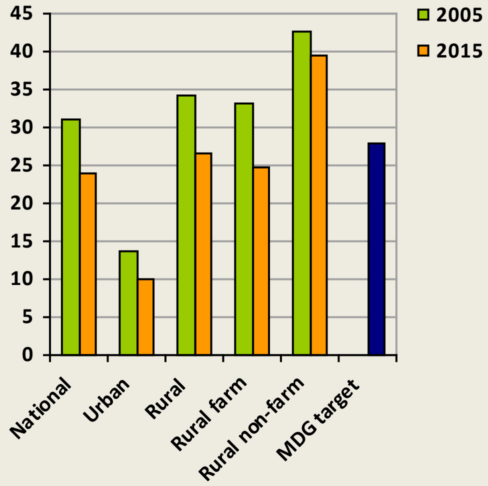
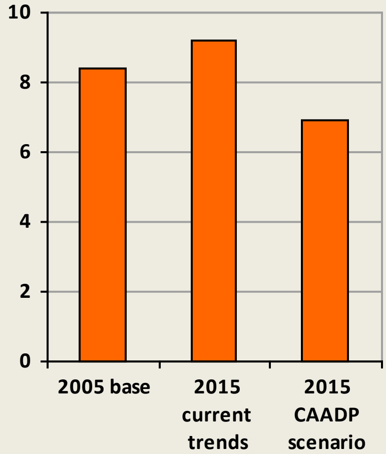


Figure 4: Projected absolute number of poor people in Uganda under current trends and the CAADP scenario, millions



The projection results presented in Figure 2 indicate that the economic growth rates that are likely to be achieved under current government strategies will not enable the country to meet the CAADP target of an overall agricultural sector growth rate of 6 percent by 2015. In a context within which overall national GDP are projected under current trends to grow at 5.5 percent, the agriculture sector in Uganda will only attain annual growth rates of 2.8 percent. However, because of high population growth and only moderate sectoral growth, per capita agricultural GDP growth will be negative, at -2.2 percent. Given the dominance of agriculture in the livelihoods of most Ugandan households, this low per capita sectoral growth rate will be an important factor contributing to the continued increase in the absolute number of poor people through 2015 (Figure 4).

Achieving Effective Poverty Reduction Requires Growth Beyond Current Levels Towards CAADP Targets?

Because the absolute number of poor people will continue to rise under current economic trends in Uganda, achieving the MDG-1 poverty objective is necessary, but not sufficient to effectively reduce poverty in the country. Effective poverty reduction is that which reduces both the proportion and absolute numbers of poor people.

Growth Required for Effective Poverty Reduction by 2015

Economic model projections show that were public investments made to enable the agricultural sector in Uganda attain 5.9 percent annual growth, close to the CAADP target of 6 percent, the national poverty headcount level would fall from 31.1 percent in 2005 to 17.9 percent by 2015, well below the 28 percent MDG-1 poverty target. Moreover, the absolute number of poor persons in Uganda would decline from 8.4 million in 2005 to 6.9 million in 2015 with this acceleration in the growth of Ugandan agriculture, and the growth of the overall economy would rise to 6.3 percent annually from 5.5 percent (Figure 5). Under such economic conditions, per capita GDP and per capita agricultural GDP would grow at 2.9 and 2.5 percent, respectively.

It is important to note that growth in agriculture not only benefits those directly employed in it, but also those in non-agricultural sectors. If these growth rates were attained, the objective of reducing both the proportion and absolute numbers of poor people would not only be achieved at the national level, but also for most household categories (Figure 6). Agricultural development must be an important element in the efforts of the government of Uganda to

Figure 5: Projected annual economic growth rates for Uganda under CAADP scenario, 2005-15 (%)

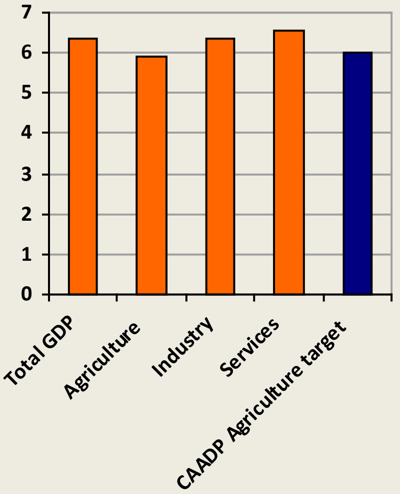
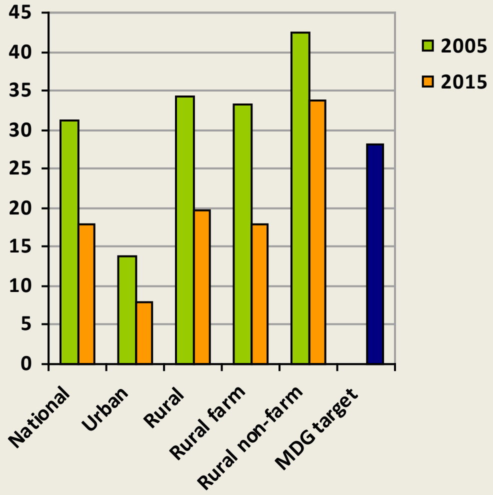


Figure 6: Poverty headcount rates for Uganda for 2005 and projected to 2015 under CAADP scenario (%)



achieved sustained improvements in the well-being of its citizens.

In summary, the results here indicate that:

- Maintaining current growth trends will enable the achievement of the MDG-1 poverty target in Uganda, but would lead to an increase in the number of absolute poor, and would not achieve the CAADP agricultural growth target.
- Emerging sector strategies under NDP and DSIP, as they are aligned with CAADP, will enable the attainment of the CAADP agricultural sector growth target, as well as achieve effective poverty reduction by cutting the poverty rate by 42 percent and reducing the absolute number of the poor in Uganda by 19 percent.
- Meeting the latter objective, however, would require more than a doubling of the agricultural sector growth rate over that experienced in recent years.

The analysis presented here establishes the sector and sub-sector growth rates required to meet the MDG-1 and CAADP targets. However, the analysis does not give information about the specific investments required in each of the subsectors to achieve these levels of growth. As such, more work is needed within the sub-sectors of agriculture to identify the critical constraints to be overcome in order to bring about the necessary growth response in each.

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REPUBLIC OF UGANDA
Ministry of Agriculture, Animal Industry and Fisheries
P.O. Box 102
Entebbe, Uganda
Tel: +256-414-320004
Email: psmaaif@infocom.co.ug or pma@pma.go.ug
Website: www.agriculture.go.ug