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Regional Strategic Analysis and Knowledge Support System
FACILITATED BY IFPRI | A PROGRAM IN SUPPORT OF CAADP IMPLEMENTATION

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CAADP Promotes Pro-Poor Growth and Poverty Reduction in Uganda

Over the past two decades, Uganda has experienced strong economic growth, with national GDP growing above five percent per year. However, agriculture has lagged behind the rest of the economy over the same period, with a far more modest growth rate of around two percent per year. In recent years, the Ugandan government has begun putting more focus on agriculture as a catalyst for economic development. One such effort is Uganda's implementation of the Comprehensive Africa Agriculture Development Programme (CAADP). CAADP's main target is achieving six percent agricultural growth per year, supported by the allocation of at least ten percent of national budgetary resources to the agriculture sector. These goals aim to help Uganda meet the first Millennium Development Goal (MGD1) of halving poverty by 2015.

This brief summarizes the feasibility of the CAADP targets in Uganda, their potential impacts on the Ugandan economy, and the quantity and type of investments necessary to achieve them, based on an economywide model developed by IFPRI. It is hoped that this brief will help policymakers and other stakeholders make informed long-term decisions to stimulate the Ugandan economy through agricultural development.

UGANDA WILL ACHIEVE THE FIRST MDG

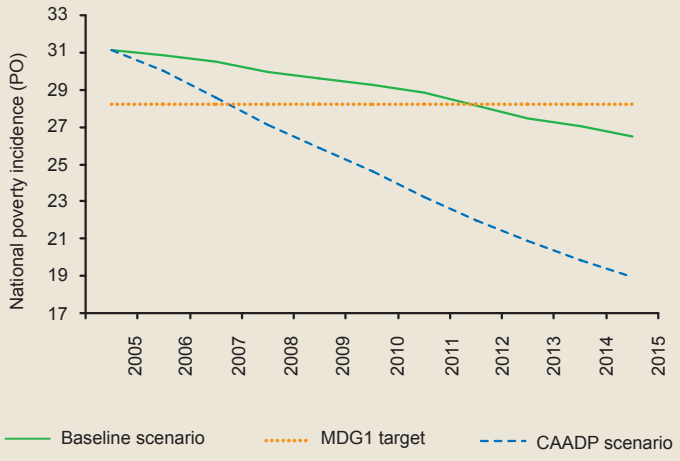
Under the current "business as usual" path, poverty declines at a modest rate from 31.1 percent in 2004 to 26.4 percent in 2005. This is sufficient for Uganda to meet the MDG1 of halving the 1990 poverty rate of 56 percent by 2015 (see Figure 1). This business as usual scenario (which assumes that yields continue to grow modestly over the coming years and agricultural GDP growth averages 2.7 percent per year) also projects that non-agricultural sectors will grow at approximately six percent per year, and that overall GDP will grow at an average rate of 5.1 percent per year.

However, the current growth path only reduces poverty by approximately 5 percentage points between 2005 and 2015. Combined with an expanding population, this means the absolute number of poor people will actually increase from about 8.46 million in 2005 to 10.15 million by 2015. Although Uganda is on track to achieve the MDG1 target of halving poverty by 2015, this will be insufficient to reverse the increasing absolute number of poor people. Uganda must still search for new opportunities to accelerate growth and poverty reduction, especially in rural areas.

IMPLEMENTING CAADP WILL FURTHER REDUCE POVERTY

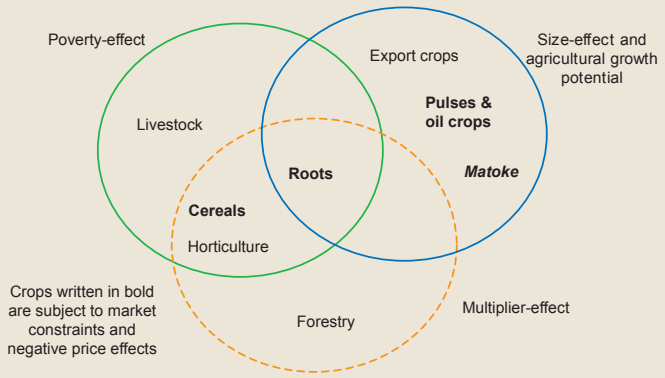
Higher growth under the CAADP scenario would lift an additional 2.9 million Ugandans above the poverty line by 2015 and is sufficient to reverse the current trend of increasing absolute numbers of people in poverty. Moreover, it will more firmly secure the country's poverty reduction in the face of changes in world markets and other potential shocks. Achieving the 6 percent agricultural growth is feasible: it only requires reasonably ambitious improvements in crop yields and subsector growth. If Uganda does this, overall GDP growth would increase from 5.1 to 6.1 percent per year. This higher growth rate would reduce national poverty to 18.9 percent by 2015, which is significantly lower than the 26.5 percent poverty rate achieved under the business as usual scenario (Figure 1).

Figure 1: Projected Poverty Rate Under Alternate Agricultural Growth Scenarios



Source: Benin et al. 2008.

Figure 2: Crop Comparison by Effect



Source: Benin et al. 2008.

CAADP BENEFITS WILL BE FAIRLY EQUALLY DISTRIBUTED

Achieving the CAADP agricultural growth target has overall beneficial impacts on Uganda through national poverty reduction. Agricultural production will increase by approximately 3.3 percent for both rural and urban farm households and per capita household incomes for both types of farm households will grow by an additional 0.98 percentage points per year. Under CAADP, the poverty rate for rural farm households decreases by an additional 8.8 percentage points and urban farm poverty rates decline by an additional 4.2 percentage points. However poverty will continue to be higher in rural areas than in urban ones because of the initially higher rates of rural poverty.

CERTAIN CROPS MUST BE PRIORITIZED TO ENSURE GROWTH IS PRO-POOR

Certain crop subsectors are more effective at reducing poverty and stimulating broad-based economic growth. Growth driven by food crops, such as maize, roots and *matoke*, has considerably larger impacts on poverty reduction than similar growth in export-oriented crops. Yield improvements in these food crops not only benefit households by increasing incomes, but also allow farmers to plant higher-value crops. Export crops, on the other hand, are less effective at reducing poverty because they are generally produced by farmers who are initially less poor. However, these crops have much higher growth potential due to their growth linkages to the non-agricultural sector and still account for a significant share of overall poverty reduction under the CAADP scenario. This highlights the importance of broader-based agricultural growth, with priority given to improving yields for food crops while also encouraging the longer-term expansion of smallholder export crops (see Figure 2).

PUBLIC INVESTMENT MUST BE EFFICIENT

Increasing agricultural growth to meet the 6 percent CAADP growth target will require additional investment in the sector. If this public spending has a high rate of return, less additional investment will be needed. In the average Sub-Saharan African country every one percent increase in total agricultural spending causes at least a 0.3 percent increase in agricultural GDP. At this rate, achieving and sustaining the CAADP six percent agricultural growth rate in Uganda will require agricultural expenditures to grow by at least 25 percent per year (Table 2). This amounts to additional spending (above the baseline funding requirements) of UGX 8,615 billion over 2005 to 2015, or UGX 783 billion per year (Table 1), an allocation of about 14 percent of total budgetary resources to agriculture by 2015. However, if Uganda's public spending on agriculture is less efficient, it will have to grow at about 30 percent per year in order to reach the CAADP target. This equates to UGX 11,651 billion from 2005 to 2015, or UGX 1,059 billion per year, representing one fifth of the government's total budget by 2015. Therefore, it is important that the government not only increase its investments in agriculture, but also

Table 1: Estimated Agricultural Funding Requirements (2004 UGX, billions)

		CAADP	
	Base	low efficiency	high efficiency
2004	159	159	159
2005	190	207	200
2006	227	269	250
2007	271	350	313
2008	324	454	392
2009	386	591	491
2010	461	768	615
2011	550	997	770
2012	657	1,296	965
2013	784	1,685	1,209
2014	936	2,189	1,514
2015	1,118	2,845	1,896
Total (2005-2015)	**5,904**	**11,651**	**8,615**
Annual average (2005-2015)	**537**	**1,059**	**783**

Source: Benin et al. 2008.

Table 2: Estimated Funding Requirements (growth rates and shares)

		CAADP	
	Base	low efficiency	high efficiency
Real growth rates (%)			
Total government expenditure	12.3	14.7	13.9
Agriculture	19.4	30.0	25.3
Non-agriculture	11.8	12.8	12.8
Agriculture expenditure shares (%)			
Agriculture expenditure in total expenditure			
2004	5.0	-	-
2010	7.3	11.0	9.0
2015	9.8	20.0	14.3
Agriculture expenditure in agricultural GDP			
2004	4.1		
2010	10.1	13.9	11.1
2015	21.3	38.6	25.7

Source: Benin et al. 2008.

greatly improve the efficiency of its spending in the sector.

KEY PROGRAMS MUST BE PRIORITIZED

In order to realize the growth and poverty-reducing potential of CAADP, Uganda will also need to prioritize agricultural investments by focusing on long-term programs such as agricultural research and development, irrigation, and rural infrastructure.

Agricultural research and development (R&D)

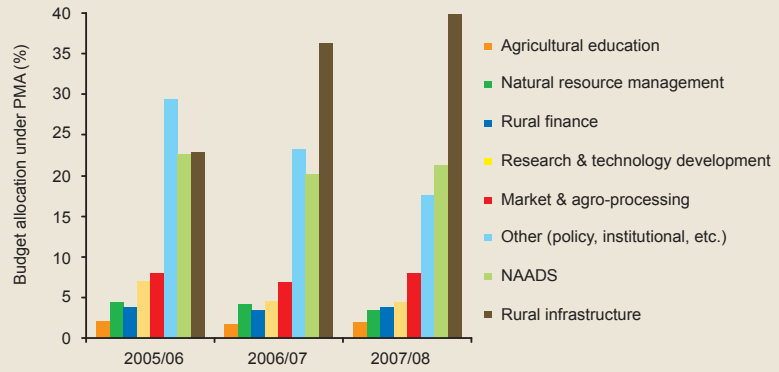
For every one percent increase in yield brought about by investments in agricultural R&D, two million Africans can be lifted out of poverty. However, agricultural R&D spending in Uganda is low compared to expenditures on other public agricultural goods and services (see Figure 3).

For example, the adoption of improved varieties of crops and other technologies has not been coupled with an increase in the application of improved soil fertility management in Uganda. This may result in more rapid soil nutrient mining and raises concerns about the sustainability of productivity increases. Increased public investment is needed in research to develop technologies that are profitable under farmers' local environment and market conditions.

Rural infrastructure

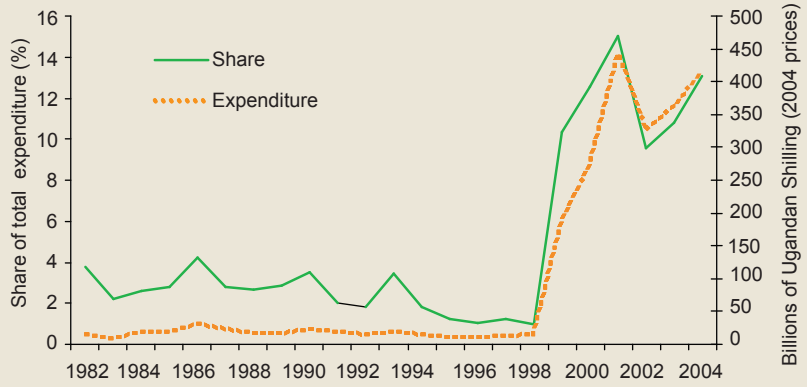
Investment in rural road infrastructure in Uganda, particularly feeder roads, has a high return and can have large effects on growth and poverty reduction. Roads enable farmers to participate in higher value-added market chains, thereby contributing significantly to poverty reduction. Uganda currently ranks 7th in Sub-Saharan Africa for road density with 350 kilometers per 1000 square kilometers. Figure 4 shows that Uganda

Figure 3: Spending on Agricultural R&D and Agricultural Public Goods and Services



Source: Benin et al. 2008.

Figure 4: Government Spending on Transport and Communication



Source: Benin et al. 2008.

is on the right track in its investments in rural infrastructure, and has dramatically increased its spending on transport and communications in recent years.

CONCLUSION

By directing more resources to the agricultural sector through the implementation of CAADP, Uganda will secure its achievement of MDG1 and significantly improve the well-being of its population. In its implementation of CAADP, this brief has shown that Uganda will need to focus its investments to ensure the economic benefits and welfare impacts reach rural areas and the poorest. This will not only require increased public expenditures to the sector, but also more efficient spending targeted to long-term programs with widely acknowledged beneficial impacts.

This brief was prepared by Melissa Lambert and Marcia MacNeil based on the International Food Policy Research Institute (IFPRI) Development Strategy and Governance Division Discussion Paper No 00790, by Samuel Benin, James Thurlow, Xinshen Diao, Allen Kebba and Nelson Ofwono. The full discussion paper is available for download at http://www.ifpri.org/pubs/dp/ifpridp00790.pdf.

The Regional Strategic Analysis and Knowledge Support System (ReSAKSS) is an Africa-wide network of regional nodes supporting the Common Market of Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC), in collaboration with the International Food Policy Research Institute (IFPRI) and the Africa-based centers of the Consultative Group on International Agricultural Research (CGIAR), to facilitate the implementation of the AU/NEPAD Comprehensive Africa Agriculture Development Program (CAADP) and other regional agricultural development initiatives in Africa.

The ReSAKSS nodes offer high-quality analyses to improve policymaking, track progress, document success, and derive lessons for the implementation of the CAADP agenda. ReSAKSS is jointly funded by the United States Agency for International Development (USAID), the UK Department for International Development (DFID), and the Swedish International Development Cooperation Agency (SIDA). The nodes are implemented by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), the International Institute of Tropical Agriculture (IITA), the International Livestock Research Institute (ILRI) and the International Water Management Institute (IWMI), in collaboration with regional and national partners.

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