

Chapter 78

Promoting Agricultural Productivity and Inclusive Growth in Uganda

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ABSTRACT

Although many countries in the world including Uganda witnessed high rates of economic growth in the last three decades, the strong growth has failed to holistically deliver the expected prosperity. Amidst Uganda's strong growth of about 7% per annum, of the recent decades, poverty, unemployment and inequality have remained pervasive especially in the rural areas; an indication that the growth process has not been pro-poor and inclusive of the deprived. Agriculture which is the sector employing majority of Uganda's poor has also not developed much; within the same period the sector grew at an average rate of 2% per annum and its productivity has remained considerably low. This chapter reviews the trending conception of inclusive economic growth, and its relevance to Uganda's development process. In its final section, the chapter assesses the factors that affect agricultural productivity and it discusses the most effective means of raising productivity in order to make the growth process of the country more broad-base, pro-poor and inclusive.

INTRODUCTION

Many countries in the world have achieved high rates of economic growth for nearly three decades since 1990, with a few witnessing slowdown in growth following the global financial crisis that began around 2008. As observed by the World Bank (2013), although it is believed that economic growth should generate virtuous circles of prosperity and opportunities, strong growth of the last three decades in many developing countries have not translated into the expected development outcomes.

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The World Bank (2014) estimated that about 2.4 billion people lived on less than US \$2 a day in 2014, and that even after 2015 more than 1 billion people will still live in extreme poverty. Worldwide, more than 200 million people are believed to be unemployed (ILO, 2014). OECD (2012) explains that in most countries, the growth of recent decades has been accompanied by widening inequality. Economic growth in the recent decades did not benefit all groups equally. Similarly, Oxfam (2014) estimates that the richest 85 people in the world own the same amount of wealth as the bottom half of the world's population (3.5 billion people). The record levels of growth seem to have failed to tackle three key global problems of poverty, unemployment, and inequality.

Rising living standards, not economic growth per se, is what societies expect their leaders to deliver. In many developing economies, fairly sustained strong growth has lifted many people out of absolute poverty but improvements in living standards have not kept pace with GDP growth. This experience is most apparent in Eastern Europe and fast-growing emerging Asian economies such as China, India, and Vietnam, and some African economies including Uganda, Zambia and Kenya. Worse still, some countries, including Chile and Mexico have witnessed widening inequality amidst stellar growth (World Economic Forum, 2015).

Literature shows that economic growth is often unequivocally tied to a correlating improvement in employment levels (Felipe & Hasan, 2006). However, over the recent three decades increases in growth have not resulted into expected comparable increases in the numbers of jobs. Felipe & Hasan (2006) estimated that in the 1980s it took 3% GDP growth to generate a 1% increase in employment, but in the 1990s this changed significantly and it then took an 8% percent increase in GDP to get the same result.

The International Labour Organization (ILO) estimates that over 1 billion people are employed in world agriculture, representing 1 in 3 of all workers (ILO, 2015). Agriculture is a significant source of food for citizens and a means of livelihood for the most vulnerable members in most developing countries. According to the World Bank (2014), about 70% of the world's poor live in rural areas, and agriculture is their main source of income and employment. In Africa, agriculture employs about 65% of the labor force and accounts for 32% of gross domestic product. Improvement in agriculture and its productivity is thus fundamental to achieving food security, poverty alleviation and overall sustainable economic development. Raising agricultural productivity must be an important policy goal for governments and development agencies.

Considering that the large share of the working poor is engaged in agriculture, targeting this sector in development may have major impacts on welfare throughout the world. Most literature seems to agree that investments in agriculture and rural development, both private and public, stimulate economic growth and development (World Bank, 2008; IFPRI, 2012). Similarly, good agricultural performance has been very significant in reducing poverty and hunger rates in the more successful countries. The World Bank (2008) also established that agricultural productivity growth has a high poverty reduction pay-off than non-agricultural growth or investments.

For the period from 1990 to 2010, the Ugandan economy achieved high GDP growth rates; real economic growth averaged 7%. However, the record growth has not been able to benefit all sections of the population; significant proportions of the country's population including smallholder farmers still remain impoverished, unemployed or marginalized (World Bank, 2013). Uganda Bureau of Statistics (UBOS, 2015) reported that the high performance of the Ugandan economy has been accompanied by structural changes, with a steadily declining share of agriculture and increasing shares of industry and services. Uganda's high growth process has therefore not been inclusive since the larger proportion of its

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