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“Agricultural development within the rural-urban continuum”

Assessing the Potential of Non-farm and off farm Enterprises in Spurring Rural Development in Uganda.

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1.0 Introduction

Farm and non-farm activity are used synonymously, yet they are not synonymous. The former means agricultural activity whereas the latter depicts non-agricultural activity. According to Saith (1992), there are two alternative approaches to define rural-non-farm activities. The first is the locative approach; the primary criterion in this approach is that a Rural Non-Farm (RNF) activity is performed in a location which falls within a designated rural area. The other is based on the linkage approach; where an industrial enterprise generates significant development linkages with the rural areas. Rural-Non-Farm-Sector (RNFS) includes all economic activities *viz.*, household and non-household manufacturing, handicrafts, processing, repairs, construction, mining and quarrying, transport, trade, communication, community and personal services in rural areas. Rural-Non-Farm-Activities (RNFAs), thus, play an important role to provide supplementary employment to small and marginal farm households, reduce income inequalities and rural-urban migration. Nonfarm activity is seen to be positively associated with income and wealth in rural Africa and thus seem to offer a pathway out of poverty if nonfarm opportunities can be seized by the rural poor (Barret et al., 2001).

2.0 Discussion of different government policies

Though, agricultural sector has played a very significant role for generation of rural employment in Uganda, its contribution to the overall economy has greatly reduced in the recent past (Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), 2009). The incidence of poverty remains higher in rural areas than urban areas. The poor in rural areas represent 27.2% of

the population as compared to 9.1% in urban areas. The rural areas with 85 % of the population constitute 94.4% of national poverty whereas the urban areas with 15% of the population constitute 5.6% of the national poverty (Uganda national household survey 2010 (UNHS)).

Uganda's annual population growth rate is projected to increase from an estimated 3.3% per annum in 2007 to 3.5% per annum in 2011(Uganda's population projection 2003-2017). This population growth rate will see the population rise from 34 million projected in 2012 to 41 million in 2017 (Uganda's population secretariat Ministry of finance, planning and economic development; UNHS 2010). The projected median age of the population by 2017 is 15 years, this depicts the youthfulness of the country's population (UNHS 2010). However, the rise in the population growth rate does not have a positive impact on the fixed factors of production, as always land remain fixed irrespective of population changes. In the last decade there has been tremendous economic performance with growth averaging 7.7% a year over the 1997-2007 period. Equally important, there has been a decline in poverty rates which fell to 15% over this period (Ssewanyana et al., 2011). Although growth and poverty decline has been impressive, there has been a worsening income distribution, a decline in relative importance of agriculture and overall gross domestic product (GDP) and low rate urbanization (Ssewanyana et al., 2011). Therefore, development of various rural non-farm-activities can effectively be exploited as a potent stimulator for further economic growth offering rural communities better employment prospects on a sustainable basis.

Rural non-farm activities and rural industrialization are viewed as policy instruments for the alleviation of rural unemployment and rural poverty, in many developing economies a high incidence of rural poverty is found to coexist with a high rate of participation of the rural population in such non-farm activities (Saith, 1992). In such incidences it is viewed that rural off-farm employment is a low productivity sector producing low quality goods, expected to vanish as a country develops and incomes rise (Lanjouw & Lanjouw, 2001). However, Barret et al., (2001) found that nonfarm activities increase wealth and income in rural Africa. In regard to his findings, Saith (1992), suggested that the major policy issue should be; how to identify and establish the economic conditions and institutional climate within which the policy interventions can operate.

Rural non-farm sector very heterogeneous, coupled with inadequate attention at both the empirical and theoretical level. These makes it complex for policy makers in developing economies to understand and devise a clear way forward. However, governments support this

sector due to its potential in absorbing a growing rural labor force, contributing to national income growth, and in promoting more equitable distribution of income (Lanjouw & Lanjouw,2001).

3.0 Factors contributing to growth of RNF

Institutional basis for rural non-farm sector: In Uganda, the institutions underlying the development of the rural non-farm sector are very strong. These include secure property rights; a well-developed financial system with preferential access to credit for the sector; supporting institutions such as the Microfinance support centre and Uganda rural microfinance services and Uganda cooperative alliance, policies and programs promoting linkages with agriculture, especially agro-industries; as well as government support in export promotion (NDP, 2010).

Decentralization process: Over the last two decades the government of Uganda has been able to exercise far more independence in decision-making than in the pre-1990 period. Different districts have been given the mandate to manage their own economic growth with little guidance from the central government in turn; they have negotiated economic autonomy in the formation of specific policies for development. This creates an opportunity for higher levels of investment in the future (Muriisa,R.K 2010; Saxena et al., 2010)

3.1 Factors slowing growth of RNF

Infrastructure: The most significant bottleneck in generating higher levels of rural nonfarm activity in Uganda is the quantity, quality and reliability of infrastructure (Ministry of Agriculture, Animal Industry and Fisheries, 2009). Although corrective steps are now being taken, increased infrastructure remains the most important priority for the future.

Regulatory restrictions on small-scale sector: Regulation of the small-scale sector constitutes an important aspect of nonfarm development policy in Uganda. The current policies do not allow easy formation and registration of Small and medium enterprises.

Quality of manpower: High levels of illiteracy in rural Uganda have hampered the growth of the rural nonfarm sector. Apart from having a positive correlation with wages, a minimum basic standard of education is necessary to apply for credit, to be aware of one's rights and responsibilities and to deal with instances of corruption and malpractice.

4.0 Conclusion: This study found out that Rural industrialization is a very important factor that may lead to improved incomes and decline in skill drain from the rural sector. It is also found that new and modern skills will be imparted to the Local people and hence emergency of a new productive and knowledgeable society.

However, efforts are needed to identify appropriate and effective institutional vehicles for development of non-farm sector policy and interventions for creating employment opportunities. It is also vital to improve the marketing links between the village entrepreneurs and the larger business firms located in the towns/cities. Such strategic alliances or partnerships can contribute to the sustainability of small village and tiny enterprises in the rural areas. Other important considerations that need to be focused on may include human resource development, financial facilities, research and development and women's participation.

It should be noted, however, that RNFE are not a substitute for employment in agriculture but rather as a supplementary measure. It should be noted that agricultural investment is undisputedly still very important and should be pursued as a necessary precondition. The promotion of RNFE also should be undertaken within the broader context of rural development.

Lastly, much as there are good policies that seem to favour entrepreneurial development in Uganda, it is found that the policies in place seem to favour greatly already established business and therefore has little to offer starters who either reside in urban or even rural areas.

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