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Assessing the Potential of non-Farm/off-Farm Enterprises in Spurring Rural Development in Uganda

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Abstract

Rural-non-farm-activities provide supplementary employment to small and marginal farm households, and reduce income inequalities and rural-urban migration. The rural non-farm sector (RNF) is a poorly understood component of the rural economy of developing countries and little is known about its role in the broader development process. Our objective was to assess the potential contribution of the off-farm sector to rural development. A desk study was conducted through review of varied literature sources including government policies. We found that of the 3.8 million persons who worked outside the agriculture sector, 2.2 million (58 %) were in the informal sector. The proportion was higher for females (62 %) than males (55 %). Differentials by residence show that 54 % of the urban work force was in the informal sector compared to 61 % of the rural work force. A lower proportion of the work force in Kampala was in the informal sector (52 %) as compared to the Central and Western regions (60 %). 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. Similarly, wage costs are lower in rural areas where the marginal costs of migration, housing, transport and higher living expenses do not have to be incurred. Rural industrialisation could stop the skills drain from the countryside if it provides a sufficiently lucrative alternative for employment through utilising local surplus human and material resources which may not be used in urban industry. New enterprises could simultaneously generate modern skills in the rural workforce. The social costs of these are extremely low, and the benefits quite high, as in the case of various waste-recycling activities. The RNF sector increasingly plays an important role in the development of rural areas in sub-Saharan Africa and Uganda. It should be noted, however, that rural non-farm enterprises are not a substitute for employment in agriculture but rather as a supplementary measure.

Keywords: Agriculture, development, enterprise, income, off-farm, rural