An Overview of Chronic Poverty and Development Policy in Uganda

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CPRC Working Paper 11

Chronic Poverty Research Centre
ISBN Number: 1-904049-10-9

Abstract
The paper highlights Uganda's main antipoverty programs and uses consumption expenditure data of panel households to characterize chronic poverty by tracking households' poverty statuses over time. Although the majority of households moved into and out of poverty during the 1990s, all the panel households that experienced persistent poverty for at least five years were engaged in agricultural self-employment as the main economic activity. This evidence underscores the importance of off-farm opportunities in poverty reduction. The results showing that households which are far below the poverty line (for example, the poorest 20%) are the most likely to experience extended duration of poverty suggest that the chronically poor may not benefit much from Uganda's economic growth programs, which primarily aim at creating an enabling environment for economic agents to exploit using their initial endowment of capabilities.

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List of abbreviations

CMB	–	Coffee Marketing Board
CPI	–	Consumer Price Index
CPAE	–	Consumer Expenditure per Adult Equivalent
DHS	–	Demographic Health Survey
EPRC	–	Economic Policy Research Center
HDI	–	Human Development Index
HPI	–	Human Poverty Index
IDP	–	Internally Displaced Person (People)
LMB	–	Lint Marketing Board
LRA	–	Lord’s Resistance Army
MTEF	–	Medium Term Expenditure Framework
MTCS	–	Medium Term Competitiveness Strategy
NAADS	–	National Agricultural Advisory Services
NRM	–	National Resistance Movement
PAF	–	Poverty Action Fund
PEAP	–	Poverty Eradication Action Plan
PMA	–	Plan for Modernization of Agriculture
PMB	–	Produce Marketing Board
PWD	–	People with Disabilities
UHDI	–	Uganda Human Development Index
UNDP	–	United Nations Development Fund
UNHS	–	Uganda National Household Survey
UBOS	–	Uganda Bureau of Statistics
UPPAP	–	Uganda Participatory Poverty Assessment
UPE	–	Universal Primary Education
WHO	–	World Health Organization

1 Background and overview

The commitment of the Government of Uganda to reforms during the nineties attracted a series of donor-supported programs that facilitated Uganda's economic recovery from the woes of the seventies and early eighties. In the initial phases of the recovery process, emphasis was given to rehabilitation of key social and economic infrastructure. After this, the country shifted focus onto establishing and maintaining a stable macroeconomic environment. The achievements on the macroeconomic front are manifest in inflation rates being reduced to single digits, overvaluation of the shilling reversed and a market-based exchange rate regime maintained, and positive interest rates restored.

After macroeconomic stability was achieved, the government started focusing on structural strategies that aimed at translating the macro success to real improvements in people's standards of living. The structural strategies, which feature both long- and medium-term perspectives, are conceptualized and developed in the government's main policy framework, the Poverty Eradication Action Plan (PEAP). The PEAP is the policy vehicle for translating the country's long-term development aspirations, some of which are expressed in the *Uganda Vision 2025*, into specific and achievable goals. The detailed plans of action and goals for particular sectors are contained in the respective sector development plans, such as the Education Sector Investment Plan, the Health Sector Plan, and the Plan for Modernization of Agriculture. A number of other sector plans are being formulated to help operationalize different sector specific objectives of the PEAP.

In most of the sector plans, public expenditure is focused on simply creating an enabling environment for private sector contribution to the national growth process. However, recent policy statements from top government officials recognize that in areas where private investments are not forthcoming, the state will have to inject resources and practically be the leading entrepreneur. As a renewed effort to provide incentives for the private sector, the government, in 1999/2000, launched a five year Medium-Term Competitiveness Strategy (MTCS) to tackle the major constraints to private sector development. The focus of the MTCS is to promote power, transport and communication network, financial sector, commercial justice, and export diversification.

The implementation of the various sector-wide plans in pursuit of the goals in the PEAP depends on the available resources and the degree of budgetary discipline. Since 1992/93 the Government of Uganda has adopted the Medium Term Expenditure Framework (MTEF) as a guide for containing public expenditure within available resources. MTEF is a three-year rolling spending plan that links priority spending areas to medium-term development goals. It is presented to parliament as part of the annual Budget Framework Paper.

Generally, Uganda has a well-developed set of plans and implementation strategies and instruments that have contributed significantly to economic growth and poverty reduction. To monitor the impact of government policies and programs on welfare, the country has, since 1992, conducted national household surveys to produce the micro-level data needed for impact evaluation. Using the time series of cross-sectional survey data, analysts have established that the incidence of income poverty has reduced from

56% in 1992 to 44% in 1997. Preliminary estimates from the latest round of surveys show that poverty headcount has further declined to 35% by 2000.

In spite of the continuous downward trend in poverty since 1992, there are sections of the society that belong to certain socioeconomic groups that have not benefited from the available economic opportunities for poverty reduction. Preliminary analysis of panel households covered in both 1992 and 2000 indicate that household characteristics such as education, health and asset levels, much more than infrastructure and other community-level factors, have played significant roles in changes in household welfare.

2 Income poverty data in Uganda

Most of the poverty studies on Uganda capitalize on the time series of cross-sectional household survey data collected periodically by the Uganda Bureau of Statistics. The surveys are primarily designed to provide information for tracking changes in welfare during times of major economic reforms in the country. The first survey, referred to as the Integrated Household Survey, was conducted in 1992/93. This was followed by four monitoring surveys between 1993 and 1998. The latest round of surveys was conducted in 1999/2000, the data from which have not been analyzed for purposes of this paper.

The analysis of the series of data from the Uganda National Household Survey (UNHS) by Appleton (1999) has produced the most widely quoted poverty statistics for Uganda. The study disaggregates poverty incidence, depth and severity by geographical region, and by various socioeconomic groups. It tracks and decomposes poverty incidence over time, and although it analyses changes in the welfare of the poorest 20% of the population, it does not pursue the issue of chronic poverty.

This paper exploits several statistical results from an analysis of the data from the UNHS to characterize chronic poverty in Uganda. The concept *chronic poverty* has not featured explicitly in the various studies that have sought to shed light on the poverty situation in Uganda. Furthermore, other than the emphasis on the *poorest of the poor*, policy statements on poverty are silent on chronic poverty. This is not surprising given that at the beginning of the 1990s well over 50% of Ugandans could not meet the basic needs of life, and were therefore categorized as poor. It was therefore prudent that poverty reduction programs addressed poverty in totality.

3 Measuring welfare in Uganda

Previous analysis of the Ugandan household survey data to monitor changes in living standards has relied on household consumption expenditure as a measure of welfare. Our overview of income poverty in Uganda will accordingly use consumption expenditure as a proxy for income. In particular, in all calculations that we undertake, and for all the results that we cite that involve a measure of poverty, adjusted household consumption expenditures generated by Appleton (1999) constitute the underlying welfare measure. The adjustments made ensure that the expenditure data reported by households are comparable across surveys, time and geographical regions.

The first set of adjustments was with regard to sampling. All the five surveys that generated the data, the results of which are reported in this paper, used the same sampling frame based on Uganda's 1991 population census to draw nationally representative samples. But because of insecurity, two districts in the north and two in the west of the country were not covered in the 1997 survey. For consistency, the four districts, comprising about 6% of the country's population, were excluded from the analysis.

The consumption expenditure data is measured in 1989 shillings to adjust for intertemporal nominal price changes. The adjustment used the composite national Consumer Price Index (CPI) as the price deflator. Using the national household budget survey data and the 1992/93 integrated household survey data, Appleton (1996) shows that the deflator derived from the survey data largely corroborated the CPI. Appleton (1999) used monthly or annual average of CPI in accordance with whether the reference period for a given expenditure item was "the last 30 days" or "the last one year."

Because food prices vary markedly between regions, especially between urban and rural areas, unit values of purchases of major food items were used to construct rural/urban regional food price indices for each survey, which were, in turn, used to adjust the consumption expenditure data for spatial price variation. Non-food prices were assumed to be constant across regions.

After carrying out the major adjustments outlined above, Appleton (1999) applied the WHO's adult equivalent scales to generate household consumption expenditure per adult equivalent as the welfare measure for generating the widely quoted Uganda poverty trend statistics. For grossing up purposes, the adult equivalent household size was multiplied by the household survey weight to obtain estimates of various poverty statistics for the Ugandan population.

The Uganda income poverty lines were derived using the common method of costing a basket of basic needs (basic food and non-food needs of the poor). In the context of the Uganda income poverty lines, the basic needs approach can be described as follows.

One of the first steps in the calculation of a poverty line via the basic needs approach is the adoption of a WHO food energy requirement for a given age group by sex. For the Uganda poverty lines, Appleton does not control for variation in energy requirement by sex. He uses WHO's adult male ($18 \le age \le 30$) energy requirement to calculate the value of the per-adult-equivalent daily calorie intake. Using the household consumption expenditure per adult equivalent, together with the cost of meeting the required per-adult-equivalent daily calorie intake (3000 calories per day) as the food poverty line, the non-food basic needs are inferred and the total poverty line is computed. Households are then categorized as poor or non-poor depending on whether their total consumption per adult equivalent is below or above the total poverty line.

Because of the absence of some prior meaningfully derived poverty line for Uganda, Appleton ranks households by their consumption per adult equivalent and identifies 28 major food items that are consumed by the poorest 50% to serve as the reference food basket. Because the food items were reported in various measurement units, Appleton focuses on observations with metric measurements to obtain the unit value in the respective metric measurement (reported value divided by reported quantity). Appleton then gets the median unit value in the respective metric unit, and converts the median unit values into per-kilogram unit values (adopted as the per-kilogram price now). A new set of quantities consumed is then generated by dividing each reported quantity (converted to kilogram) by the per-kilogram price. Finally, the mean daily quantity consumed of each item per person in the household is calculated and multiplied with the corresponding calorific value per kilogram times a scientifically determined retention rate to get the corresponding number of calories taken per person per day by the poorest 50%. The ratio of this number of calories to the WHO recommended 3000 calories is then used to scale the reference food basket in order to get the respective quantities required to provide 3000 calories. The total cost of the resulting food basket (where items are consumed in the same proportion as in the reference food basket) is then obtained and adopted as the food poverty line.

Using a standard procedure, the non-food requirements are derived using the food poverty line. Basically, the non-food expenditure of those households whose total expenditure is equal to the food poverty line is considered to be an expenditure towards meeting other basic needs since at their level of welfare, spending on non-food items occurs at the expense of food energy requirements. In brief, the process of obtaining non-food requirements involves regressing the share of food in household total expenditure on the log of the ratio of consumption expenditure per adult equivalent to the food poverty line, relevant location dummies, and the basic demographic characteristics. The estimated equation is then evaluated at the value of consumption expenditure per adult equivalent equaling the food poverty line (that is, to deal with those on the food poverty line only). The share of non-food expenditure for those on the poverty line is therefore obtained and the total poverty line for a given location calculated. As already alluded to, this method allows for the derivation of location specific poverty lines corresponding to the location dummies included in the regression equation. The justification for adopting the regional poverty lines is that the estimated food share (evaluated at the food poverty line) is significantly different between rural and urban areas.

4 Groups liable to experience chronic poverty

The chronically poor are those who have experience poverty intensely in the severity or persistence sense. For purposes of this paper as a contribution to the work at Chronic Poverty Research Center, the chronically poor are those who either experience extended duration of poverty, or those who benefit the least and/or suffer most from contemporary development policies and practices, and for whom emergence from poverty is most difficult (Hulme and Sheperd, 2001). In this section we highlight some broad categories of the people who are most likely to fall within the chronic poverty brackets.

4.1 People affected by emergency

Groups in this category include refugees, internally displaced people (IDPs), abducted children and people affected by drought. As of November 2000, there were 1,020,175 people affected by emergency in Uganda, more than double the number in November 1998. Of these, the largest group was IDPs who numbered 610,240. Pockets of insecurity have continued to prevail in the Northern and Western parts of Uganda, and have resulted in increasing numbers of people having to flee their homes. The war in the North against the Lord’s Resistance Army (LRA) rebels has been going on for more than ten years. Insurgency in the west has been prevalent since 1996, and has displaced up to 200,000 people, 80% of whom are living in refugee camps. The cattle rustling problem in the Northern and Eastern parts of the country has worsened since 1997, with the Karamojong acquiring more weapons and re-engaging in armed conflict with other nomadic tribes from neighbouring Kenya. The resulting insecurity has been detrimental to development in the affected areas.

Internally displaced people are vulnerable to poverty and disease. The camps in which they are put for protection are usually meant to be temporary settlements, and more often than not, are overcrowded, with poor sanitary and habitual conditions. Displaced people can easily fall into chronic poverty. Even if they eventually return to their homes, they may find that their livelihoods and property have been destroyed, and they do not have the ability or the means with rebuild their lives.

4.2 Vulnerable groups

The term vulnerable group is used here to describe those who largely do not participate in making decisions that impact on their welfare. Women are considered part of this group because in most cases, they do not own assets like land, and are therefore not economically empowered. Because of the patriarchal system of inheritance, they are greatly disadvantaged and cannot easily lift themselves out of poverty. Their lack of access to assets, especially physical and financial capital, is a major reason for their continued vulnerability. This lack of ownership is further enhanced by their further lack of influence over household income.

Children and the elderly are rendered vulnerable by their age, while the disabled are vulnerable because of their disability. A particularly vulnerable sub-group of children are orphans. There are a large number of AIDS orphans in Uganda. These children are particularly vulnerable to chronic poverty, because their chances of going to school, and accessing health care are marginalised by their lack of a guardian. Orphans have greater chances of ending up as street children, or engaging in prostitution and other illegal activity as a means of survival. Apart from AIDS orphans, a large number of children have lost parents as a result of civil conflict. Children themselves have been abducted by rebels, or have found themselves displaced by war. All these factors have contributed towards making them increasingly vulnerable.

According to UPPAP[1] consultations, the poor constitute women, especially widows, male youths, households that comprise large families, casual labourers, orphans, people with disabilities and the infirm. This is especially true of widows and divorcees. The 1998 Uganda Human Development Report states that if poverty in Uganda had a human face, it would belong to a woman, a child or a refugee. Generally, poor people in Uganda are most likely to be women, children, disabled or refugees, living in the northern or eastern parts of the country, and involved in subsistence farming. The heads of poor households, more often than not, are unemployed. Furthermore, these households lack assets, and access to basic services.

Isolated communities constitute a unique vulnerable group in Uganda. A case in point is the Batwa, a small tribe in southwestern Uganda. They have limited resources and no access to social services. According to UPPAP findings, they depend on begging as a form of livelihood. Traditionally, they were forest dwellers, but they were evicted from

[1] Uganda Participatory Poverty Assessment Project.

their forest home because it is a game reserve. Therefore, they do not have land, they do not cultivate and they do not have permanent homes. They are resigned to their situation, and are despised by other tribes in the region.

People living in areas that are susceptible to natural disasters, like earthquakes and landslides, are also vulnerable to chronic poverty. These include the Western Rift Valley, which covers the districts of Kasese, Bundibugyo and Fort Portal, as well as the mountainous areas of Eastern Uganda, around the districts of Mbale and Sironko. Their homes are always at risk, and they live in a permanent state of anxiety not knowing when another emergency will strike. Consequently, they are unable to plan ahead, or engage in any long-term development activity.

4.3 The Disabled

According to the 1991 Population and Housing National Census, there were 190,345 persons with disabilities (PWDs) in Uganda at that time, of which 6% lived in urban areas. At least 50% of the PWDs had never been to school. Only 4.6% had received secondary and tertiary education, while 3.8% had received vocational training. Currently, people with disabilities are estimated to be 10% of the population. [2] Since 1991, no comprehensive national census has been carried out.

An undeniable link exists between poverty and disability. The discrimination and marginalisation that accompanies disability denies the disabled equal access to opportunities for development. The low level of education among PWDs heightens their vulnerability and enhances their dependence on others, because without any training they are unable to engage in income generating activities and sustain themselves.

5 Causes of poverty

The conventional definition of poverty, which is in the light of the above-specified measure of welfare, pertains to the inability of people to meet the basic needs of life. The use of participatory research methods, however, reveals that there is more to poverty than just the lack of income to meet the basic requirements of life. Precisely, poverty is now known to be a highly multidimensional phenomenon that includes powerlessness in the sense of insecurity, helplessness against corruption in public service delivery, general exploitation by service providers, vulnerability to natural and economic shocks, and isolation from the larger society and other socioeconomic infrastructure. In this regard, the World Development Report 2000/2001 identifies institutional, social, economic and human factors as the major causes of poverty. In this section we discuss these and other factors in the Ugandan context.

An effective institutional framework is necessary to achieve sustainable economic growth and poverty alleviation. If, for example, the rules of the political game in parliament, the legislation made by parliament, and the socioeconomic structure of the country are to a large extent not complementary, then the full impact of a good poverty-reducing policy will not be realized. In other words, institutional failure could mean that the social creation for guiding the working of a development strategy can not effectively deliver the basic social services such as education and health, and can neither provide

[2] Government's Poverty Eradication Action Plan, Page 98.

an enabling economy-wide growth environment nor can it deliver production inputs or facilitate market-oriented distribution of economic goods and services. In this situation, the ability of the poor to increase incomes and improve their quality of life is severely constrained.

In the current Ugandan context, the national goal of reducing poverty to 10% of the population by the year 2017 by increasing peoples' incomes, mainly through agricultural modernization may be elusive if, among other factors, agricultural land markets are not sufficiently developed. The development of a land market is indeed governed by a land policy that is backed by a land legislation that is easy to implement at low cost. If Uganda's land legislation does not ensure secure land access and ownership rights for the primary producers, women, then the returns to income-increasing land-based activities will be sub-optimal.

Starting from a low level of human and economic development, a sub-section of a society may lag behind and slide into relative poverty during growth unless there is the political will to undertake appropriate social spending programs. In other words, relative poverty may result if there are no public expenditure systems that identify vulnerable groups in the population to whom to deliver adequate and well-targeted safety net programs. A widely held view – derived from analytical and empirical findings[3] - is that initial economic inequality, whether by gender, ethnicity or race, is a major determinant of movements into or out of poverty. This implies that the initial level of assets that individual economic agents started with at the onset of the reforms that have been implemented in Uganda, have to be addressed if welfare inequality is to be reduced in a sustainable way.

Lack of human and technical skills to exploit available income generating and life improving opportunities are both a cause and symptom of poverty. With the bulk of Uganda's population in the subsistence sector utilizing unskilled labor, it is essential that for growth to be pro-poor it should focus on labor-intensive techniques. But labor-intensive production of goods and services in today's competitive world requires that the abundant labor be abundant in skills. Inability to access and process information about available income generating and life improving opportunities is a major constraint to poverty reduction.

Lack of affordable comprehensive insurance mechanisms to enable people to ward off economic, health and other related shocks, can lead to slippage into poverty at the occurrence of any such shocks. Vulnerability to shocks can therefore be a cause or symptom of poverty. In Uganda there are no effective state operated safety nets as mechanisms for mitigating risks of natural and man-made disasters. Furthermore, vulnerability and poverty per se can be exacerbated and perpetuated by insecurity of life and property. This is particularly important in the Ugandan context where the post-independence era has been characterized by civil strife and political instability. The violent political changes and the guerilla wars that plagued the post-independence Uganda have deprived many households of able-bodied persons and caused severe problems associated with internal displacement of people.[4]

[3] The role of household assets for household agricultural productivity and participation in the credit market is explored in detail by Deininger and Okidi (2001).

For most of the nineties, Uganda was one of the leading countries in terms of the incidence and infection rate of HIV/AIDS. As a result of relentless pursuit of awareness campaigns that drew support and participation from the entire political and civil fabrics of the country, Uganda became a leader in containing the rate of spread of the disease. The infection rate of HIV has been reduced from 10 to 8.3 percent between 1996 and 2000. But the country's success rate could misleadingly result in complacency, something that should not arise given that about 10% of Ugandan adults are HIV-infected. Furthermore, current statistics show that about 12% of deaths in the country are due to HIV/AIDS – surpassing malaria as the leading cause of death within the age group of 15 to 49 years of age. United Nations agency for HIV/AIDS (UNAIDS) estimated that by the end of 1999, there were about 1.7 million children, under the age of 15 years, with a mother or both parents having died of AIDS.[5]

The AIDS scourge can result in disproportionate reallocation of household resources away from consumption to health. In some cases households may have to liquidate their assets to finance the health care costs of AIDS patients. In sections of the society where collective support is given to community members, such social capital becomes overstretched. As a consequent of all this, the production base of households and communities is eroded, resulting in a decline in welfare for a long period of time.

Cultural traditions and practices in some communities deter development through their advocacy for the dominance of male over female in all aspects of life, including nutrition and ownership. In some cultures, women are not allowed to eat certain foods, and spousal co-ownership of land continues to be a contentious issue. The marginalization of women is detrimental to development because women are the primary agents of production and reproduction. The contribution of women in economic production is also undermined by their lack of definitive access and ownership rights to land. Clan conflicts, cattle raids, and armed conflicts fuelled by cultural prejudices continue to exacerbate poverty in Uganda. A pertinent example is the Karamojong people of Northeastern Uganda who are traditional cattle rustlers. They lead a nomadic life, hence seasonally conflict with all neighboring agricultural communities and have also resisted government efforts to integrate them into the larger Ugandan society.

Land shortages owing to population pressures are a contributing factor to poverty incidence in Uganda. According to the 1995 National Demographic and Health Survey, Uganda's fertility rate is estimated at 6.9. Preliminary estimates from the 2000 DHS results maintain this figure. The negative impact of population pressure on land is especially evident in Southwestern Uganda where the average household land holding is estimated to be two acres. Population pressure and its direct contribution to deforestation and environmental degradation can trap farmers in a vicious state of low productivity and low incomes.

It is widely believed in civil society and non-government organizations that economic reforms in the form of structural adjustment measures adopted in Uganda over the past decade have deteriorated the state of poverty among some households. Where this is

[4] According to the United Nations High Commission for Refugees, there were over 600,000 internally displaced people in Uganda by November 2000.

[5] This information is quoted from the Uganda Status Report, 2001.

true, it could be attributed to the inability of the households to ceased growth opportunities that are associated with the reforms. The downsizing of the civil service in order to streamline government expenditure has had negative social costs, and might have created another category of the poor.

The factors influencing household poverty in Uganda are quite closely related, and it is quite difficult to distinguish between cause and effect. In particular, communities surveyed using the participatory approach expressed difficulties in differentiating between causes and effects of poverty, and in most cases they used the two terms interchangeably. An example given was one of ill health. If one is poor, then one’s health is poor as a result of poor nutrition, and inability to afford medical care. Conversely, if one is sick, then one is not productive, and can therefore not afford good medical treatment or good nutrition.

The above discussions strongly allude to economic growth as a fundamental source of enlightenment and empowerment for poverty alleviation. As it is also illustrated later, the absence of growth, especially in a market-based economy where distributional concerns are not emphasized to about the same level as growth itself, significantly increases the incidence of poverty.

In summary, poverty is caused by lack of incomes and assets to meet basic needs such as food, shelter, clothing, and acceptable levels of health and education. Deficiency in these major factors is usually exacerbated by low macroeconomic growth rates. However, in view of the fact that poverty is quite multi-dimensional and varies from place to place and from society to society, it is important to recognize that one way of investigating causes of poverty is to examine the dimensions highlighted by the poor (World Bank, 2000). Some of the dimensions identified by the poor include voicelessness, isolation and vulnerability, the eradication of which require more of institutional change than just increases in income.

6 Income poverty trends in the 1990s

In the current drive to eradicate poverty in Uganda by the year 2017, the Government of Uganda emphasizes basic needs and provision of services in its definition of poverty, which can be stated as lack of access to basic necessities of life such as food, shelter, clothing and other needs like education and health.

By directly providing public services and by establishing a framework for private sector participation in service provision, the government intends to create an enabling environment for economic agents to build capabilities for raising their standards of living. This effort has paid off during the past decade in the sense that consumption expenditure as a measure of welfare has steadily increased since 1992. Preliminary estimates from the 1999/2000 national household survey data indicate that real consumption per adult equivalent grew by about a third in rural areas and by about one half in urban areas between 1992 and 2000 (Appleton, 2001). Between 1997 and 2000 alone, consumption rose by 22%. But there are three distinct disparities that are worth noting using the 1997/98 and the 1999/2000 survey data. First, the growth was urban biased because there was a 42% increase in real consumption per adult equivalent in urban areas as compared to 15% in rural areas. Second, whereas consumption expenditure for the richest 10% grew by 20%, that of the poorest 10% grew by only 8%.

In urban Uganda, although the welfare gain from the economic reforms of the nineties was more pronounced (37%) among the richest 10%, there was a substantial gain (24%) among the poorest 10% as well. Third, regional imbalance between the North and the rest of the country has persisted at a deteriorating rate as evidenced by the result that it was only in the North where the estimated per capita consumption declined between 1997 and 2000. The picture is expected to have been worse if the war-ravaged northern districts of Gulu and Kitgum were included in the analysis.

According to the income poverty lines developed from the national household survey data, poverty declined from a national average of 56% of Ugandans being unable to meet their basic requirements in 1992 to a corresponding figure of 44% in 1997 (table 1). Although at a much lower rate, the rural areas also registered a decline in the percentage of poor people, from 59% in 1992 to 48% in 1997. In urban areas, poverty declined by about the same percentage points as was observed at the national level – from 28 to 16 percent between 1992 and 1997. On the whole, poverty in Uganda is largely a rural phenomenon, with 96% of the poor found in the rural areas according to the preliminary estimates from the 1999/2000 survey data.

Table 1: Poverty headcount - 1992 to 2000

	1992/93	1993/94	1994/95	1995/96	1997/98	1999/2000
National	55.5	52.2	50.1	48.5	44.0	35.1
Rural	59.4	56.7	54.0	53.0	48.2	39.0
Urban	28.2	20.6	22.3	19.5	16.3	10.1
Central	45.5	35.6	30.5	30.1	27.7	20.1
Eastern	59.2	58.0	64.9	57.5	54.3	37.3
Western	52.8	56.0	50.4	46.7	42.0	28.0
Northern	71.3	69.2	63.5	68.0	58.8	64.8
Central rural	52.8	43.4	35.9	37.1	34.3	25.6
Central urban	21.5	14.2	14.6	14.5	11.5	7.0
Eastern rural	61.1	60.2	66.8	59.4	56.8	39.2
Eastern urban	40.6	30.5	41.5	31.8	24.8	17.4
Western rural	53.8	57.4	51.6	48.3	43.2	29.4
Western urban	29.7	24.9	25.4	16.2	19.9	5.6
Northern rural	72.2	70.9	65.1	70.3	60.7	66.7
Northern urban	52.6	46.2	39.8	39.6	32.6	30.6

Source: Appleton *et al*., 1999, Appleton, 2001

Although inter-regional variation in poverty trends was observed, each of the four regions of the country experienced a decline in poverty during the 1990s. Central region, in which the lowest incidence of poverty was observed in the period 1992 to 1997, experienced the largest decline in the percentage of people living in poverty from 46% in 1992 to 28% in 1997. In the Eastern region, the percentage of people who were unable to meet their basic needs of life declined from 59% in 1992 to 54% in 1997. A similar pattern was observed in the Western region where poverty declined from 53% in 1992 to 42% in 1997. It was the Northern region, which had the highest incidence of poverty and the lowest decline in the percentage of poor people between 1992 and 1997, from 71 to 59 percent. Preliminary estimates from the latest national household survey indicate that poverty headcount in northern Uganda has increased from 60% in 1997 to 65% in 2000.

A disaggregation of the national poverty trend by economic sector indicates huge disparities in the ability of different socioeconomic groups to exploit the economic opportunities created by the stable macroeconomic environment in the country. Of all the major sectors reported by household heads as the main area of economic activity, the food crop sector was found to be the poorest in 1992. Poverty in this sector declined from 64% in 1992 to 58% in 1996.[6] Although cash crop farming was the second poorest sector in 1992, it experienced a substantial decline in poverty from 60% in 1992 to 41% in 1996. In the non-crop agricultural sector there was an observed decline in poverty from 52 to 41 percent over the same period. It was in manufacturing and trade where the greatest proportionate decline in poverty occurred.

These trends in income poverty reveal that the economic reform programs that Uganda embarked on from the beginning of the last decade generated substantial welfare increasing opportunities that enabled a significant fraction of the population to move out of poverty. As will be discussed later, several poverty-oriented programs have been implemented and are continuously modified to facilitate the realization of the country's overall objective of reducing poverty to only 10% of the population by 2017. But without specific measures that target welfare inequality, the full potential of growth-led economic reform programs to reduce poverty will not be achieved as will be illustrated in a later section using estimated elasticity of poverty to growth and distribution.

7 Welfare inequality trends in the 1990s

Having specified the welfare measure that is adopted to characterize poverty using national household survey data, we now review the welfare inequality situation in Uganda drawing from the analysis done by Okidi *et al.* (2000). The analysis applies the Gini index of inequality to the household consumption expenditure per adult equivalent (CPAE), the derivation of which is described in a previous section.

Table 2: Inequality by geographical location

	1992/93 Gini	1993/94 Gini	1994/95 Gini	1995/96 Gini	1996/97 Gini
National	0.3912	0.3946	0.4003	0.4162	0.3842
Rural	0.3450	0.3848	0.3989	0.4154	0.3704
Urban	0.3864	0.3247	0.3261	0.3416	0.3320
Central	0.3933	0.3962	0.3910	0.4151	0.3859
Eastern	0.3650	0.3638	0.3899	0.4134	0.3780
Western	0.3716	0.3745	0.3985	0.3785	0.3597
Norther	0.4023	0.3884	0.3383	0.4027	0.3567

[6] The 1997 data is not decomposable into food and non-food sectors.

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Source: Okidi *et al.*, 2000

The results in table 2 indicates that at the national level welfare inequality increased between 1992 and 1996, before remarkably declining to the 1997 level, which is lower than the 1992 level. However, testing for this change, it is found that the decline is statistically insignificant. This illustrates that although there was a robust and substantial decline in poverty between 1992 and 1997, very little of the poverty improvements could have been due to redistribution. In general, most of the changes in inequality that we report in this section are statistically insignificant. The statistical insignificance of the changes, however, has important interpretation pertaining to the growth and distribution impact of the reform policies and programs that have been implemented in Uganda.

An interesting observation is that inequality rose between 1992 and 1996, a period during which poverty was falling. Given this scenario, the overall inequality decline between 1992 and 1997 was not significantly linked to the changes in poverty levels during that period. These estimates provide a good example of the fact that poverty does not always move in the same direction with welfare inequality. This is corroborated by Appleton's (1999) decomposition analysis of changes in poverty, which shows that the downward trend in poverty in Uganda was largely due to growth rather than distribution. The decomposition results show that growth accounted for 87% of the fall in the headcount index while welfare distribution accounted for only 12% of the poverty reduction.

A number of reasons could be advanced to explain the initial rise and subsequent fall in inequality during a period when the country enjoyed consistent reduction in poverty. First, as already reported, the impressive decline in poverty headcount from 56% in 1992 to 44% in 1997 was largely due to growth rather than progressive changes in distribution of welfare. During this period, government policy focused more on economic growth in the initial stages of the period and less on distribution. Consequently, as the country experienced sustained economic growth between 1992 and 1997, the benefits associated with the growth must have percolated the economic fabrics of the country, leading to significant decline in poverty without necessarily improving the inequality situation, especially in the earlier years of the growth period.

A second possible explanation is that, over the last several years, the donor community and the government of Uganda have increasingly emphasized the poverty orientation of the development strategies of the country,[7] leading to substantial poverty impact of the realized donor-supported growth. As already alluded to, it is plausible to argue that, because the country enjoyed sustained growth, some "trickledown" impact of growth is expected to have resulted in the improvements in the inequality that we observe in the latter part of the period of analysis. This conjecture can be verified by extending the analysis to future survey data.

In general the liberalization policies implemented in Uganda during the 1990s benefited some sectors, for example the coffee sub-sector, much more than others. In addition, disparities in geographical distribution of public goods and services, producer prices, and

[7] See, for example, the World Bank *Uganda Strategy* 1997 document and Asea *et al.* 1999.

private sector investment contributed to the observed rise in inequality via their impact on the capacity of households to exploit economy-wide growth opportunities.

Regionally, it is in northern Uganda where there was a statistically significant fall in welfare inequality (with a calculated *t*-value of 4.58). The movement out of poverty by a large number of people (indicated by a fall in headcount index from 71 to 59 percent), coupled with insecurity-related difficulties that must have stifled substantial economic progress by those with the capacity to do so, could have reduced the welfare gap between the poorer and the better off sections of the population. Stochastic dominance analysis by Okidi *et al.* (2000) also shows that although the welfare level of the non-poor for 1996 dominates the 1992 level, the distribution curve for 1996 and 1997 are completely overlapping. But for the poor, the 1997 welfare clearly dominates that of 1996, which also dominates that of 1992.

Comparing rural and urban populations, Okidi *et al*. (2000) find that there was a statistically significant decline in welfare inequality in urban areas in contrast to the increase that occurred in rural Uganda between 1992 and 1997. This indicates that the growth opportunities that were ushered in by the reforms of the 1990s were utilized much more profitably by the urban population than by the rural people. The coffee boom that occurred during the period of analysis must have also contributed to inequality between the rural-based coffee and non-coffee growers.

Among the poor, inequality decreased by a statistically significant margin between 1992 and 1997 implying that the hard core poor were able to improve their welfare significantly enough to narrow the gap between them and the moderately poor. Further analysis using stochastic dominance method robustly establishes that during the 1992 to 1997 period the welfare of the poorest 20% increased significantly (Okidi *et al.*, 2000). During the same period, inequality among the non-poor increased.

8 Profile of the severely poor: the poorest 20%

On the basis of the definition given in section 4, we could distinguish the chronically poor in Uganda as those who have been rationed out of the market for welfare-improving opportunities that were generated by the economic reforms of the nineties, and have therefore remained below the income poverty line for several consecutive years. Even in the absence of results from panel data analysis, which is presumably the best approach to identifying those who are chronically poor in the duration sense, one can still explore the state of chronic poverty in Uganda (in the severity sense) by profiling the poorest 20% using cross-sectional household survey data. The rational for using the poorest 20% as a proxy for the chronically poor is that, from 1993 to 1996, they did not experience noticeable improvements in living standards; furthermore, the poorest got poorer (Appleton, 1999). Precisely, consumption per adult equivalent at the bottom decile was 4% lower in 1995/96 than in 1993/94 while for the second lowest decile, living standards were essentially unchanged during this period.[8]

According to the poverty profile generated by the Uganda Ministry of Finance, Planning and Economic Development, using the 1997 household survey data, children, elderly women, and people in large households form the majority of the chronically poor.

[8] In the next section we use panel households to provide an alternative characterization of chronic poverty.

Children constitute 59% of the people living in chronic poverty – the largest group of the chronically poor. The Poverty Profile report by the Ministry also notes that the poorest 20% in urban areas is constituted by a large number of elderly women. About 54% of the chronically poor have household sizes ranging from six to nine people. Exceptional statistics in this regard are for Eastern Uganda, where 62% of the poorest households were observed to have household sizes of more than ten people.

The majority (76%) of the chronically poor work in the agricultural sector. Nevertheless, chronic poverty is not uniformly agricultural across regions. But it is true that the majority of people who reside in rural areas are engaged in agricultural as the main economic activity. Furthermore, it is a fact that poverty in Uganda is predominantly a rural phenomenon. In addition, the majority of the poor people who are engaged in agriculture are women.

The incidence of chronic poverty in agriculture is not uniform across regions. In the Northern and Central regions of the country, a large proportion of the poorest 20% are service workers. In terms of employment status, it is observed that the urban chronic poor suffer from under-employment by thrice as much as their rural counterparts. With regard to shares of total expenditure it is found that a large proportion (63%) of total expenditure of the poorest 20% is on food.

Illiteracy levels in Uganda are generally high, with nearly 40% of the population being unable to read and write. This is especially evident among the poorest 20% of the population. The chronic poor in the rural areas suffer higher levels (51%) of illiteracy than those in the urban areas (33%). Worth noting also is the fact that women constitute the majority of illiterate adults, with the number of illiterate women in both urban and rural areas being double that of men.

Although the majority (79%) of Ugandans own the dwellings in which they live, the ownership of one's dwelling increases with poverty. This is evident in the finding that 95% of the chronically poor were homeowners in 1997. In fact, 65% of the non-poor in the urban areas lived in rented homes in 1997. However, the quality of the dwellings of the poor is very low. About 25% of rural households live in huts, while 13% live in tenements[9]. With regard to the poorest 20%, 46% lived in huts. Moreover, the largest proportion of this comprised of households headed by women.

These results imply that a high dependency ratio, coupled with low economic welfare, will necessitate some external impetus in order that a significant fraction of the chronically poor can be move out of poverty.

9 Poverty dynamics, 1992 to 1996 – panel data evidence

To get a better understanding of the evolution of poverty over a given period, it is crucial that we track the poverty status of the same households across time. To do this, a panel household data set is required. In Uganda a lot of effort has been made to generate, on an annual basis, a nationally as well as regionally representative series of household survey data with a strong panel element.

[9] Tenements are the most common housing units for letting, especially in urban areas. They are usually one roomed, with communal external plumbing facilities catering for up to ten people.

In this section we exploit the data on a panel of households that were surveyed in both 1992 and 1996 in order to shed light on the dynamics of poverty in Uganda during the nineties. In particular, we use a total of 818 households that were covered in the surveys conducted in 1992 and 1996.[10] Half of the analysis in this section is based on sub-categorization of poor households according to the deviation of their consumption expenditure from the income poverty line. The other half relies on the poverty status of households in 1992 and traces their movements into and out of poverty over the period 1992 to 1996.

9.1 Poverty dynamics by percentage deviation below poverty line

Using simple mean calculation we find that 44% of the 818 panel households were categorized as poor in 1992. This percentage fell to 34% in 1996.[11] Table 3 presents descriptive statistics on the 1996 poverty status of households whose consumption expenditure were below the 1992 poverty line by a given percentage deviation.[12] The results in the table show that 46% of the panel households that were poor in 1992 were able to move out of poverty by 1996, implying that the majority (54%) remained in poverty over this period of four years. The distribution of movement out of poverty was distinctly in favor of the households closer to the poverty line.[13] Of the panel households whose 1992 consumption expenditures were within five percentage points below the poverty line, 68% had moved out of poverty by 1996. This is in sharp contrast with the corresponding figure of 31% for those households whose 1992 consumption expenditures were at least 50% below the poverty line.

To provide further insights on the dynamics of poverty among the panel households, we generate simple indications about how far above the poverty line the movers went. As presented in table 3, the movers are categorized into those whose welfare improved to within or beyond 50% above the poverty line in 1996. Although we can make inference that the nearer a poor household is to the poverty line the higher the probability of moving out of poverty, the degree to which the welfare of the movers improves beyond the poverty line does not seem to be related to how far below the poverty line the household was in 1992. For example, of the households whose welfare was at least 45% below the poverty line in 1992 but moved out of poverty by 1996, half of them moved beyond the 50th percentile above the poverty line. Nevertheless, the majority of

[10] An important of our future work on chronic poverty in Uganda will comprise an extension of the panel analysis to the 1999/2000 national household survey data. The analysis will take advantage of the more than 1,000 households that were interviewed both in 1992/93 and 1999/2000.

[11] The national estimates of the incidence of poverty using weighted cross-sectional data indicate that, respectively, 56% and 49% of Ugandans were below the consumption poverty line in 1992 and 1996. The authors would like to caution the reader that for the panel households all statistics generated are unweighted estimates. The challenge of constructing weights for panel households was unresolved.

[12] In all similar tables there are two rows of figures corresponding to the row title. Numbers in the first row represent the row sums and those in the second row represent the row percentages.

[13] This indicates that although poor households are not the same over time, the further below the poverty line a household is, the more difficult it is for the household to move out of poverty, hence the poorest 20% of the population is an appropriate representation of chronic poverty, both in the severity and duration aspects.

those who moved out of poverty could not increase their consumption expenditure beyond the 50th percentile.

Table 3: Poverty dynamics of households that were within a given deviation below poverty line in 1992

Deviation from Poverty line in 1992	**Poverty status in 1996…**				
	Moved out*			***Remained poor***	***Total***
	< 50%	*>= 50%*	*Total*		
	15	4	19	9	28
<= 5%	53.53	14.29	67.86	32.14	7.87
	10	11	21	8	29
5 – 10%	34.49	37.93	72.41	27.59	8.15
	9	6	15	14	29
10 – 15%	31.04	20.69	51.72	48.28	8.15
	8	3	11	12	23
15 – 20%	34.80	13.04	47.83	52.17	6.46
	2	7	9	11	20
20 – 25%	1.00	35.00	45.00	55.00	5.62
	10	4	14	11	25
25 – 30%	28.00	16.00	56.00	44.00	7.02
	7	6	13	14	27
30 – 35%	25.91	22.22	48.15	51.85	7.58
	9	8	17	16	33
35 – 40%	27.27	24.24	51.52	48.48	9.27
	8	3	11	21	32
40 – 45%	25.03	9.38	34.38	65.63	8.99
	4	4	8	18	26
45 – 50%	15.40	15.38	30.77	69.23	7.30
	13	13	26	58	84
>= 50%	15.47	15.48	30.95	69.05	23.6
	95	69	164	192	356
Total	26.69	19.38	46.07	53.93	100

Source: Authors' calculation from 1992, 1996 two year panel household data

Note: Household consumption expenditure per adult equivalent and poverty lines are Appleton's (1999) calculations

****** The range < 50% and >= 50% indicate whether 1996 consumption expenditure is within or beyond 50% above the poverty line

9.2 Poverty dynamics by location

In this sub-section, the initial poverty status of households (poor or non-poor) in 1992 is used to provide a picture of the incidence of chronic poverty in Uganda during the nineties. In particular, we estimate the distribution (by rural/urban and regional groupings) of whether or not a household was observed as poor in 1996 given that it was either poor or non-poor in 1992. Table 4 presents the descriptive statistics of this movement into and out of poverty by location In addition we discuss some region-specific characteristics that have contributed to the existing distribution of poverty. We also compare results on regional distributions using different poverty measures.

The fact that poverty is largely a rural phenomenon in Uganda is also vividly reflected in the sub-sample of panel households. In 1992 52% of the rural-based panel households were below the consumption poverty line as compared to a corresponding figure of 32% in the urban areas. The poverty dynamics between 1992 and 1996 were also in favor of urban households. Whereas 61% of the urban households that were poor in 1992 moved out of poverty by 1996, only 39% of rural households were out of poverty over the same period, leaving a large proportion (61%) in a state of chronic poverty.

The significant positive trends in poverty in Uganda are also captured in table 4. It is observed that well over 60% of the households that were non-poor in 1992 were able to retain their non-poverty status by 1996. Nevertheless, the urban bias of the poverty trends is quite phenomenally reflected in the results that during 1992 to 1996 86% of the urban households as compared to 66% of the rural households were able to maintain their consumption expenditures at a level that was greater than the corresponding poverty line.

Another aspect of poverty dynamics that is very important for antipoverty policy interventions is its regional distribution. Table 4 provides additional information that corroborates the common knowledge that Northern Uganda is far behind other regions of the country in terms of the extent to which poverty has declined during the past decade.

In the Northern region 58% of the households whose consumption expenditures were above the respective poverty lines in 1992 were observed to have maintained that status in 1996. Although substantial, this proportion is much lower than the corresponding figures of 82% in Western, 81% in Central and 74% in Eastern. In other words, 42% of the households in the Northern region were incapable of maintaining their consumption expenditures above the poverty line and therefore plunged into poverty between 1992 and 1996. An alternative way of looking at the regional differences in the dynamics of poverty is by computing the regional statistics of movement out of poverty. In Northern, only 27% of the households that were poor in 1992 had moved out of poverty by 1996, a figure much lower than the 37% in Eastern, 60% in Western and 63% in Central.

Table 4: Movement into and out of poverty by location, 1992 – 1996

	Rural			Urban			Central			Eastern			Northern			Western		
	Non-poor 96	Poor 96	Total	**Non-poor 96**	**Poor 96**	Total	**Non-poor 96**	**Poor 96**	Total	**Non-poor 96**	**Poor 96**	Total	**Non-poor 96**	**Poor 96**	Total	**Non-poor 96**	**Poor 96**	Total
Non-poor	152	79	231	198	33	231	106	25	131	85	30	115	45	32	77	114	25	139
in 1992	65.80	34.20	48.33	85.71	14.29	67.94	80.92	19.08	64.53	73.91	26.09	54.25	58.44	41.56	46.67	82.01	17.99	58.40
Poor	97	150	247	67	42	109	45	27	72	36	61	97	24	64	88	59	40	99
in 1992	39.27	60.73	51.67	61.47	38.53	32.06	62.50	37.50	35.47	37.11	62.89	45.75	27.27	72.73	53.33	59.60	40.40	41.60
	249	229	478	265	75	340	151	52	203	121	91	212	69	96	165	173	65	238
Total	52.09	47.91	100	77.94	22.06	100	74.38	25.62	100	57.08	42.92	100	41.82	58.18	100	72.69	27.31	100

Source: Authors' calculation from 1992, 1996 two year panel household data

Note: Household consumption expenditure per adult equivalent and poverty lines are Appleton's (1999) calculations

Regional Human Development Index (HDI) trends as documented in the 2000 Uganda Human Development Report (UHDR) published by UNDP confirm the existing regional disparities as evidenced by the literature on poverty in Uganda. Urban HDIs are generally higher than rural ones. Kampala has the highest HDI of 0.652, while Moroto has the lowest of 0.237. The district with the highest HDI in the Northern region is Apac, with a value of 0.494. This is the lowest of the highest districts in each region – Kampala for Central (0.652), Kibaale for Western (0.627) and Jinja for Eastern (0.56). Districts in the North constitute seven of the poorest ten districts when ranked according to the HDI.

Similarly, the Human Poverty Index (HPI) confirms the same trends. The HPI is another index formulated by UNDP that aggregates longevity, knowledge and a decent standard of living through measuring life expectancy, illiteracy and economic provisioning. It ranges from 0 to 100, with 0 indicating no human poverty and 100 depicting total deprivation. As shown in table 5, the North has the highest HPI, while the Central Region has the lowest.

Table 5: Distribution of Human Poverty Index by Rural/ Urban, and by Region

REGION	Rural	Urban	Central	Eastern	Northern	Western
REGIONAL HPI	36.9	19.8	29.1	33.9	39.4	36.3

Source: Uganda Human Development Report 2000.

The indication from the descriptive results above is that there are some location-specific factors that need to be addressed using targeted intervention programs. Programs such as the social fund for the reconstruction of the Northern region and the equalization grants for local governments are therefore crucial for tackling the distributional concerns regarding the growth-led poverty reduction strategy of the country. Below, we examine some of the unique characteristics of Northern Uganda that have contributed to persistent and growing poverty in that region.

9.3 Persistence of poverty by location

In this sub-section we carry out further analysis by tracking the changes in the poverty status of a total of 344 households that were observed in each of the four years from 1992/93 to 1995/1996. Table 6 presents descriptive statistics for regional and rural/urban distribution of poverty persistence over the four-year period.[14] According to the results, a household is said to have experienced persistent poverty, and is therefore chronically poor, if its consumption expenditure was below the absolute poverty line in each of the four years of analysis. Otherwise, the household was either non-poor throughout the four years or zigzagged into and out of poverty from one year to another.

[14] The term persistence is used here to refer to chronic poverty as defined in terms of duration of stay in income poverty.

According to the results in table 6, 13% of the 344 panel households were poor throughout the four years from 1992/93 to 1995/96. Over the same period, 30% of the panel households were non-poor, while 57% moved into and out of poverty from one year to another. Of the households that were poor throughout the four years a staggering 82% were in rural areas. By contrast, the poverty trend was quite positive in urban areas, where 61% of the households that were non-poor across the four years were found.

Looking at the distribution of persistent poverty by region we find that the majority (41%) of those who experienced persistent poverty from 1992 to 1996 were in Eastern followed by Northern (30%). However, for those who were continuously non-poor the smallest proportion (17%) comprised of Northern households while the largest proportion (34%) consisted of households from Central.

The spatial distribution of the persistence of poverty overtime provides another perspective for assessing the extent to which poverty is entrenched in different parts of Uganda. Once again, it is clear that the distribution of (chronic) poverty is heavily biased against rural areas. However, the finding that the majority of the panel households had mixed status (moved into and out) of poverty suggests that vulnerability (the risk of slipping back into poverty) is reasonably high for a significant number of households.

Table 6: Distribution of persistent poverty

	Rural	**Urban**	Total	**Central**	**Eastern**	**Norther**	**Western**	Total
Poor all	36	8	44	2	18	13	11	44
four years	81.82	18.18	12.79	4.55	40.91	29.55	25.00	12.79
Non-poor all	40	63	103	35	23	17	28	103
four years	38.83	61.17	29.94	33.98	22.33	16.50	27.18	29.94
Mixed	122	75	197	53	68	33	43	197
status	61.93	38.07	57.27	26.90	34.52	16.75	21.83	57.27
Total	198	146	344	90	109	63	82	344
	57.56	42.44	100.00	26.16	31.69	18.31	23.84	100.00

Source: Authors' calculation from 1992/93 to 1995/1996 four year panel household data
Note: Household consumption expenditure per adult equivalent and poverty lines are Appleton's (1999) calculations

9.4 Persistence of poverty in Northern Uganda[15]

Although the rest of Uganda has recorded consistent reductions in poverty, from 1992 to date, Northern Uganda continues to lag behind on this front. Poverty in the North rose by 6% between 1997 and 2000, from 60% to 66%. This trend was especially manifested in the rural areas of the Northern region.

9.4.1 Historical context

The reasons for this are many and complex, dating back to pre-colonial times. Northern Uganda, by virtue of the nature of its soils and its climate, was disadvantaged from the very start, compared to other regions. Although it has pockets of fertile soils, most of it is semi-arid and therefore prone to drought spells. Secondly, the human resource in this region was plundered during the slave trade from both Southern Sudan, and coastal slave traders who came through Southern Uganda. Population density (38 persons/ Sq. Km^2) is very low as compared to the national average of 85 persons/ Km^2. This varies within the region, with parts like Kotido and Moroto that are inhabited by nomadic people having densities as low as 12 – 15 persons/ Km^2. Furthermore, a significant proportion of the population in some areas comprises internally displaced person. In Adjumani, refugees constitute 39.5% of the population.

During colonial times, Northern Uganda was a major source of labor for the plantations in the South. The south therefore grew and developed at the expense of other regions in the country. Although this trend was later discontinued in the 1920s, with Northern farmers being encouraged to grow cotton and tobacco, the stage for uneven development had been set. The late introduction of the cash economy and promotion of the North as a labor reservoir in the pre and early post-colonial period led to its early marginalisation.

The situation was further exacerbated by army recruitment policies that stipulated a height requirement of 6 feet and above. The people in the North are taller than the average Ugandan, and therefore constituted the majority of the recruits. This had an adverse effect on their education and development prospects, and shaped a mentality that considered military might as crucial. The take over of government by the NRM in 1986 caused a shift in the regional composition of the army. Owing to this and other reasons, rebel groups opposing the NRM went to the bush and began a guerrilla struggle that has gone on since 1987. This has caused further deterioration to the development of an already marginalized and disadvantaged region.

9.4.2 The Karamoja region

This region comprises two districts in the North Eastern part of the country – Kotido and Moroto. The people are a warrior community. They engage in frequent inter – tribal clashes, characterized by raids and cattle rustling, with similar communities across the border in Kenya and Sudan. This region is the poorest in the whole country. It is semi-arid, with rainfall averaging 600mm per annum, and subject to frequent drought. Historically, this region was isolated and not treated like the rest of the country. The

[15] This section draws heavily on Discussion Paper No.5, “Challenges and Prospects for Poverty Reduction in Northern Uganda”, a Ministry of Finance publication.

colonialists gazetted large parts of it as game parks and reserves. As late as the 1950s, people who wanted to enter Karamoja from other parts of the country required permits to do so.

Livelihoods in this area are dependent on cattle grazing, an activity that brings the people into regular conflict with their neighbours over access to natural resources like land and water. When Idi Amin was overthrown in 1979, soldiers abandoned the barracks in Moroto, and left a large number of guns and ammunition in the hands of the Karomojong. Since then, nearby war zones like Southern Sudan continue to be a steady and relatively cheap source of arms replenishment. Consequently, neighboring districts continue to suffer at the hands of armed and marauding Karomojong warriors in search of cattle.

Owing to the nature of livelihoods in Karamoja, the delivery of basic social services has proved to be difficult and expensive. Communities are constantly on the move in search of pasture and water. This has had an adverse effect on school attendance, because children, especially the boys, play a significant role in cattle keeping. Efforts at providing health care and extension services have also met with limited success. Cultural biases have also served to worsen the situation. The Karomojong for a long time were suspicious of education. They viewed it as a western threat to their traditional way of life. Girls were especially victims of cultural norms because they were expected to marry young, and so could not go to school, but had to stay at home and learn how to look after a home.

9.4.3 Overall picture

The poverty picture for the Northern region in general is grim. Today, almost half of the poorest 20% (44.3%) of the entire population live in the Northern region, while only 5% of the richest 20% are in the same area. Illiteracy rates in the region are high, especially among Karomojong women. Health indicators are poor, with the main causes of morbidity and mortality being largely curable and preventable diseases. The level of human development in the region is generally low.

Although historical reasons are a large part of the explanation of the status quo, the worsening situation between 1996 and 1999/2000 as evidenced by the household data can be explained by a number of other factors, all of which are related to or result from insecurity. Continued civil conflict and cattle rustling have led to worsening levels of welfare. Other reasons are the climatic and environmental conditions, and low agricultural productivity, which partly results from the first two reasons, although it may be due to other contributory factors. Poor service delivery, poor existing economic and social infrastructure, insufficient resources, lack of employment opportunities, access to credit and the land tenure system are also part of the problem.

Poverty in this region has worsened against a backdrop of historical inequality and cultural values. Addressing the issue of why people in the North are poor, and continue to be poor would require designing a strategy that individually examines causes and effects, while appreciating the linkages between the two. This would be a major resource challenge. An alternative option would be strategic intervention in a few areas that would have significant positive multiplier and re-distributive effects.

9.5 Persistence of poverty by main sector of economic activity

In table 7 we present the distribution of poverty persistence by main sector of economic activity of the head of household. People who maintained self-employment in agriculture as the main economic activity headed more than 70% of the households that were poor throughout the four years. Neither the households that were formally employed (either in agricultural or non-agricultural sector) nor those that were self-employed in non-agricultural sectors experienced persistent poverty between 1992 and 1996.

Of the 103 panel households that were non-poor in each of the four years, the majority (35%) changed sectors of main economic activity during the four years. Interestingly, a large number (42%) of the households that experienced changes in their poverty status also changed sectors of main economic activity.[16] A similar proportion (43%) of the households that wriggled into and out of poverty were in agricultural self-employment throughout the four years.

These results strongly suggest that self-employment in agriculture is not only the main source of livelihood but it is also one of the major characteristics of the chronically poor. Changing sectors of main economic activities, presumably in line with changing opportunities in the economy, contributes to poverty alleviation but it is also likely to be associated with the risk of zigzagging into and out of poverty.[17]

[16] In future analysis we shall disaggregate “mixed status” into those who moved into and out of poverty in order to provide a clearer univariate relationship between poverty dynamics and sectoral shifts.
[17] See Deininger and Okidi (2001) for detailed analysis of household enterprise startups in non-farm sectors.

Table 7: Poverty persistence and inter-sectoral shifts

	Main economic activity maintained throughout the four years				Changed sectors	Total
	Agricultural self-employment	Non-agricultural self-employment	Non-agricultural employment	Agricultural employment		
Poor all four years	31 70.45	0 0.00	0 0.00	0 0.00	13 29.55	44 12.79
Non-poor all four years	18 17.48	26 25.24	22 21.36	1 0.97	36 34.95	103 29.94
Mixed status	84 42.64	16 8.12	15 7.61	0 0.00	82 41.62	197 57.27
Total	133 38.66	42 12.21	37 10.76	1 0.29	131 38.08	344 100.00

Source: Authors' calculation from 1992/93 to 1995/1996 four year panel household data
Note: Household consumption expenditure per adult equivalent and poverty lines are Appleton's (1999) calculations

10 Uganda's antipoverty framework: PEAP

In 1997, the Government of Uganda launched a Poverty Eradication Action Plan (PEAP) as the national policy framework for medium term growth and development. The development of the PEAP was a consultative process that involved policymakers, donors, non-governmental organizations, and civil society. The development and implementation of the PEAP are guided by the dynamic principles of feedback mechanism and time-consistency. In other words, progress in achieving the goals in the PEAP are closely monitored and regularly revised in order to update it in a manner that reflects and accommodates changing socioeconomic trends, priorities and achievements in the fight against poverty. In this regard, the 1997 PEAP was revised in March 2000.

The main features of the PEAP are its four fundamental goals:
- Creating a framework for economic growth and transformation;
- Ensuring good governance and security;
- Directly increasing the ability of the poor to raise their incomes; and
- Directly increasing the quality of life of the poor.

Under these four goals, all the components that are considered important for equitable and sustainable growth and development are covered. Whereas the first two goals are concerned with providing an enabling environment for development, the third and fourth are aimed at directly increasing the living standards of the population.

10.1 Creating a framework for economic growth and transformation

The government has attained, and intends to maintain, macroeconomic stability as a necessary economic policy incentive for promoting private sector investment and reducing poverty. According to the medium term goals of the government, a stable macroeconomic environment entails, among other things, containing inflation rates to single digits, commitment to controlling public expenditure within available resource envelope, and maintaining a liberalized foreign exchange market. The government is also committed to public expenditure prioritization in line with the overall goal of poverty eradication. In this way it is ensured that money spent is effectively utilized and targeted at improving the welfare of the poor.

To ensure sustainable private sector driven growth, the government has directed resources for developing a competitive environment for the promotion of private sector development and foreign direct investment. This involves the construction and maintenance of adequate and sound infrastructure. In this regard, the government has developed a Medium Term Competitiveness Strategy for the private sector, which outlines government's policy intentions and reform strategies in this area for the period 2000 to 2005.

10.2 Ensuring good governance and security

Issues of conflict resolution, human rights and security of life and property, which are crucial for development, are well articulated in the PEAP. Specific attention is also given to accountability and democracy as necessary facets of good governance and security.

10.3 Directly increasing the ability of the poor to raise their incomes

The construction and maintenance of a good road network is a major priority in the PEAP because of the importance of infrastructure in input and output market access, especially in the context of the country's plan to modernize of agriculture. The process of building the country's infrastructure also contributes to poverty reduction by creating employment for the abundant unskilled labor in the rural areas.

Because the bulk of the population is in the agricultural sector, a speedy implementation of the Land Act 1998 will promote secure access and use rights to land. For several reasons including access to credit markets and promotion of improvements to land, efficient implement of the Land Act will directly contribute to increased productivity and agricultural transformation. Secure land rights through their credit connection are crucial for successful transformation of the country's agriculture via the Plan for Modernization of Agriculture. In this regard, the government has undertaken to establish a supervisory structure for the development of micro-finance institutions. The government is also committed to ensuring that the public has improved access to market information and infrastructure.

10.4 Directly increasing the quality of life of the poor

The PEAP draws attention to health and education as the two major social services that directly affect people's quality of life and productivity. An unhealthy population translates directly to low productivity, while low literacy rates reduce awareness and constrains exploitation of welfare enhancing opportunities. The PEAP emphasizes increased investment in water and sanitation services as a way of improving the poor's quality of life. Great strides have been made in the education sector with the introduction of Universal Primary Education in 1997, which provides for free primary education for up to four children from each family in Uganda. This program has tremendously increased primary school enrolment as shown in a later section of this paper.

10.5 Linkages between the PEAP and sector-wide plans

The PEAP is government's overall strategy for poverty reduction. However, there exists individual strategic plan for each of the sectors of the economy. Sector plans have already been developed for education (the Education Sector Investment Plan), agriculture (the Plan for Modernization of Agriculture), health (the Health Sector Strategic Plan), and roads (the Road Sector Development Plan). These plans form the basis for sector specific policy interventions. The link between these plans and the PEAP is an iterative one, with the sector plans feeding into the PEAP while simultaneously drawing from it.

11 Towards a more consultative approach - UPPAP

In a bid to solicit the views of the poor on their welfare status, participatory consultations were carried out in 9 districts in 1998. A total of 24 rural and 12 urban communities were consulted. The process aimed at incorporating the poor people's views into government's planning and policy formulation, as well as complementing the quantitative monitoring of poverty with qualitative evidence.

The results of the exercise confirmed existing statistical evidence showing that poverty varied regionally. It also emphasised the complex and diverse nature of poverty, which was defined by poor people as a feeling of powerlessness, coupled with the inability to influence events around them. While in some districts the general feeling was that poverty had decreased over the past 20 years, in others, people felt that it had increased.

The findings from UPPAP were incorporated into the revised PEAP, and their priorities for poverty eradication influenced the revision of budgetary allocations as reflected in the Medium Term Expenditure Framework. Specifically, during UPPAP, it was found that in the eyes of the poor, security was of inestimable importance. They considered it to be 'a fundamental prerequisite to all other forms of progress. Furthermore, delivery of basic services was another reason given by the poor for their status. In particular, lack of nearby sources of safe water was identified as a major priority concern. As a result, water and sanitation, which had previously not been considered a major poverty reduction issue was made a priority sector, and budgetary allocations to it increased to reflect this reality. It is planned that the participatory poverty assessment process be carried out periodically in order to continually bring the voices of the poor into the mainstream of policy making.

Poor health was the most frequently mentioned cause and impact of poverty. Unaffordable health care, distant facilities and poor quality services were issues raised by the people as constraints to their wellbeing. People felt that the scrapping of cost sharing in government facilities has solved one problem while simultaneously creating another one. While giving poor people access to free health care, the quality of this care was questionable, as user fees previously used to buy drugs and pay health workers were no longer being collected.

The second phase of research activity under UPPAP began in November 2001. It has three research themes, namely deepening our understanding of poverty, understanding people's experiences and perspectives on selected poverty focused government policies and contributing to monitoring poverty trends and interventions. Under the first theme, the focus is on four key areas, namely, in-depth case studies of the poor, analysis of the gender dimensions of poverty within different selected categories of the poor, understanding further locally specific concepts and components of poverty and developing indicators of poverty trends.

In this regard, synergies exist between UPPAP's first key area of focus, and this research. They will both serve to promote a greater understanding of the concept of chronic poverty in Uganda by, among other things, purposively identifying the core poor and/or chronically poor. UPPAP intends to place specific emphasis on internally displaced persons, people living with AIDS in vulnerable communities, persons with disabilities and the youth. This research aims at covering all these vulnerable groups, as well as taking into consideration the elderly, the urban poor and people living in remote rural areas. Another study combining qualitative and quantitative methodologies for understanding poverty dynamics is currently ongoing alongside the second round of UPPAP field activity. It is hoped that the findings of this study, which is being undertaken by Economic Policy Research Center (EPRC) in conjunction with the World Bank, will also provide added insight in understanding chronic poverty in the Ugandan context.

12 Specific government programs for tackling poverty in Uganda

According to the capability approach to tackling poverty, what poor people need is the enhancement of their capability to realize their aspirations and achieve certain specific goals that are derivatives of a broad set of aspirations. The World Development Report 2000/2001 underscores promotion of opportunities, facilitation of empowerment, and enhancement of security against vulnerability as a comprehensive approach to poverty reduction.

A growing economy with sufficient institutional support, in combination with adequate human, physical, financial and social assets, would enable economic agents to capitalize on available opportunities for poverty reduction. Empowerment through intervention programs such as public educational and health support to the poor can increase the returns to the assets that the poor may commit to strategies for improving their living standards.

Putting people to productive work in the real sector of the economy is likely to generate sustainable welfare growth.[18] In order for people to benefit from productive activities in the real sector of the economy, they must have the necessary mix of own and public assets. The Uganda Poverty Eradication Action Plan specifies medium- to long-term plans of action that aim to streamline public service provision to be more poverty oriented and to facilitate the private sector to contribute to, and benefit from, the country's macroeconomic growth.

In the rest of this section we discuss the specific poverty-oriented policies and programs that have been adopted in Uganda to create economy-wide opportunities for welfare improvement and to provide individuals with the capability to increase incomes and improve their quality of life.

12.1 Post-Conflict Rehabilitation

Rising from the political and economic decline of the seventies and early eighties, Uganda instituted a new political regime in 1986 and established a cordial relationship with the international community, which resulted in successfully attracting post-conflict reconstruction assistance that it urgently needed. Between 1987 and 1992 alone, the country enjoyed World Bank support for about twenty-five lending operations worth over one billion United States dollars for rehabilitating key economic and social infrastructure (Kreimer *et al.*, 2000).

However, given the persistent insurgency and cattle rustling in Northern Uganda and the rebel activities that plagued parts of Western Uganda, there will have to be a new round of post-conflict physical and human rehabilitation if poverty in general, and chronic poverty in particular, is to be sustainability reduced. The 2001/2002 state initiative to disarm the Karamojong patoralists, if successfully concluded, should significantly reduce the Northern population's vulnerability to (i) sliding into poverty; (ii) suffering an extended duration of poverty; and (iii) experiencing severe poverty.

12.2 Macroeconomic Growth

Typically, in post-conflict periods, rehabilitation of infrastructure is followed by stabilization of macroeconomic environment and rebuilding of human and social capital through investment in education, health, institutions of government, civil society, and attitudinal and behavioral values. The implementation of this approach to development in Uganda led to an average growth rate of more than 5% per annum during the nineties.

Although growth rate has been sustained at an average of over 5%, it is below the target 7% per annum that is projected to achieve a reduction in income poverty to 10% by 2015. To increase and sustaining a high GDP growth rate, the country's policy is focused on attracting a high rate of Foreign Direct Investment, increasing the competitiveness of Uganda's export sector, promoting domestic financial sector viability, and moving out of subsistence agriculture into modern commercial animal and crop husbandry.

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[18] Since the majority of Ugandans is low skilled, growth strategies should therefore be oriented towards labor-intensive productive activities. Unfortunately, growth globally is biased towards skilled labor force, hence the need for long-term human resource development programs.

The growth experience of the nineties, coupled with overall restoration of favorable economic and civil environment, has significantly impacted poverty since 1992. Between 1992 and 1997 poverty headcount fell from 56% to 44%. Results from an analysis of the 1999/2000 survey data indicate that poverty incidence has continued to decline and currently stands at 35% (Appleton, 2001). A decomposition analysis of changes in poverty from 1992 to 1997 reveals that the reduction in poverty was overwhelmingly due to growth and very little attributable to distribution (Appleton, 1999). Using stochastic dominance analysis, Okidi *et al.* (2000) demonstrate that, irrespective of the choice of a poverty line, there were widespread improvements in economic welfare across regional and socioeconomic groups.

However, improvements in inequality were rather modest, from a Gini Coefficient of 0.39 in 1992 to 0.38 in 1997. According to the preliminary results referred to above, inequality has actually increased in Uganda such that in the absence of growth, there would have been approximately four-percentage point increase in the poverty headcount index between 1997 and 2000.

From a construction of rural/urban sub-regional panels from the series of household survey data following Wodon (1999) it is estimated that a one-percent improvement in growth-neutral welfare distribution reduces poverty headcount by about 1.4 percent (Okidi, *et al.*). Given that between 1992 and 1997 the Gini index of inequality fell by 1.79%, the gross impact of this improvement in welfare distribution on poverty is estimated to be about a three-percentage point decline in the headcount index. This is further evidence that welfare redistribution in Uganda between 1992 and 1997 was not large enough to have a pronounced impact on poverty – the realized poverty reduction was almost wholly attributed to growth.

The above results from micro data analysis demonstrate that the initial focus on growth in the economic reform process in Uganda has contributed significantly to poverty reduction. However, without systematic attention to welfare distribution, the economy cannot fully capture the poverty alleviation benefits of growth. The implication is that if the current emphasis of policy statements on the poorest of the poor is followed through, and the overall vision of poverty eradication through modernization of agriculture and the enhancement of private sector competitiveness are realized, then growth with redistribution will be achieved – further reducing poverty.

12.3 Market Liberalization

While the focus on agricultural modernization is rather recent, there had been other pro-poor government efforts in the sector, notably the liberalization of commodity prices and removal of monopoly powers of government enterprises, namely Coffee Marketing Board (CMB), Lint Marketing Board (LMB) and Produce Marketing Board (PMB). At the time when the CMB was solely responsible for exporting Uganda's coffee, farmers' share of the export price was less than 30%. After liberalization of the coffee sub-sector in 1991, their share rose from 45% in 1991/92 to 82% in 1996/97. This has positive implications for poverty because an estimated 2.5 million people (about 13 % of the total population) depend on coffee for their livelihood through production and marketing. The implication is that focusing on agriculture, especially through a modernization program, presents a real opportunity to reduce poverty and achieve substantial growth in other sectors through consumption and employment linkages.

12.4 Decentralization

Since over 80% of Uganda's labor force is in agriculture, which is rural-based, decentralizing fiscal responsibilities to local governments should take services closer to the people with the potential for improving the efficiency with which rural households utilize their assets to improve their living standards. An EPRC/World Bank (1996) study shows that only 37% of the money released by the Ministry of Finance for non-salary primary school expenditures actually reached the intended schools. But the ongoing decentralization and the level of transparency in fund disbursement to the local level have dramatically improved the situation. Although decentralization of responsibilities from the center to the districts was initially not matched with flow of resources from the center (Obwona *et al.*, 2000), with accumulative decentralization, the flow of funds to the district governments is expected to improve significantly. In terms of resource allocation, the Medium Term Expenditure Framework for 1999/2000 to 2002/2003 indicate that fiscal transfers will continuously rise throughout this period, especially in sectors that have been identified to be crucial for poverty eradication. The increase in transfers is expected to come from increased flow of resources into the Poverty Action Fund (PAF), a pool into which savings from debt relief and poverty reduction resources are channeled.

12.5 PMA

Since poverty is largely rural based, and because most of the poor people practice subsistence agriculture, the Plan for Modernization of Agriculture (PMA) should offer real opportunities for movement out of poverty. Indeed the PMA is intended to be the main instrument for realizing the desired outcomes laid out in the Poverty Eradication Action Plan. Because the PMA targets small-scale producers, if well executed, it can significantly contribute to poverty reduction. The PMA, if well funded and implemented, should contribute significantly to increase peoples' incomes and improve their livelihoods by:

1) Developing a sustainable extension service system that reaches all agricultural households in order to foster a move out of subsistence production without undermining food security;
2) Promoting adoption of modern technologies;
3) Rehabilitating key infrastructure: rural feeder roads, rural markets, and storage facilities;
4) Provision of safe water and sanitation systems
5) Encouraging provision of credit and market information to farmers; and
6) Removing fiscal measures that are harmful to agricultural production and trade.

However, the effectiveness of this program in alleviating the poverty of certain vulnerable groups identified earlier on in the paper may not be extensive given that they do not possess the primary asset required, namely land. Furthermore, recent research on rural livelihoods[19] has shown that although agriculture is a major means of livelihood, non-farm activities are contributing an increasingly greater share of rural household incomes. There is therefore need to consider the design of policy initiatives aimed at providing

[19] See Ellis, Frank and Godfrey Bahiigwa (2001)

support to the development of non-farm enterprises and activities, as a means of improving rural livelihoods.

However, the results discussed earlier, which show that the majority of the chronically poor are women, who are agriculture-based, poses a significant challenge for the planned modernization of agriculture to substantially impact poverty at the chronic level. The reason is that most of the agricultural support programs such as the Danish-funded Agricultural Sector Program Support[20] and the National Agricultural Advisory Services (NAADS) target the more progressive farmers – those who come into the program with some minimum initial level of resources necessary to take advantage of the assistance programs. Modernization of agriculture as a pathway out of poverty could also get complicated if the recently legislated land rights reforms are not fully operationalized and closely monitored for purposes of amendment, where necessary, to enhance women's rights to land.

For the private sector in general, Uganda has designed a Medium Term Competitive Strategy (MTCS) that aims at facilitating Ugandan firms to increase productivity and international market access, thereby increasing opportunities that could be available for raising household incomes.

12.6 Poverty Action Fund

A major policy initiative directly aimed at poverty alleviation is the creation of the Poverty Action Fund. The PAF is where money from debt relief is channeled, with the sole purpose of funding programs that can directly impact poverty. The Ministry of Finance in consultation with other line Ministries, donors and civil society determines which programs qualify to benefit from the PAF. Such a participatory process in budgeting for pro-poor programs is an important milestone in ensuring poverty orientation of public expenditure programs and transparency in actual utilization of funds.

Initially, the sole source of resources to the PAF was savings from international debt relief. But the sources of resources into the PAF has been expanded such that it now attracts additional donor funding for activities that have direct bearing on poverty such as primary education, primary health care, agricultural extension, feeder roads, water and sanitation, and law and order. In essence, the PAF has tremendously improved government budget allocation emphasis on infrastructure and social services.

13 Progress in raising the incomes and quality of life of the poor

To appreciate the extent to which various programs can impact poverty we need to understand the qualitative and quantitative contribution of various factors in increasing productivity in agriculture - the main sector of the economy. Furthermore, knowledge of factors that are important direct determinants of changes in welfare level is quite essential for gauging the contribution of various programs to poverty alleviation.

An analysis of agricultural households by Deininger and Okidi (2001) shows that size of family labor, land size, level of fertilizer use, and number of literate household members are the most important factors for increasing agricultural production. The implication is

[20] See Okidi (2000).

that policies and programs that alleviate constraints to agricultural factor market operation and improves the educational and health status of family labor would have the most significant impact on agricultural development.

Estimated direct impact of education on production indicates that universal primary education would increase agricultural production by about 15%. Furthermore, productivity returns to education were found to be non-decreasing. Although access to roads was found to have insignificant productivity effect, it may enhance production and improve livelihood through its impact on input and output prices. Community level access to agricultural extension services was insignificant in explaining inter-household variation in agricultural production. Limited access to credit was found to severely restraint the use of modern inputs such as fertilizer and hybrid seeds. But possession of farm and non-farm assets, which are potential collateral for credit, increased the use of purchased inputs.

Using the 1992/93 and 1999/2000 national household survey data, Deininger and Okidi (2001) estimate an increase in producers' access to credit from 8% in 1992 to 16% in 1999. Given the importance attached to land as security by formal lending institutions, the scope of secure formal land rights to enhance producers' access to credit is immense. According to the 1992/1999 survey data, the incidence of land rental increased. Specifically, the proportion of households renting land in, increased from 10% in 1992 to 24% in 1999 while the proportion renting land out, increased from 5% to 12%. Over the same period, land conflict was reported in 52% of the communities surveyed. This indicates that there is need for urgent formulation of a cost-effective way to implement the Land Act 1998.[21]

One of the most successfully implemented poverty oriented programs in Uganda is Universal Primary Education. Preliminary results coming from ongoing analysis of the 1992 and 1999 national household survey data show huge success rates with the UPE program.[22] In 1992 only 51% of 6 – 12 year old children from households in the poorest 20% of the population were enrolled in primary schools compared to 84% in 1999. Gender bias in access to primary education has also been eliminated, with enrollment rate among 6 – 12 year old girls from the poorest 20% of the population climbing from 46% in 1992 to 82% in 1999. Rural-urban differences in enrollment that stood at about sixteen percentage points ceased to be statistically significant by 1999. Most importantly, there has been a significant shift in the reasons for non-attendance from cost factors to "lack of interest" and shocks in the child's family. In 1992 71% of the 5 – 12 year old children did not attend school because of cost factors. The corresponding figure for 1999 is 37%.[23]

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[21] The ongoing DFID funded Land Act implementation study by Makerere Institute of Social Research should provide useful insights about the extent and constraints of implementation.

[22] These results are forthcoming in a paper on cost of schooling and primary school enrollment in Uganda, by Klaus Deininger of the Development Economic Research Group of the World Bank.

[23] Mijumbi and Okidi (2001) present a detailed breakdown of schooling status of boys and girls by region, and rural-urban categories. The analysis shows that the Northern region schooling statistics, for both boys and girls are very poor compared to other regions. Children from this region will in the future be in a disadvantaged position competing with their peers from other regions for skilled jobs, and hence will likely be in the chronic poverty brackets.

These are tremendous achievements in terms of quantity. Increased efforts should now be biased towards quality indicators such as qualified teacher-student ratio and grades. In addition, focus should start shifting towards expanding capacity and access at the secondary level. With respect to chronic poverty, UPE could have very limited welfare impacts unless the poor children are offered additional support after completing primary education. This assistance is necessary because, after completing the free-of-charge primary education, which most of the poorest children would not have completed due to cost binding cost constraints, it is inconceivable that they could privately finance secondary education. Furthermore, although social returns to education are universally recognized to be highest at the primary level, for self-development, terminating formal education at primary level may always be inferior to higher educational attainments with respect to welfare improvements.

The direct impact of particular household- and location-specific characteristics are estimated econometrically using panel data for households covered in 1992 and 1999 survey by identifying the role of various initial conditions in subsequent income growth (Deininger and Okidi, 2001). It is found that household characteristics, in particular education, played an important role in household income growth between 1992 and 1999. Initial asset levels were very important for seizing the growth opportunities ushered into the economy by the reforms of the nineties. On the whole, household characteristics were found to be more important statistically for income growth than community specific factors such as the availability of economic infrastructure. This implies that moving public services closer to the people must be coupled with intervention programs that directly build the capability of the households to utilize available economic infrastructure for welfare growth.

The policy emphasis on providing an economically empowering environment and in delivering key support programs in the agricultural sector through a market oriented approach, is likely to increase to greater welfare inequality, at least, in the medium run. The chronically poor, who are characterized by low levels of human, physical and financial assets, may require some safety net programs or well-targeted initial asset enhancement facilities in order for the above-described programs to significantly impact their livelihoods in the short to medium run.

14 Summary

Although this overview paper on chronic poverty in Uganda does not concretely characterize chronic poverty, it nevertheless highlights key aspects and distribution of poverty that need to be addressed in special ways for total eradication of poverty. The paper notes that chronic poverty has not attracted policy focus because of the high rate absolute poverty and the low level of human development in the country.

Two categories of the poor were applied in this document to motivate a discussion of chronic poverty in Uganda. Firstly, because the living standards of the poorest twenty percent of the population did not significantly improve between during 1993 to 1996 period, this sub-group of the poor was considered chronically poor. Secondly, using panel household data for the period 1992 to 1996, persistence of poverty over time was adopted to characterized chronic poverty. A number of vulnerable groups that are suspect to continuous poverty because of their nature or circumstance were also identified.

In general, we find that the distribution of the chronically poor closely mirror the distribution of overall poverty, in terms of both spatial and socioeconomic categories. This further rationalizes the focus of antipoverty programs in Uganda on total other than chronic poverty. However, with the high and increasing welfare inequality in the country, the chronically poor could be experiencing a more difficult challenge in trying to improve their welfare, even without necessarily getting out of poverty. This implies that there is need to bring the debate on chronic poverty to the forefront of the poverty agenda.

The various antipoverty programs that are either planned or are being implemented may not significantly impact the standards of living of the chronically poor. This is because our analysis shows that the closer to the poverty line a poor household is (an unlikely position for the chronically poor) the higher the probability that it will move out of poverty over time. Furthermore, the policy emphasis on the creation of an enabling environment for economic agents to exploit to increase their living standards implies that without specific safety nets, the asset deficient chronically poor households may fail to raise their standards of living. Creation of an enabling environment for individual self-development should encompass relentless efforts to restore peace and eradicate internal displacement of people. In this regard, all the current peace initiatives for restoring stability in the Great Lakes Region should be pursued to the fullest extent possible.

Further analysis of chronic poverty and its implication for development approaches are required. This overview paper has provided substantial amount of descriptive information on the persistence of poverty at the household level from 1992 to 1996. An important component of future research on chronic poverty in Uganda should comprise an extension of the panel analysis to the 1999/2000 national household survey data. The extended analysis can take advantage of the reasonably large panel households linking the 1992/93 and 1999/2000 surveys. The two surveys offer a rare opportunity where more than 1000 households were resurveyed after an interval of seven years during which numerous economic reform programs were implemented in Uganda. Econometrics of panel data can be applied to identify the drivers of movements into and out of poverty. The analyses should shed light on the impact of the various government policies and programs on the welfare-improving capabilities of the population that has experienced poverty for several consecutive years.

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