

A Middle-Income Uganda: Aiming For Mediocrity And Failing

 blogs.lse.ac.uk/africaatlse/2011/07/25/a-middle-income-uganda-aiming-for-mediocrity-and-failing/

25.7.2011

Karl T. Muth is a PhD candidate in LSE's Department of International Development. Karl argues here that Uganda must invest in its non-farming economy if it is to achieve its goal of becoming a middle-income country.

The current World Bank definition of middle-income countries is a few thousand dollars of per capita income, far from the 450USD per capita income of Uganda.

President Museveni claims Uganda is on track to be a middle-income country. To analyse whether Uganda's transition to a middle-income country is realistic, one has to understand Uganda's story. Uganda's story is a story about farming.



Fresh produce from a Ugandan farm

The usual macro income analysis begins with comparables. Uganda is a fertile, diverse country with shockingly little transport infrastructure. Uganda has no ports, unlike nearby Kenya (Mombasa) and Tanzania (Dar es Salaam). The only other primarily-agricultural landlocked country in the region, Malawi, is too dissimilar in history and size to be comparable.

Other scholars have written on ways to correct these differences, and have done very good work in this area. Rather than parroting their work, I'll explore (in a mostly, but not wholly, serious tone) two comparables not considered: Hong Kong (1931) and Farmville (2011).

In both Hong Kong in 1931 and Uganda today: 1) malaria is the number one communicable disease problem, 2) GDP is approximately \$13 to \$15 billion (in adjusted 2011 dollars), and 3) formal employment includes less than 20% of the workforce.

Yes, Hong Kong enjoyed a deepwater port (one of the finest natural harbours in the world), but the other advantages one attributes to Hong Kong – better rule of law, low taxes and tariffs, smart infrastructure investments – are things that developed post-1931.

When my grandparents were teenagers, Hong Kong was a corrupt place where it was hard for anyone but insiders to do business. It looked very much like Kampala does today.

Why is this relevant? It's relevant because, though few places saw the type of growth Hong Kong experienced, it is possible (and, looking at places like Malaysia, Singapore, and Taiwan, not unique). It is possible for a place in roughly Uganda's position to become a middle-income country or, even, an upper-income country. The aspiration is not, in itself, an impossible goal.

Another unusual aspect of Uganda is land ownership or land control. The vast majority of Ugandan farmers own

the land they farm, even if that land only occupies a fraction of an acre. Tenant farmers are rare and sharecropping is unheard of. The only place with higher discrete control of land is Farmville.

In Farmville, every person controls the land he or she (mostly she) cultivates. The average income of a Ugandan farmer is 2.18USD/day; the average income of a Farmville farmer is 189.04USD/day. Very little of the variance around that 189.04USD/day figure is correlated with the number of golden eggs, super berries, and shamrocks the Farmville residents cultivate.

The lesson? The farmers in Farmville have other sources of income. This is beginning to be true in Uganda, where wealthier farmers will open a shop or a mobile phone charging business. But the transition is slow.

World Food Programme projections suggest Uganda must increase its agricultural efficiency to the order of 30% in order to be a food exporter (rather than a food importer).

If 80% of real GDP (with foreign aid subtracted by the author as .55 of adjusted GDP) is agricultural, and returns to agricultural efficiency are linear (in reality, they are sub-linear, but we will be optimists for a moment), Uganda must increase its agricultural efficiency over 400% to become a middle-income country. This will not happen.

Uganda must focus on growing its non-farm economy and cultivating the human capital needed to drive a modern economic transition.

Real investments in shifting Uganda's economy away from uncompetitive agriculture must be made swiftly, similar to Hong Kong's post-war adjustment. Otherwise, the plan of becoming a middle-income country will remain, like Farmville, merely a comforting fantasy.