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Livelihood diversification in Uganda: patterns and determinants of change across two rural districts

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Abstract

Despite the continuing centrality of agriculture to the rural economy of Uganda, households engage in diverse livelihood strategies. This paper presents findings of a two-district study of the role of various factors that influence livelihood trends and strategies. Qualitative and quantitative analysis reveals differences according to wealth, gender, and between traditional and non-traditional occupations. Comparisons drawn between the two districts—Kumi in the eastern region, and Rakai in the central region—identify social and historical, as well as contemporary levels of investment as the determinants of varying levels of livelihood diversification. © 2001 Elsevier Science Ltd. All rights reserved.

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Introduction

The prevalence of non-agricultural activities in rural Africa dates back in the literature as far as the 19th century (Bryceson, 1999), however, studies over the past 15 years have highlighted the increasing importance of non-agricultural sources of income to rural dwellers. The focus on livelihood diversification necessarily implies

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a process—a broadening of income and livelihood strategies away from purely crop and livestock production towards both farm and non-farm activities that are undertaken to generate additional income via the production of other agricultural and non-agricultural goods and services, the sale of waged labor or self-employment in small enterprises (Hussein and Nelson, 1999). Whilst much of the literature defines ‘diversification’ in terms of productive activities or income, the introduction of the concept of ‘livelihoods’ has broadened the debate to include “the process by which rural families construct a diverse portfolio of activities and social support capabilities in their struggle for survival and in order to improve their standard of living” (Ellis, 1998:4). Aside from the wider concept beyond income that includes both cash and in-kind income, social institutions and access to social and public services, the stress on process and thus dynamic change reflects the fluid and multi-faceted domain in which farm and non-farm based activities combine and compete.

A sub-set of the literature on the rural non-farm economy and livelihood diversification in sub-Saharan Africa highlights its importance in the specific context of Uganda (Bigstein and Kayizzi-Mugerwa, 1995; Newman and Canagarajah, 1999; UPPAP, 1999; Deininger and Okidi, 2000). This interest in diversification in Uganda illustrates not only the current reality that many rural households are engaged in a diverse set of livelihood activities, but also that despite the reliance on agriculture as the driving force of the rural economy,¹ over half of the population remain in poverty.² In view of this dependency on agriculture and the concomitant level of rural poverty, investigations into the nature of livelihood diversification also clearly reflect the desire to understand better whether promoting diversification offers potential for livelihood enhancement and poverty reduction.

A review of the Uganda-specific literature, however, reveals two sets of outstanding issues. Firstly, the analyses of household panel data from 1988–92 and 1992–96, do not present a clear picture of the extent of the rural non-farm economy, and the direction of the trend in livelihood diversification.³ Whilst this is problematic,

¹ In 1992, 70 per cent of Ugandans lived in households where the head’s main activity was crop farming (Appleton et al., 1999). In 1997/98, agriculture accounted for 44 per cent of Uganda’s GDP (Beijuka, 1999). More than two thirds of rural household income was derived from agriculture in 1999, with land comprising about half the value of total asset endowment (Deininger and Okidi, 2000).

² Analysis of the Uganda National Household Surveys (UNHS) over the period 1992/3 to 1997/8 showed a national decrease in poverty from 56 per cent to 44 per cent (Appleton et al., 1999). However, the participatory poverty assessment of 1998/9 concluded that in some areas the poor are getting poorer (UPPAP, 1999). An attempt to reconcile these conflicting findings concluded that the UNHS assumption that a rise in household consumption indicates an increase in household well being requires disaggregation; with the inclusion of such items as alcohol consumption implying a “perverse increase in consumption. [thus] not greater well being but the opposite” (McGee, 2000:15).

³ Newman and Canagarajah (1999) calculated that between 1992 and 1996 the percentage of people engaged in both agriculture and non-farm activities rose from 18% to 32% with corresponding drops in agriculture and non-farm only. In contrast, Appleton et al. (1999) found no evidence of a move out of agriculture during the same period, “indeed, the [agricultural] sector grew slightly in terms of population share during the surveys” (Appleton et al., 1999:21). Deininger and Okidi (2000), using data for the period 1988–92, found almost 50% of households and one third of rural households starting a non-agricultural enterprise. However, MFPED/UNDP’s (2000) contemporary study found 78% of rural dweller’s primary occupation was agriculture, and only 27% had a secondary occupation.

and clearly needs resolving, there is concordance over the presence of a rural non-farm sector and shifting livelihood patterns.

Secondly, there has been little analysis that addresses the factors influencing rural livelihoods and the consequent strategies employed by rural households. This second set of issues represents the entry point of this article, namely, to highlight the different livelihood diversification trends and strategies practiced by rural dwellers, and identify the key determinants of these strategies to inform the development of appropriate policies for poverty reduction. The analysis focuses on a comparative study⁴ of two districts of Uganda, with the findings situated in the context of other relevant research.

Study sites and methodology

The research was carried out in two districts in Uganda, Rakai in the central region and Kumi in the eastern region,⁵ selected to represent differing conditions which potentially influence the extent and nature of livelihood diversification. The identification of a higher prevalence of non-farm start-up enterprises in central and western Uganda in comparison with the eastern and northern regions (Deininger and Okidi, 2000) was also used as a broad foundation on which the importance of varying determinants could be tested. Table 1 illustrates these varying factors:

Within each of the two selected districts, a variety of qualitative research techniques was employed to investigate physical, social and financial service provision at the district level, followed by a detailed study of the nature of and constraints to livelihood diversification in two rural communities in each district. Table 2 outlines the methods used. The decision to employ a particular method reflected both the outputs required and inputs (staffing, time and finance) available. The aim was to acquire knowledge by combining different types of data using triangulation and cross-correlation of methods in a complementary manner with community and other stakeholder participation.

⁴ This preliminary study is part of a wider research project funded by the UK Department for International Development. Its principal aim is to generate policy relevant information on factors affecting participation of the poor in the rural non-farm economy.

⁵ Rakai District borders Mbarara District to the west, Sembabule District to the north, Masaka District, of which it was once a part, to the northeast, and Kalangala District in Lake Victoria to the east. To the south it borders Tanzania. Rakai Town, the district capital is approximately 190 km south-west of Kampala. Kumi District borders the districts of Soroti to the west and north, Katakwi to the north, Moroto to the north-east and Pallisa to the south. The district headquarters is in Kumi Town Council, approximately 305 km north-east of Kampala.

Table 1
Underlying conditions

Factors	Rakai District	Kumi District
NF start-up enterprises	High prevalence	Low prevalence
Pop'n Density	99 persons/ km ²	96 persons/ km ²
Agro-ecology	Three agro-ecological zones; wetlands (south & east), productive and extensively cultivated hills supporting coffee and bananas (center), drier and more hilly savannahs (west and north).	Flat topography and sandy loam soils. Agriculture system traditionally characterized by crop (roots, tubers, cereals and legumes) and cattle. Once a cotton producing area.
Ethnic composition	Predominantly Baganda, but also Banyankole Bahima (pastoralists), Banyurwanda, Barundi and Bakiga	Predominantly Iteso (98%), but also Bagisu, Banyole, Langi and Acholi Labwor
Recent history	Spread of HIV/AIDS during 1980s disproportionately affecting more successful traders and shopkeepers, and increasing dependency ratios	Insurgency and cattle raiding between 1985-94 slaughter or theft of virtually all livestock, death of many productively aged people and destruction of infrastructure.
Infrastructure and service provision	Large recipient of financial supported through donors; reconstruction of physical infrastructure- roads, schools, health posts. High level of NGO/ CBO activity	Similar, although more recent (and less sizeable) investment than in Rakai. Reconstruction of roads, health posts and schools. NGO presence, providing credit, educational and health support.

Livelihood diversification trends and strategies

Defining livelihoods in the Ugandan study area

To gain an insight into the patterns of diversification, it is important to identify local definitions of livelihoods. Interpretations of 'well-being', sought through community-based participatory exercises in both districts, incorporated occupational as well as resource endowment and access considerations. The very poor were defined as those devoid of assets, often having no land, inadequate shelter, and being occupationally static- relying upon begging or farm laboring (in the case of Kumi) as their only source of sustenance. Access to resources and services increased in parallel to improved livelihoods, with 'poor' and 'average' households defined as more socially and economically flexible—affording some basic services (health and education), and having sufficient land for crop production and limited sales. Those within the 'average well-being' category were also identified as having sufficient financial capital to purchase essential non-food commodities such as bedding, clothes and in some cases radios and bicycles. Those considered to have the best livelihoods were often identified in terms of their access to assets as it related to their occupations, defined

Table 2
Issues explored and methodologies employed

Level	Issue	Methodology employed
District	Gaining in-depth knowledge of district-level service endowment; specific issues, structures and organizations	Background material review Semi-structured interviews with Local Government, Donor, NGO, CBO and Private Sector representatives Key informant discussions
	Gauging perceptions of attitudes, meanings and values	Observations and participatory observations, informal “question and answer” with key informants
Community	Assessment of community physical/natural assets	Participatory resource mapping
	Exploration of local resources and development conditions as well as location and selection of sample for household questionnaire (gauge of physical, natural and capital assets)	Transect walks
	History of activities and problems	Timeline
	Livelihood (or income-generating) activities in the community, by gender	Participatory identification and ranking (by gender) of key income-generating activities
	Entry barriers and access constraints to income generation and diversification by gender	Participatory problem identification and ranking by gender
	Wealth/ well-being differences— understanding of different livelihood activities according to wealth/ well-being strata	Wealth/ well-being ranking
Group	Gauging perceptions of attitudes, meanings and values	Observations and participatory observations, informal “question and answer” with community informants
	Understanding of different business activities undertaken by group enterprises	Focus group discussions Key-informant interviews
Household and intra-household	Household variations in activities and problems cross-correlated with wealth, gender, age, education and social circumstance variations	Household survey questionnaire
	Understanding of different business activities undertaken by individuals	Semi-structured interviews
	Following-up and illustrating specific issues	Case studies—semi structured interviews

as those with five or more acres of land, ownership of several head of cattle, and/or engaged in business either as a shopkeeper or trader.

Livelihood diversification and occupation

These community-defined livelihood categories were used as a template for revealing occupational diversity. The very poor (constituting between 5% and 25% of the communities' populations) were by-and-large identified as unable to diversify their livelihoods, often lacking the means to engage in any form of income-generating activity aside from begging and farm laboring. In contrast, the 'poor' and 'average' groupings (together constituting between 70% and 90% of the populations) were classified as being engaged in the widest range of income-generating activities across the sectors of small-scale service enterprises (such as the sale of alcohol and cooked food), cottage industries and crafts (such as brickmaking, carpentry and construction), fish trading, farm laboring and the production and sale of crops and livestock. In contrast, those with the highest standard of living (between 2% and 8% of the populations) were classified as being engaged in a narrower range of occupations—predominantly crop and livestock production and sales, followed by service-based enterprises (such as lodging houses, restaurants and bars) and crop trading.

The implications of these findings in terms of livelihood diversification are several. Occupational specialization appears to be both a product of poverty (the very poor being unable to access sufficient resources to engage in other, potentially more profitable activities), and of choice, with those maintaining the strongest livelihood base doing so through concentration on one or two main activities, predominantly agriculturally-related. In between these extremes lies the most diverse group, actively engaging in numerous occupations in order to gain much-needed income to supplement predominantly subsistence crop production, and in many cases with aspirations to pursue more singularly profitable enterprises.

Livelihood diversification, gender and change

In both districts, men had a greater degree of occupational livelihood diversification than women. Within the 'poor' and 'average' well-being groupings, women were mainly engaged in agriculturally-related activities, crop and small livestock production, cottage industries (such as alcohol brewing in Kumi, handicrafts in Rakai) and some farm laboring. Men within these groupings were identified as the most active diversifiers, both in the range of livelihood activities, and the number practiced by individuals.

A division was found between the dominant non-farm activities employed by women in both districts as traditional practices, handicrafts in Rakai and brewing alcohol in Kumi, and the increasingly non-traditional nature of the activities practiced by men in both districts, including carpentry, brickmaking and construction. These newer livelihood activities are primarily the product of increasing infrastructural investment in the two districts, with the construction of schools and health posts creating a local demand for trades. Typically, younger men with sufficient aptitude

(not necessarily as a consequence of formal education) and social networks were identified as engaging in these newer forms of income-generation, whereas older and less well connected men remained involved in more traditional, non-manufacturing activities.

The perception of these newer activities as a source of income generation was in notable contrast to the brewing of alcohol in Kumi and to a lesser extent handicrafts in Rakai, which were often seen by women to be a traditional practice within the family rather than as a 'business' per se, despite the generation of revenue. These patterns, though, do not remain static. At the national level, Newman and Canagarah (1999) identify women's increasing participation in the non-farm economy, albeit largely as a secondary activity. This can perhaps be traced to the increasing need for money in a cash-scarce rural economy. Culturally proscribed gender roles can shift when the household is under pressure to bring in sufficient food and income to survive. Conflict, economic deterioration and the impact of AIDS have intensified the burden on women, with an increase in female-headed households that have in many cases been forced into livelihood diversification. In the case of Rakai, women have received targeted support from non-governmental organizations (NGOs) in the form of technical and financial assistance to handicrafts groups, and to a lesser extent baking groups.

Despite the persistence of key traditional farm and non-farm activities, the most dynamic growth in each of the villages studied centered on non-traditional, commercial and service sector activities. Whilst only practiced by a few individuals in each case, the establishment of retail shops, restaurants and bars over the past two to three years is a product of: reasonable economic stability (and hence the ability of some to invest in small-scale enterprise and of others to pay for these services); improved business acumen (typically acquired through personal contacts, whether through family, socio-economic or political affiliations); and improved infrastructure, particularly road construction and maintenance. Whilst these trading centers are small and dominated by the wealthier community members, they are fast becoming mini-growth poles, influencing the aspirations of some of the poor away from traditional farm enterprise towards these non-farm sectors.

Other non-traditional, non-farm enterprises, such as bicycle repair, blacksmith and brick making, albeit small in number, are key secondary sources of income for farmers in these villages, with the small profits earned used for the purchase of essential food and non-food commodities, and the payment of medical and school bills. Despite rapid recent growth in these areas, these are nonetheless the first to be 'asset-stripped' in times of need, and aspirations remain firmly entrenched in farm-based enterprise, whether cattle ownership or agricultural trading.

Differential livelihood diversification trends

The findings of the two-district study largely support the regional trends in livelihood diversification identified by Deininger and Okidi (2000), namely that the communities studied in Rakai district (central region) have a greater degree of diversification than those in Kumi (eastern region), with a high proportion of households

engaged in two or more different livelihood activities. Whilst the communities studied in Kumi district identified a broader range of livelihood activities than in Rakai, the majority of these activities were practiced by a few individuals, with most reliant on only one or two farm and non-farm activities.

Nevertheless, agriculture underpins the economy of both districts and retains a central role in the livelihood systems of the rural population. Most capital is accumulated through the production and sale of crops followed by the sale of small livestock, and participation in diverse forms of livelihood is often strongly linked to these farm-based activities. Whilst farm laboring was identified as a key livelihood activity amongst the poorest in Kumi, the importance of less intensive-intensive perennials in Rakai may help explain its lower importance there. Despite this, and in support of other findings that link agro-ecology to non-farm earnings (Haggblade et al., 1989; Reardon and Taylor, 1996; Reardon, 1997), Rakai has the more vibrant non-farm economy and higher agro-ecological potential. Most of the non-farm activities identified in Rakai were found to be relatively profitable in comparison with farming, complementing farm incomes through increased and more evenly spread income-generation.

This contrasts somewhat to Kumi District, in which the population, traditionally reliant on crop and animal production and marketing, is still in the process of adaptation to the recent decimation of their livestock and homes, due to insurgency and cattle raids. Here, whilst a diverse range of livelihoods can be found, the majority of the population are engaged in only a few low entry-barrier activities: farm laboring, the brewing of alcohol amongst women, and brick making amongst some men.

Many of the non-farm activities identified in both districts depend on adding value to or exploiting primary production, for example trading in coffee or fish, or carpentry and basketwork, or through the use of fuelwood, e.g. in baking, brick-making, and pottery. However a surprising number rely on inputs imported to the area (household goods, petrol, cement and chicken wire, cloth, etc.) or provide services (restaurants, bars, shops). Whilst many of these service industries were operated by the better off, the majority had gained wealth through crop or animal wealth, underlining the fundamental role agriculture continues to play.

Livelihood diversification strategies

Within the context of livelihood diversification, coping strategies are distinguished from risk strategies by whether the diversification occurred after or before a 'shock', and thus whether the actions are reactive rather than pro-active (Ellis, 1998). Coping behavior is clearly exhibited in the case of the poor in Kumi District, with livelihood diversification a consequence of insurgency and livestock raids that decimated agro-pastoralist-based rural livelihoods. Case studies covering a broad range of non-farm micro-enterprises in Kumi provide evidence that a high percentage have been initiated since the cessation of conflict, thus implying ex-post coping.

The line between coping behavior, adaptation strategies (defined as a '[continuous process of] change to livelihoods which either enhance existing security and wealth or try to reduce vulnerability and poverty' (Davies and Hossain, 1997), and wealth

accumulation (those households that are on an upward path away from poverty, or those that are already better off), can be difficult to draw, and households may be engaging in more than one strategy as a consequence of changing circumstance.

Whilst coping strategies were noted in Kumi, adaptation strategies were also being pursued by poor households in both districts. The nature of this adaptation is characterized not by increasing livelihood diversification, but by specialization, with the poor identified as monetising non-farm assets in times of need (such as requiring cash for healthcare, education or essential commodities), rather than disposing of land, still the mainstay of the rural household economy.

Diversification amongst the rural 'better-off' was found to be less common, although the growth of small rural trading centers has spurred a small percentage to begin diversifying into service-based enterprises. Amongst these few, diversification into non-farm enterprise can be identified as a wealth accumulation strategy. The approach of this small section of the rural population is supported by the literature on rural diversification in Uganda, with some commentators suggesting diversification for many is a strategy that is only enacted having developed a strong farming base on which to build (Deininger and Okidi, 2000). Income and security from crop production, land and livestock ownership enable rural households to divide their labor between farm and non-farm economic activities, or to hire labor to work on their farms enabling them to concentrate part of their labor on non-farm activities. This is a significant contrast to countries where unequal asset distribution has led to an unequal distribution of off-farm income, thus causing further polarization of income distribution (Lanjouw, 1998). However, as noted, in the case of the Kumi and Rakai studies, the greatest extent of diversification was found amongst 'poor' and 'average' rural dwellers, who are primarily engaged in diverse economic activities as coping and adaptation strategies.

Determinants of livelihood diversification

There are numerous factors that determine rural households' ability to diversify their livelihood strategies away from crop and livestock production into off- and non-farm economic activities. These determinants can be identified both as pre-conditions, namely history, social context and agro-ecology, and the influence of ongoing social change linked with external interventions, such as infrastructural and service provision.

Pre-conditions for livelihood diversification

Uganda's diverse social ethnic structure has played an important role in governing access to resources. In central and southern Uganda, the Baganda (the main ethnic group in Rakai) took advantage of a favorable agro-ecology, established good commercial ties, and links with the British colonists. Consequently, in 1900, Buganda chiefs agreed to Protectorate status from the British for the region in return for title to land, and even in the 1980s, many of Uganda's wealthiest landowners were

Baganda who had inherited or purchased land from these early landowners. In contrast, the northern and parts of eastern Uganda were excluded from this process, with most people remaining as farmers or laborers due to the growth of agri-business, commerce, transportation and educational centers in the central and southern regions of the country. Despite the economic growth, peace and relative stability experienced in Uganda over the past decade, wealth and power remain largely demarcated along ethnic lines, with a small wealthy Baganda elite contrasting with the Iteso (the predominant tribe in Kumi District), Acholi, Langi and Karamajong tribes in northern and eastern regions of Uganda who remain largely excluded from mainstream economic and political life (Library of Congress, 1990). In this context, diversification patterns and strategies in the East (Kumi) are in several respects quite different to those found in the Central region (Rakai).

The recent histories of both districts have, in different ways, been fundamental to the nature and extent of livelihoods, and livelihood diversification. Both agro-based livelihood systems experienced decline during the 1970s and 80s, but have also been affected by more recent, region-specific events.

The most influential period of recent history for Kumi District occurred between 1985 and 1994—a period of bloody insurgency and cattle raiding that forced a change in livelihood strategies employed by most people. Prior to 1985, the Nilo-Hamitic population of Kumi district traditionally practiced agro-pastoralism, with rural households owning a number of cattle, oxen for draught-power and one or two plots of land for staple food and cash crop production. The impact of the insurgency was devastating, with the death of many productively aged people, the theft of all cattle and oxen, and the destruction of infrastructure. This depletion of human, physical and natural capital has enforced a significant shift from agro-pastoralism, creating a vacuum that has in part been filled by diversification into farm and non-farm activities, notably petty trading, and small start-up manufacturing and services. Nevertheless, agriculture remains the central asset base, with production of food crops the core of almost all livelihood strategies of rural dwellers. Aspirations still tend towards the ownership of livestock, which retain an important symbolic and economic value.

By contrast, while Rakai also suffered during the civil conflict during the 1970s and 1980s, its recent shock derives from the rapid spread of HIV/AIDS. AIDS has had an impact on the economy in several ways, disproportionately affecting the more successful traders and shopkeepers, but also through acutely increased dependency ratios, raising the number of child-headed households with a resultant drop in school attendance, and reducing agricultural productivity.

Whilst AIDS has had a largely negative impact on the rural economy, high dependency ratios have encouraged group formation to pool intensively, particularly amongst women, for whom non-farm trading and enterprise activities are common. AIDS was widely cited as a reason for the relatively high level of intervention in Rakai where NGOs have been influential in encouraging group formation, specifically through the provision of credit and training for women's small enterprise development.

Social capital and livelihood diversification

The analysis of the determinants of livelihood diversification across the two districts revealed the importance of social capital.⁶ Whilst there are many strands to social capital, the most apparent vehicle for livelihood diversification, enhancement and differentiation within the communities studied was the small informal groups or associations which rely upon norms, obligations, reciprocity and trust to survive. Whilst the benefits of any group membership in terms of social and cultural gains were apparent, the division of traditional and non-traditional group-based livelihood activities provides an interesting insight into the way in which social capital has been used to the economic benefit of the members and related households.

Natural resource-based group income-generating activities, such as the gathering and sale of wetland and forest products, have been practiced for many years, relying on the passing-down of skills from one generation to the next. Entry into these groups is based largely on location, with members coming from households located around the natural resource. The low entry barrier, low return nature of these activities provides an inclusive context for engagement, but is off-set by the hard physical demands of much of the work, and the lack of sufficient remuneration to attract more dynamic members of the communities' that may enhance their profitability.

By contrast, the rise in non-traditional group-based enterprises has been characterized by experience, education and links gained outside of the community context. These group enterprises revolve primarily around the construction industry (brickmaking and carpentry) and the service sector (bars, restaurants, etc.), benefiting from government, donor and NGO infrastructural investment in the districts. Successful and motivated individuals who had worked in government, schools or in private enterprise were identified as the entrepreneurs, creating groups constituted on the basis of social ties (family and friends) and on youth (attracting the younger and physical able men) to participate in these diverse activities. Whilst these groups have less historical social capital (in the sense of not having built up a tradition of norms, reciprocity and trust), these groups tend to be more formally constituted with rules and regulations, have the necessary contacts, education and experience to access NGO funds, with the comparatively high returns fostering a sense of unity of purpose and thus collective desire to remain within the group.

Numerous divisions exist between what can be considered as 'levels' of social capital in this context. Those excluded from group membership, by virtue of poverty (unable to pay membership fees or social exclusion), health or old age are also those who have the lowest livelihood status with the communities—often falling into the 'very poor' category. The traditional group-based activities often have good internal cohesion, provide small economic benefit to the members, but with little or no link to other sources of capital which would potentially enable them to grow economically.

⁶ Defined as "the rules, norms, obligations, reciprocity and trusted embedded in social relations, social structures and institutional arrangements which enable its members to achieve individual and community objectives" (Narayan-Parker, 1997:50)

Members of these groups were found to be predominantly from the ‘poor’ and ‘average’ categories. In contrast, the newer, non-traditional group enterprises were relatively dynamic, founded on the social and economic links of typically one individual. Interestingly, group members are drawn both from the circle of family and friends who may or may not have similar economic status, and from the body of male youth within the community. This ‘bridging’ of social capital is potentially most valuable within the rural context, with the youth (albeit exclusively male) gaining diverse skills, experience and economic advantage through contact with these entrepreneurs.

Service provision as a determinant of livelihood diversification

Over the past decade, the Government of Uganda has initiated a number of programmes aimed at enhancing rural services. Two of the central tenets of the Government of Uganda’s Poverty Eradication Action Plan (PEAP) initiated in 1997 have been the raising of educational achievement, and the improvement of health status. Other initiatives have focused upon employment generation and poverty reduction (ILO/UNDP, 1994), and the Programme for the Modernisation of Agriculture.

The role of education as a determinant of non-farm employment and livelihood diversification has been highlighted in the literature (Reardon, 1997), with data from Uganda indicating that individuals who have pursued primary and higher education have a higher likelihood of participating in non-farm activities than those without any education (Newman and Canagarajah, 1999). However, it is important to disaggregate these findings by type of non-farm activity, as evidence from the Kumi and Rakai district studies suggests that low-income activities such as small-scale manufacturing and petty trading are low entry barrier, and do not necessarily require educational achievement. In contrast, potentially more profitable rural opportunities, such as formal sector employment, do require a certain level of education. In this regard, the trend in Uganda is positive with the introduction of Universal Primary Education (UPE) in Uganda, although not without problems, responsible for a net increase in primary school enrolment from 53% in 1990 to 94% in 1998.

Lack of access to financial services remains a key problem in Uganda (Beijuka, 1999; MFPED, 2000), with credit market imperfections, or the lack of credit acknowledged as a constraint to potential diversification into non-farm economic activities (Reardon, 1997; Ellis, 1998). Financial service provision in Uganda is hampered by poor physical and communication infrastructure, and by a weak legal system that makes it difficult to penalize defaulters (Beijuka, 1999). A UNDP/MFPED survey of Micro-finance institutions (MFPED, 2000) found that there has been a steady increase of institutions involved in micro-finance, rising from approximately 50 in 1990 to almost 250 in 1999. Two-thirds of these are based on rural service delivery. Interestingly, formal, specialized micro-finance institutions were found to be operating mainly in the central and south-western regions of the country—areas where livelihood diversification processes are more dynamic.

Access to formal sources of credit was found to be weak amongst many of the rural poor located in both Kumi and Rakai, despite the number of institutions engaged in this activity. Lack of knowledge about credit providers, ascribed (and in some

cases, real) tight repayment schedules, high initial capital requirements, and the lack of loans for agricultural purposes (which make-up the greatest demand amongst the rural poor) represent barriers to access.

Other forms of assistance have come through donor-supported government programs, and through non-governmental and community-based organization interventions. Rakai district has been one of largest recipients of financial support, attributed to the depth of poverty experienced as a consequence of war and HIV/AIDS, and the prevalence of 'development' programs is considerably higher than in Kumi district. The impact of this in Rakai is most evident in the reconstruction of its physical infrastructure—particularly roads, schools and health posts. NGO and CBO programs have targeted women and children as the most vulnerable demographic groups, with support for primary education, healthcare and small business development through community groups. Micro-finance initiatives have focused predominantly on non-agricultural loans. In contrast, the density of NGO and CBO activity in Kumi, although still higher than many other districts, is lower than in Rakai. In Kumi the focus is predominantly on credit provision and support for agricultural production. In addition, donor and central government funding has enabled the reconstruction of key roads, primary schools and health posts.

Despite these somewhat contrasting levels of funding for service provision, little evidence was found in the communities studied to suggest that the rural population of Rakai has better access to these services. This may in part be explained by the size of Kumi district (smaller land area and population), the relative ethnic homogeneity of its population (which may contribute to social capital formation), and the greater density of political units (local councils). Nevertheless, in both districts, concern was expressed over the perceived levels of corruption, and many people refuse to pay local taxes. Few of the micro-finance and credit schemes operating in the districts were known, whilst those that were could often only be accessed by those who had social links with the influential parties, effectively excluding the poorest. Access to markets, schools and health posts was perceived to have improved, although for the poorest, lack of cash to pay for transport, educational materials, or treatment is still an obstacle to improvement.

Conclusions

Differences in the livelihood activities practiced by rural inhabitants of the two districts studied can be traced to a variety of historical, environmental and social factors, and public and social service provision trends that have created the conditions for, and influenced the forms of diversification found.

In Kumi District, the rural economy is undergoing significant development and change. Armed insurgency forced many rural households into low entry barrier activities, particularly farm laboring. However, the broad range of low entry barrier livelihood activities identified, albeit practiced by few individuals, implies an increasingly adaptive approach. The rehabilitation of physical infrastructure, particularly roads, has enabled some to engage more fully in trading and service sector activities,

and has contributed to the development of small market and retail trading centers. In addition, the construction of schools and health posts has created some demand for local downstream enterprise, with brick making identified as one of the more important livelihood activities practiced by men. Thus, whilst aspirations amongst the rural poor still tend towards the traditional animal and crop-based livelihoods, it was evident that these views are in some cases shifting towards more diverse, non-traditional, higher entry barrier activities.

In Rakai District, livelihood diversification, particularly non-farm, appears to be growing in extent and importance in recent years. Some of this increase hinges on reconstruction and development investments made by the central government, with extensive donor support, and NGOs. In particular, the rehabilitation of the road network has enabled transport-dependent and transport-related enterprise to prosper. NGO programs have introduced new ideas and provided both financial and technical support, particularly to women's groups engaged in handicrafts and newer initiatives such as baking. Groups have also formed in response to increasing dependency and the high numbers of widows and orphans resulting from AIDS deaths. The relative vibrancy of the non-farm economy may also be linked to the generally productive agricultural system.

While the conditions that have governed access to diverse livelihoods in Rakai and Kumi districts are in some ways different, it is still possible to draw a number of more general policy conclusions. For example, in both districts, a lack of access to financial capital was highlighted as a major constraint to development, and there is a need to revisit the structure of government, NGO and private sector schemes that may exclude the poor by virtue of initial capital requirements or restrictive repayment schedules. Support from NGO and CBO programs to community groups, particularly in non-traditional enterprise development, was identified as an important factor in enhancing the nature, status and profits of these group activities. However, successful groups were not necessarily characterized by external support, but by trust, and by the fact that they often exclude the poorest who are unable to meet investment or membership criteria. As few of the groups in the communities studied had received any support from an external source, there is clearly scope to explore the potential for more inclusive group-based programs, particularly focusing upon group dynamics, training and appropriate credit provision.

More broadly, the different determinants of livelihood diversification found between Rakai and Kumi, and the nature and speed of change within the districts indicates the need for policy mechanisms that can respond to difference and change. Whilst the process of decentralization of public administration and service provision to district councils potentially facilitates this increased awareness and 'response time' to local circumstance and change, responsibility for small enterprise and non-farm livelihood diversification has, by default, been left with NGOs and the private sector. Whilst the NGO sector is making some progress, there are few incentives for private investment in rural areas, and relatively non-interventionist government policies emphasizing traditional agro-based activity rather than the promotion of economic diversification.

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