Some Consequences of the 1994-95 Coffee Boom on Poverty and Growth in Uganda

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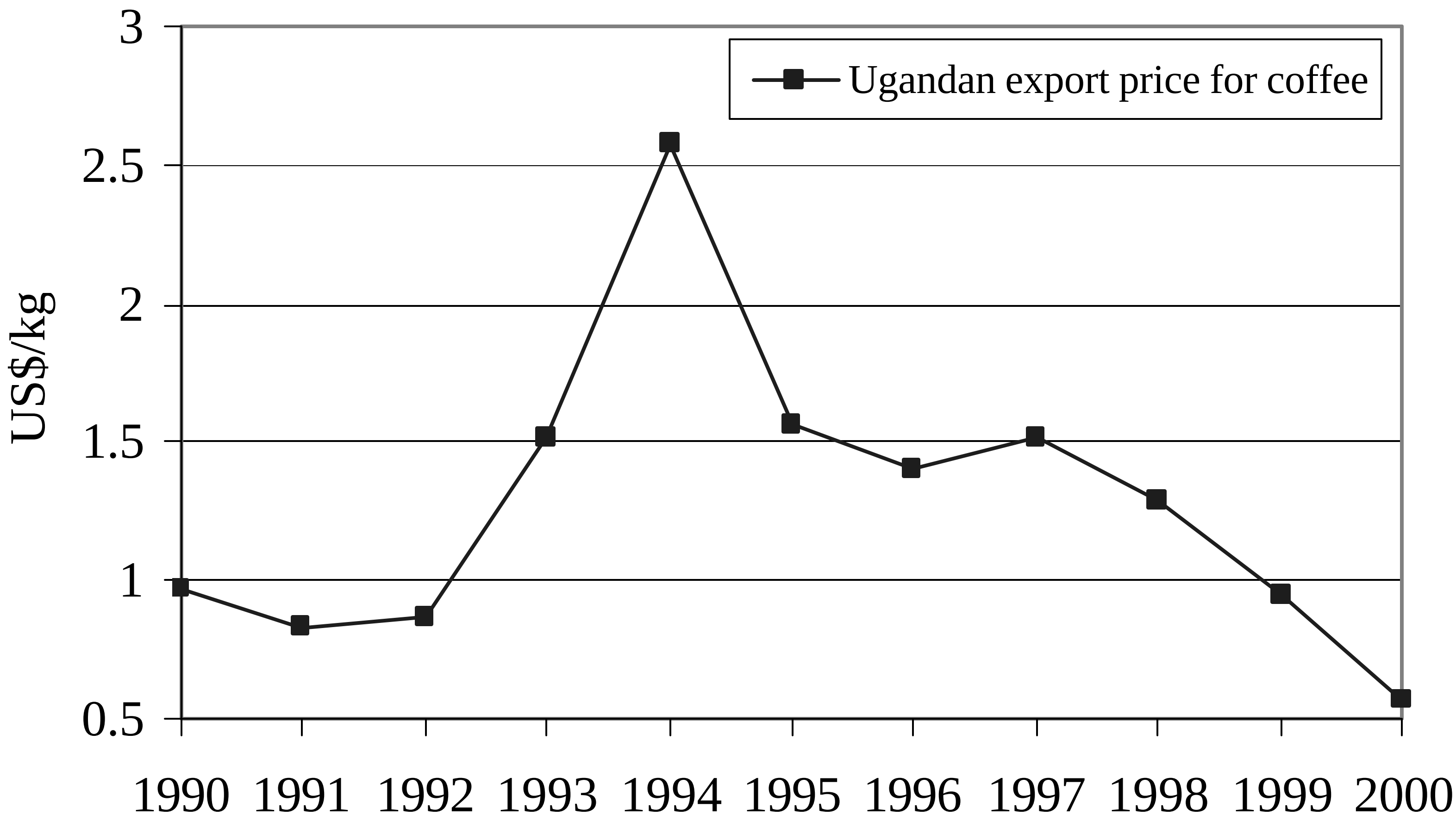
7th Annual Conference on Global Economic Analysis: Trade, Poverty & the Environment, World Bank, Washington D.C., June 17-19 2004

'Slumps in world market primary commodity prices tend to have a lasting effect on medium-term growth and poverty reduction, but booms do not' Dehn (2000)

'[The coffee price boom] accounts for over half of Uganda's fall in poverty during the 1990s' Collier (2001)

Coffee Prices



Source: Uganda Coffee Development Authority

Uganda

Poverty: 50%-35% (1994-2000)

Growth: 4.1% (1994-2000)

Coffee: 64% of export revenue (1994)

Method: CGE Model

Single country, recursive dynamic (1992-2004)

- **SAM**: 128 accounts (1992)
- **Production**: 2-level CES nest
- **Consumption**: Linear Expenditure System
- **Trade**: Armington functions
- **Capital Accumulation**: endogenous with updating shares household income from factors

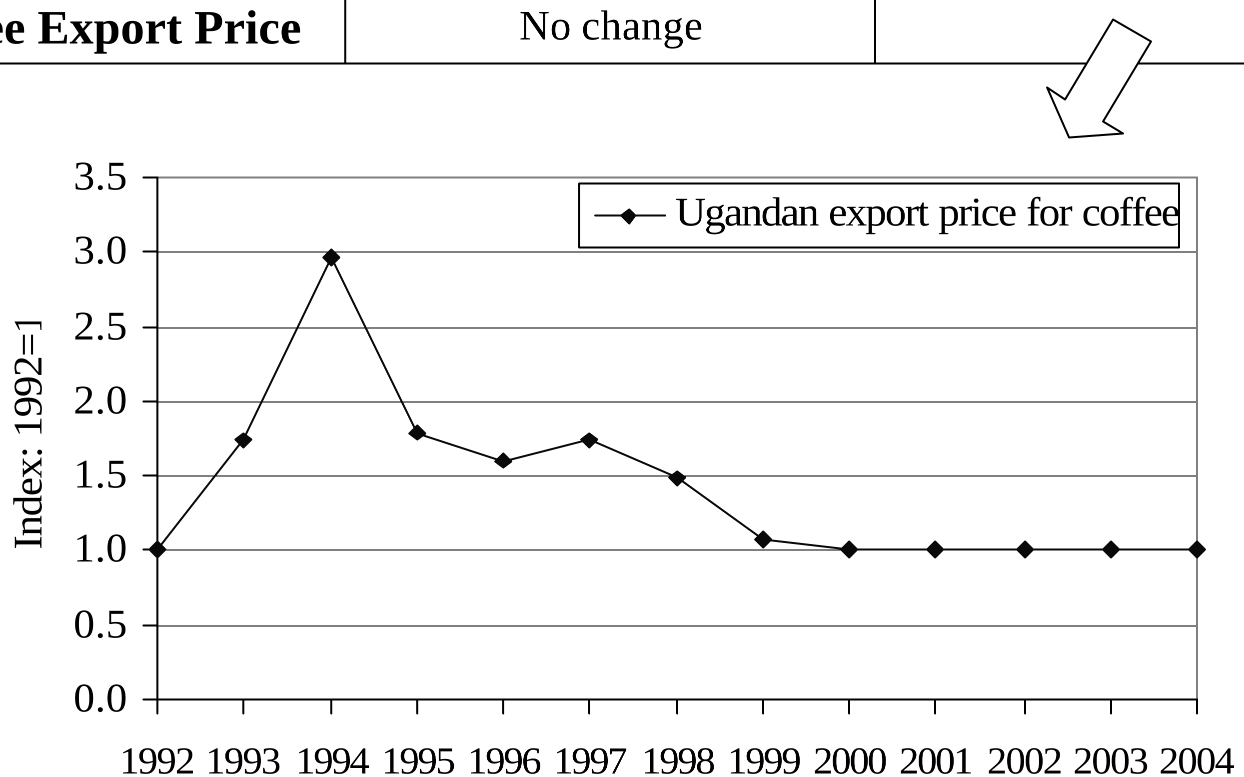
Uganda SAM

	Commodities	Activities	Factors	Households	Government	Capital	Rest of the World	Totals
Commodities	0.00	14.21	0.00	33.22	3.11	5.53	**2.42**	58.50
Activities	49.62	0.00	0.00	0.00	0.00	0.00	0.00	49.62
Factors	0.00	34.81	0.00	0.00	0.00	0.00	0.00	34.81
Households	0.00	0.00	34.81	0.00	4.10	0.00	0.00	38.91
Government	1.38	0.60	0.00	0.22	0.00	0.00	**1.71**	3.90
Capital	0.00	0.00	0.00	**5.47**	**-3.31**	0.05	**3.37**	5.58
Rest of the World	**7.50**	0.00	0.00	0.00	0.00	0.00	0.00	7.50
Totals	58.50	49.62	34.81	38.91	3.90	5.58	7.50	0.00

Source: Blake, McKay & Morrissey, ‘A Social Accounting Matrix for Uganda’ mimeo.

Scenarios

	Baseline Scenario	Coffee Boom Scenario
Technical Change	1% per capita GDP growth	1% per capita GDP growth
Labour Supply	2.65%	2.65%
Capital Stock	Endogenous	Endogenous
Coffee Export Price	No change	



Closure Rules

Foreign Market

- Fixed external balance
- Small country assumption

Capital Account

- Investment driven

Government Account

- Fixed internal balance
- Fixed government consumption
- Production and household taxes free to adjust

Factor Market

- Full employment
- Full mobility

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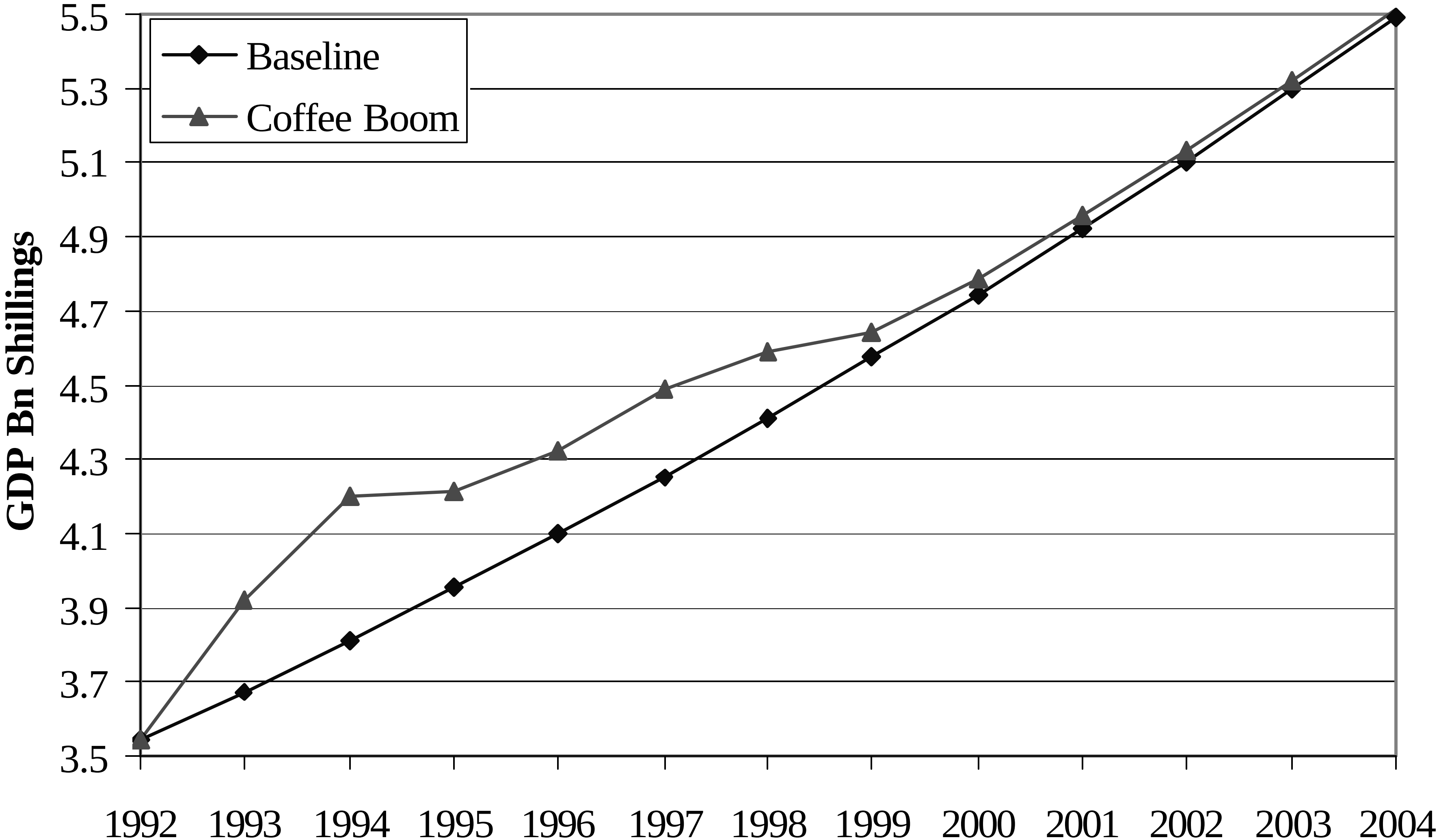
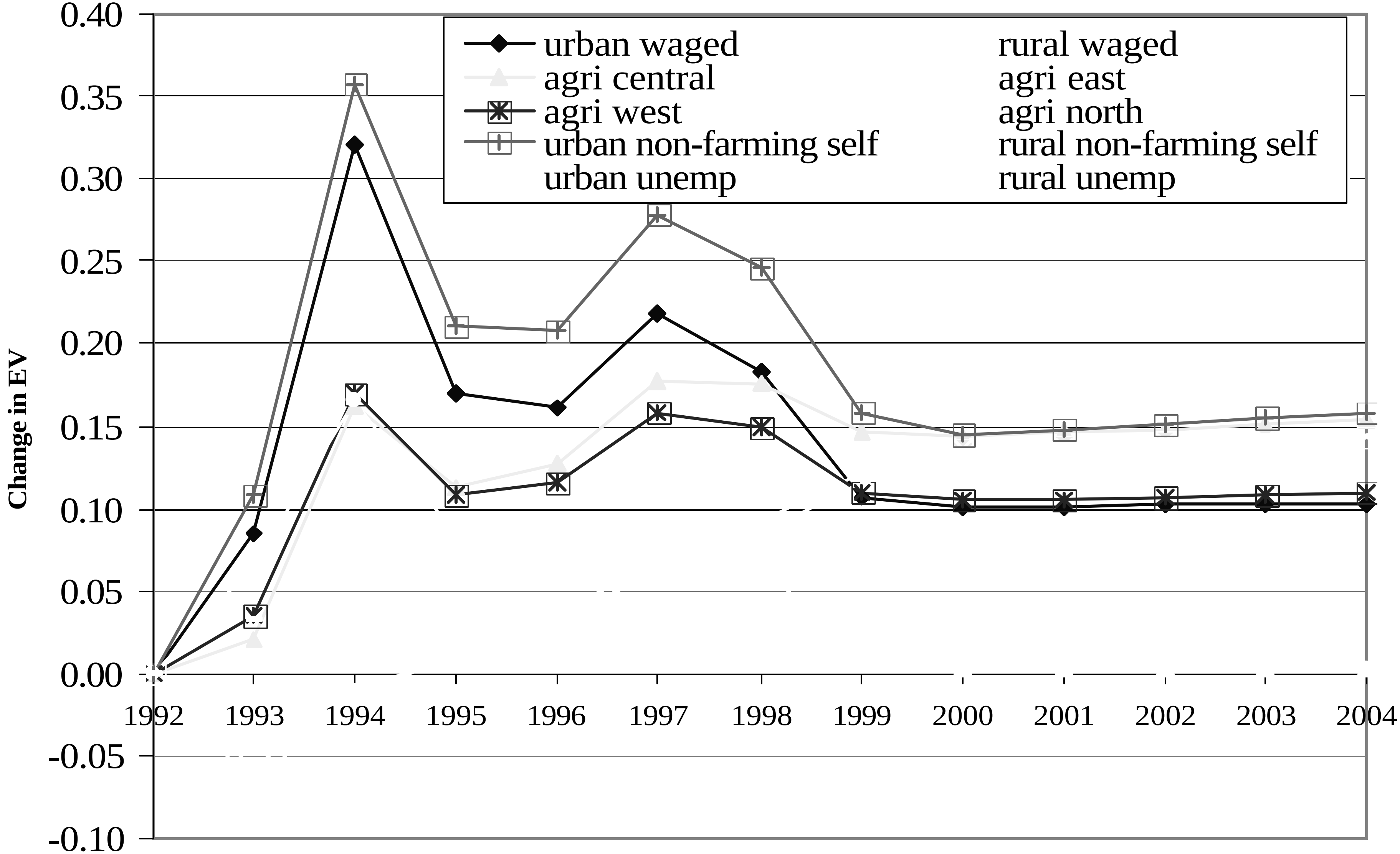
- Consumer Price Index

Growth Results: GDP



Welfare Results: EV



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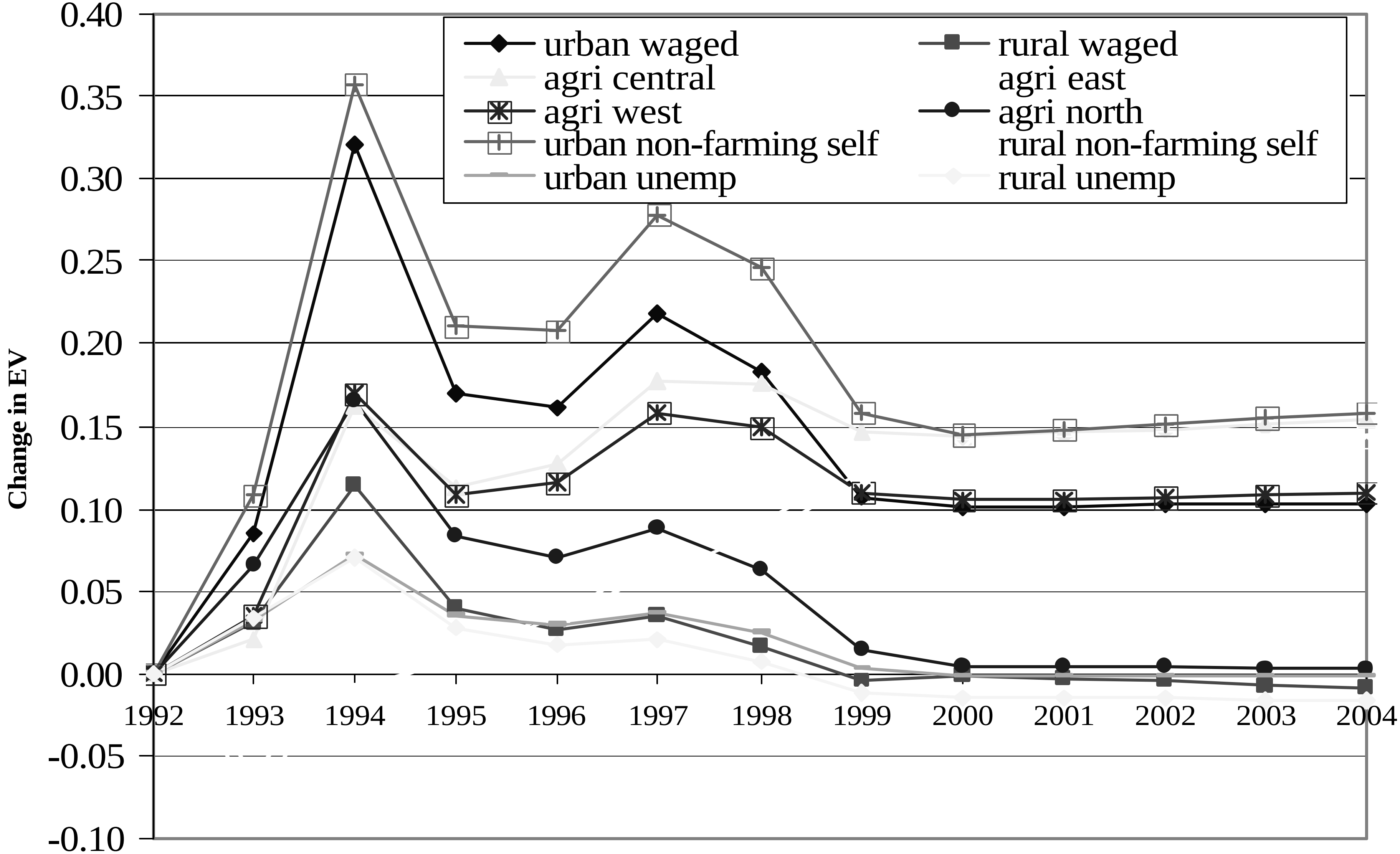

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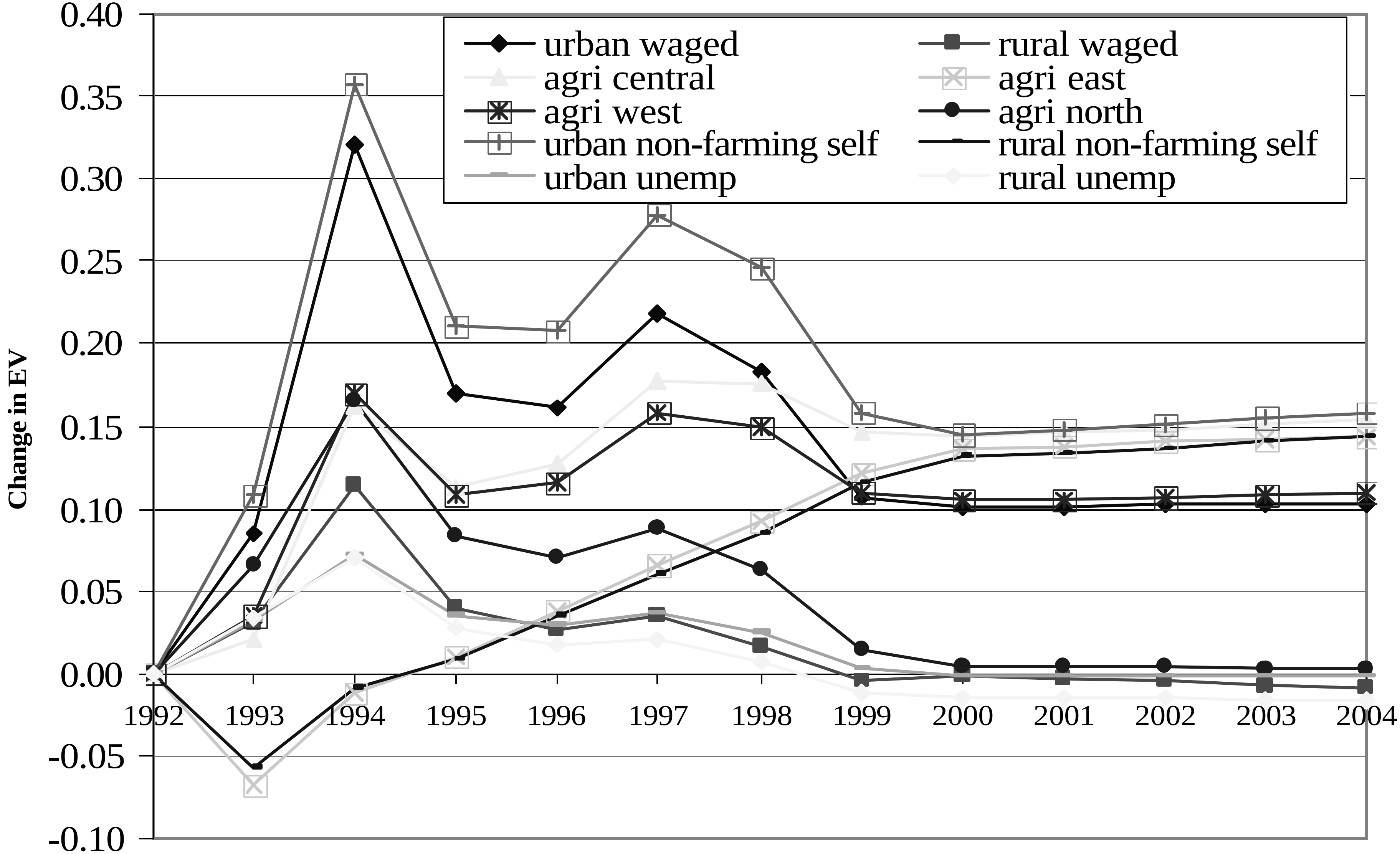
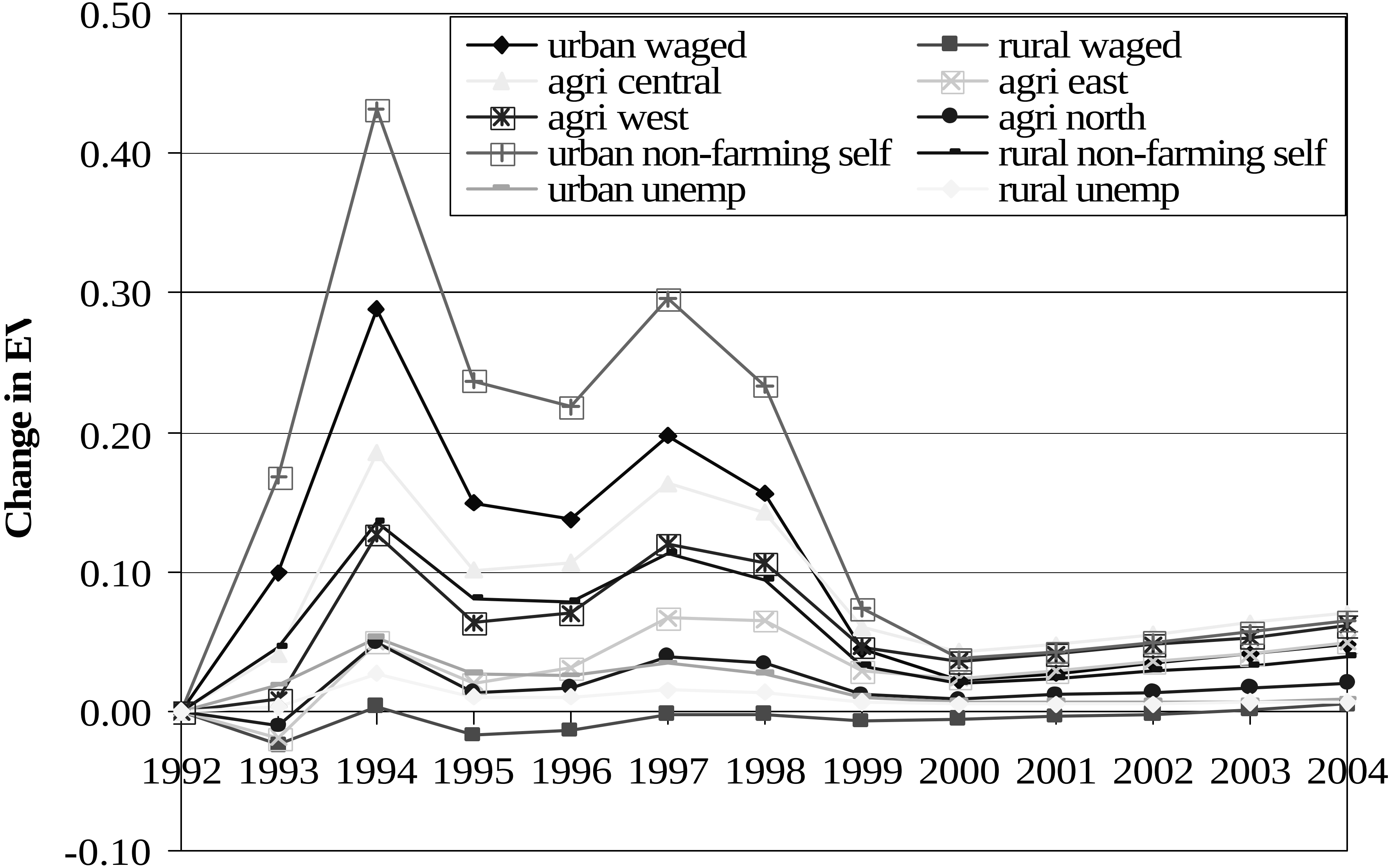
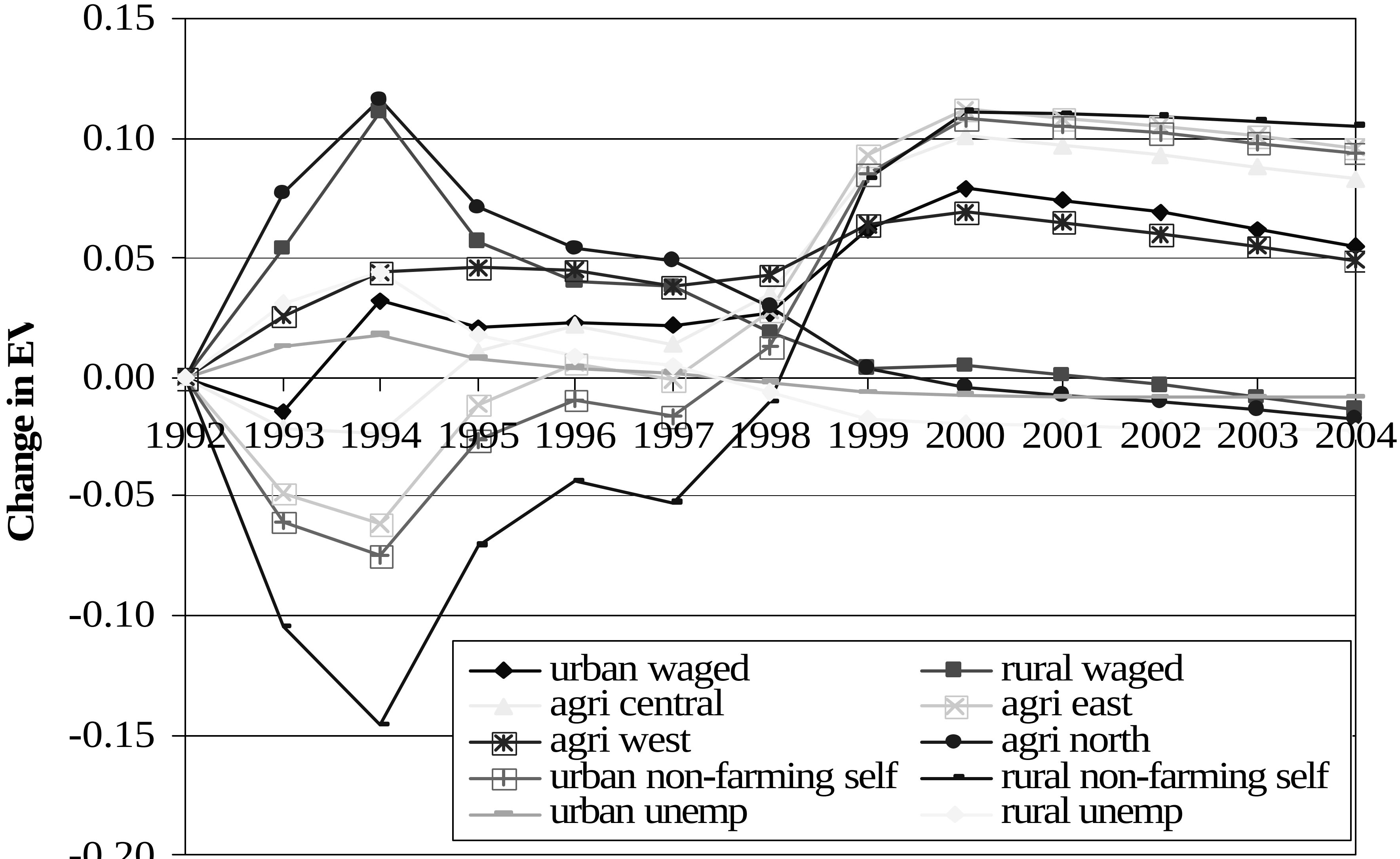


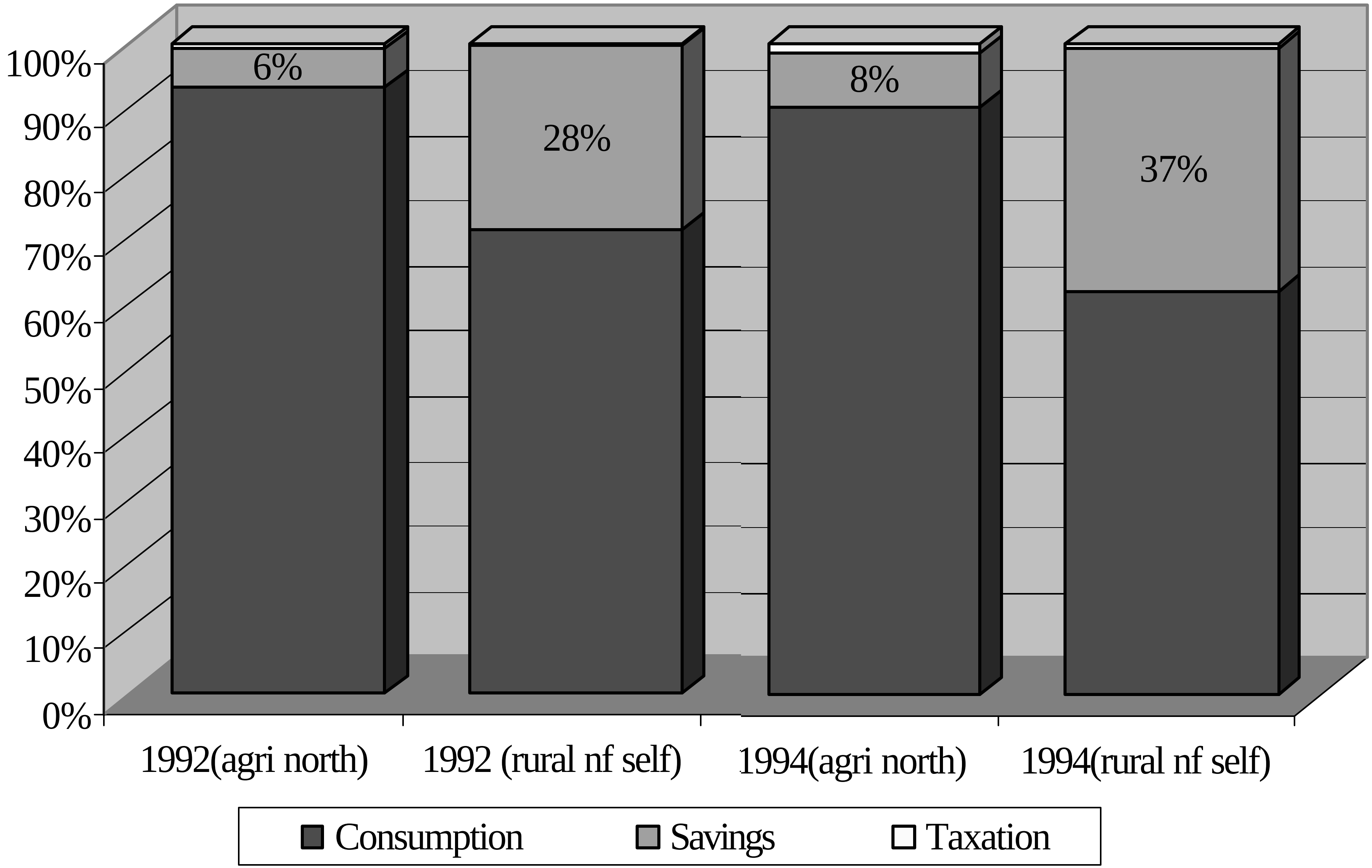
Welfare: EV price effects



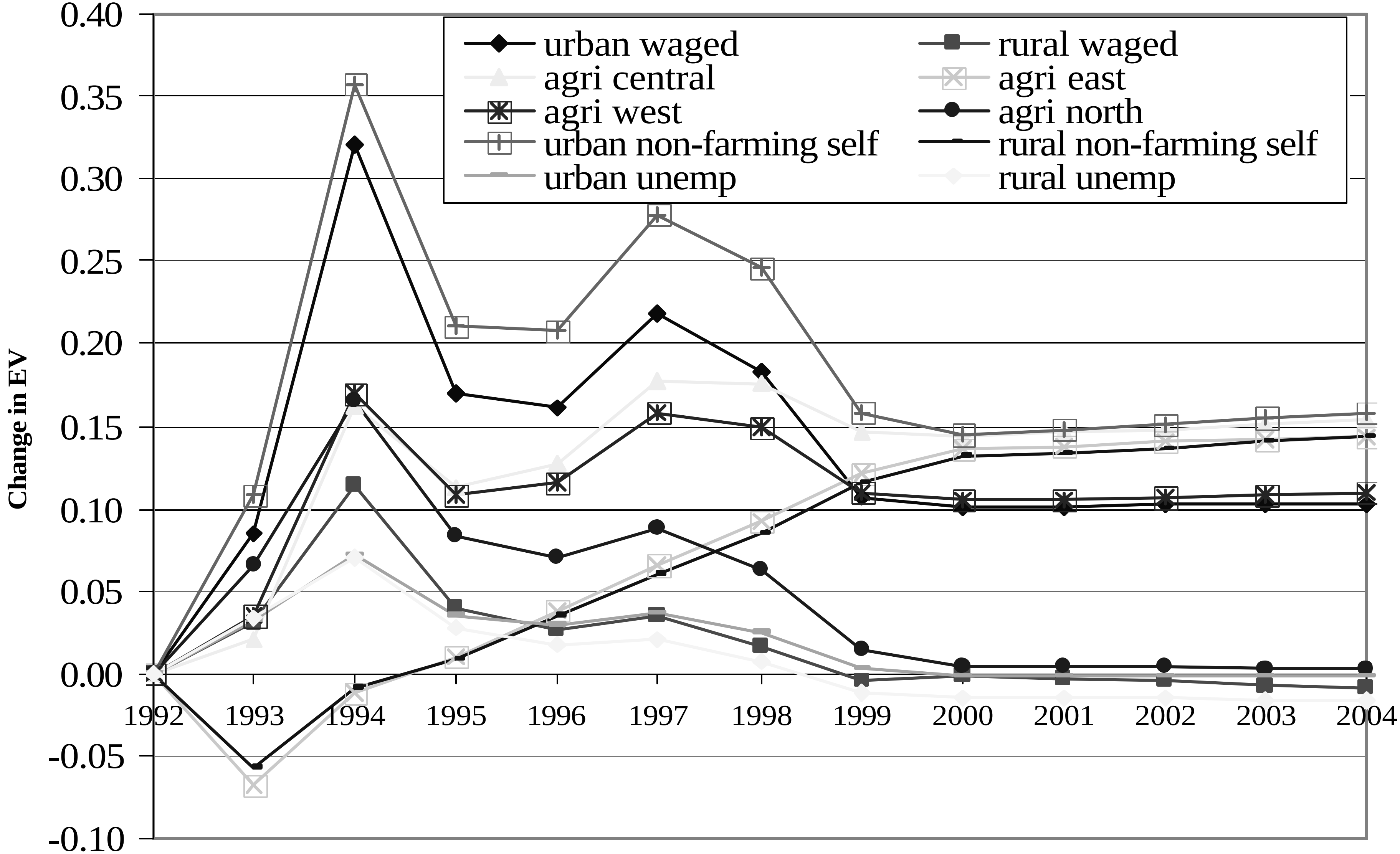
Welfare: EV income effects



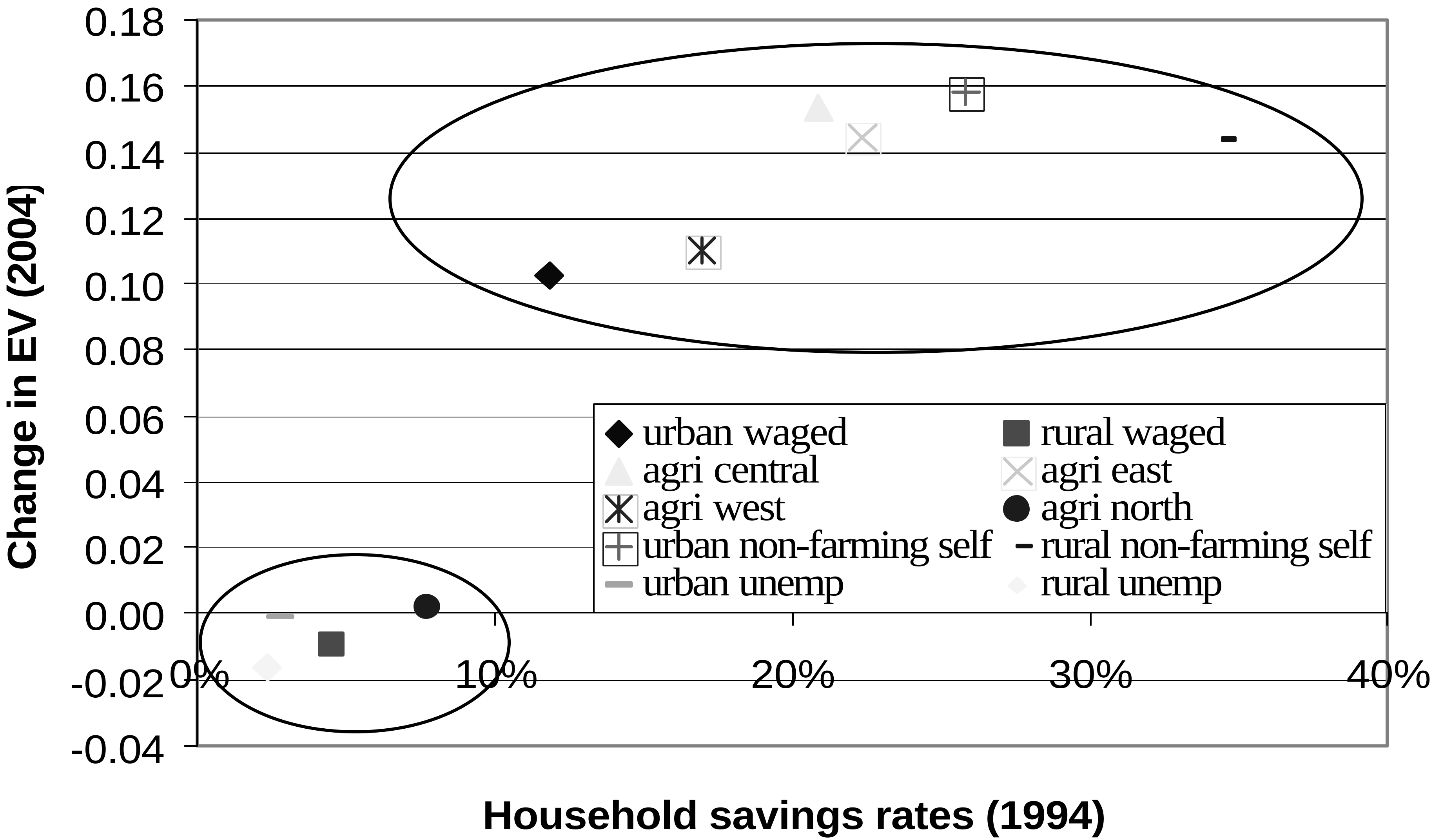
Income decomposition



Welfare Results: EV



Welfare Results: Savings



Conclusions

- Most households experience welfare gains from the coffee price boom
- The price effect is dominant through the exchange rate appreciation
- The income effect is determined by the savings rates
- Households that save during the boom period are better off in the medium term