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**REHABILITATION AND RECONSTRUCTION IN UGANDA:  
THE POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT  
PROGRAMMES FROM 1980 TO 1994**

by

Joshua Baitwa Mugenyi

*Submitted in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy*

at

Dalhousie University  
Halifax, Nova Scotia  
April, 1995

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## **DEDICATION**

To my two youngest children, Michelle Ngyenzi and Benji Kabuura, who were genuinely puzzled by my choice of a distant school from which I was unable to return home every evening.



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## ABSTRACT

In the two decades of the mid-1960s to mid-1980s cumulative political and economic atrophy, precipitated by domestic and external factors, reduced Uganda from a once promising and potentially prosperous and resilient political economy to a worst-case scenario in Sub-Saharan Africa (SSA).

However, since 1986 the National Resistance Movement (NRM) has adopted comprehensive IFI-sponsored structural adjustment programmes (SAPs) which are animated by a neo-liberal, market-oriented, agriculture-based, primary commodity export-driven and private sector-led strategy. It has also put in place political initiatives to establish and sustain peace, security and democracy.

This thesis argues that whilst the World Bank and International Monetary Fund (IMF) -inspired SAPs have halted the free-fall of the 1980s, contributed towards macroeconomic stability, recaptured part of the informal sector and enhanced national and external confidence in the economy, they have failed to go beyond stabilisation to structural adjustment and change. Uganda's dependent "development" trajectory remains tenuous, unsustainable and even reversible. In the meantime, SAPs have impacted adversely on many social and economic groups.

Yet, Uganda, given domestic, regional and global imperatives, has no choice but to adjust its economy with borrowed funds. Within very limited room for manoeuvre, Uganda is likely to enhance its future prospects by pursuing the establishment of a strong and proactive state and adopting a small-scale, agro-based, value-added industrialisation strategy aimed at regional and international markets. These domestic measures will need reinforcement from continued democratisation of the polity, enhanced regional cooperation and a more responsive and supportive global economic system. For now, however, it is premature to elevate Uganda's emerging, if fragile, economic and political renaissance to an unrealistic and unsustainable teleological status.

## **LIST OF ACRONYMS**

<b>AAF-SAP</b>	<b>African Alternative Framework to Structural Adjustment Programmes</b>
<b>BOP</b>	<b>Balance of Payments</b>
<b>CA</b>	<b>Constituent Assembly</b>
<b>CBM</b>	<b>Confidence Building Measure</b>
<b>CCP</b>	<b>Composite Consumer Price</b>
<b>CMB</b>	<b>Coffee Marketing Board</b>
<b>CP</b>	<b>Conservative Party</b>
<b>CPI</b>	<b>Composite Price Index</b>
<b>DFI</b>	<b>Direct Foreign Investment</b>
<b>DP</b>	<b>Democratic Party</b>
<b>EAC</b>	<b>East African Community</b>
<b>EACSO</b>	<b>East African Common Services Organisation</b>
<b>ECA</b>	<b>Economic Commission for Africa</b>
<b>EFF</b>	<b>Extended Fund Facility</b>
<b>EIU</b>	<b>Economist Intelligence Unit</b>
<b>ERC</b>	<b>Economic Recovery Credit</b>
<b>ERP</b>	<b>Economic Recovery Programme</b>
<b>ESAF</b>	<b>Enhanced Structural Adjustment Facility</b>
<b>FEDEMO</b>	<b>Federal Democratic Movement</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>ICO</b>	<b>International Coffee Organisation</b>
<b>IDA</b>	<b>International Development Association</b>
<b>IDRC</b>	<b>International Development Research Centre</b>
<b>IFI</b>	<b>International Financial Institution</b>
<b>ILO</b>	<b>International Labour Organisation</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>KY</b>	<b>Kabaka Yekka</b>
<b>LMB</b>	<b>Lint Marketing Board</b>

LPA	Lagos Plan of Action
MFEP	Ministry of Finance and Economic Planning
NARO	National Agricultural Research Organisation
NCC	National Consultative Council
NGO	Non Governmental Organisation
NIC	Newly Industrialising Country
NIDL	New International Division of Labour
NIEO	New International Economic Order
NRA	National Resistance Army
NRC	National Resistance Council
NRM	National Resistance Movement
OAU	Organisation of African Unity
OECD	Organisation of Economic Cooperation and Development
OGL	Open General Licence
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment
PAPSCA	Programme to Alleviate Poverty and Social Costs of Adjustment
PERD	Public Enterprises Reform and Divestiture
PMB	Produce Marketing Board
PMU	Parastatal Monitoring Unit
PSRRC	Public Service Review & Reorganisation Committee
PTA	Preferential Trade Area
RC	Resistance Council
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SDR	Special Drawing Right
SECAL	Sectoral Adjustment Loan
SIP	Special Import Programme
SSA	Sub-Saharan Africa
TAG	Tanzania Advisory Group

TPP	Ten Point Programme
UCB	Uganda Commercial Bank
UDC	Uganda Development Corporation
UFM	Uganda Freedom Movement
UIA	Uganda Investment Authority
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIP	United National Independence Party
UNLA	Uganda National Liberation Army
UNLF	Uganda National Liberation Front
UNRF	Uganda National Rescue Front
UPC	Uganda Peoples' Congress
UPM	Uganda Patriotic Movement
URA	Uganda Revenue Authority
VAT	Value Added Tax

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## INTRODUCTION

This study investigates the cumulative historical, political and economic factors, located in their domestic, regional and global contexts, that precipitated unprecedented systemic collapse in Uganda since the 1970s. Against this background, the study focuses on the adoption, implementation and socio-economic impacts of SAPs which were introduced in 1981, abandoned in 1984, and then embraced once again by the NRM since 1987. The thesis attempts to evaluate the overall contributions of SAPs towards the rehabilitation and reconstruction of Uganda's political economy. SAPs, like the causal explanations of the systemic collapse, are analyzed and evaluated within a wider framework that blends together domestic, regional and global factors and imperatives. Recognising that attempts at economic recovery are only part of a wider thrust towards rehabilitation and reconstruction of the political economy, the study also examines NRM's political initiatives, introduced since 1986, towards the establishment and sustenance of peace, security, and democracy. The study's claim to originality lies in its holistic approach that locates the multi-faceted problem, analysis and prospects for recovery in comprehensive multi-disciplinary contexts. This approach and its findings are likely to enhance dialogue between International Financial Institutions (IFIs), the donor community, the national government policy-makers and those directly affected by the impact of SAPs. Its wide interdisciplinary focus, with its political economy core, will also, hopefully,

help reduce epistemological compartmentalization amongst social scientists and encourage intellectual cross-fertilisation in the conceptualisation of the development problematique in Uganda and Sub-Saharan region.

### 1. The Core Argument

The core argument of the study is that while the IFI-supported SAPs, and their neo-liberal, market-oriented, agriculture-based, primary export-driven and private sector-led strategy, have halted the free-fall of Uganda's economy in the mid-1980s and contributed towards macroeconomic stability, recaptured part of the informal sector and renewed national and external confidence in the economy, their overall positive impact has been exaggerated. In fact, they have registered major failures.

SAPs, besides their adverse impact on many groups, have so far failed to go beyond stabilisation to structural adjustment and change; production and export bases have not widened as expected; the economic recovery seems to have been prompted by peace dividends, ecological factors and enhanced external inflows, rather than economic reforms themselves. In any case, Uganda's economic recovery is overwhelmingly dependent on external funding and has, in the process, accumulated a huge and unsustainable external debt that is going to constrain long-term development prospects. The recovery is therefore fragile, unsustainable and even reversible.

Yet, given a lack of domestic financial constraints, the inability to borrow from other financial markets and increasingly fickle external donors, and given the changes in domestic, regional and global markets and trends, Uganda appears to have no choice but to restructure its economy while continuing to borrow from the IFIs.

Uganda, in light of these enduring constraints, many of which are beyond the country's control, has very limited prospects of sustainable economic recovery. Further democratisation, intelligent and prudent use of borrowed resources, enhancement of the state's capacity and innovative acceleration of small-scale, agro-based, value-added rural industrialisation are the likely combination needed to expand both production and export bases in the foreseeable future. Uganda, however, cannot achieve a lot on its own unless regional and global cooperation and trading patterns provide a conducive and enabling atmosphere. There is need for the Non-Aligned Movement and G-77 group to firmly put these issues on the global agenda. On the other hand, Bretton Woods institutions and the G-7 group need to address these global patterns and trends.

The thesis, finally, argues that the current SAPs and their conditionalities cannot achieve the normative development trajectory envisioned in this study; i.e., the establishment of an equitable and sustained economic, political and social transformation in Uganda. Additionally, SAPs, as applied in Uganda today, will

not lead to the NRM's stated objective of building an independent, integrated and self-sustaining economy.

## 2. Organisation

To treat national, regional and global factors as well as comparative cases, the study is organised in three parts. In Part I, Chapter 1 reviews the literature and debates about causation, analysis and praxis of the African crisis; it critiques different and contending modes of analysis and situates the Ugandan development problematique in those contexts. Chapter 2 attempts to locate factors that led to the widespread adoption of economic reforms in SSA as well as the theoretical assumptions behind the neo-liberal IFI-inspired SAPs. Chapter 3 focuses on the politics and SAPs in SSA and evaluates the role of the World Bank and the International Monetary Fund.

In Part II, Chapter 4 deals with the theory and practice of SAPs within African comparative perspectives. It analyses the SAP experiences of Ghana, Tanzania and Zambia and draws heuristic insights that are then related to the Ugandan case study as well as to the SSA region.

Part III, which comprises Chapters 5, 6 and 7, deals with the Ugandan case study. Chapter 5 highlights the background to the country's political and economic collapse in the late 1960s and 1970s. It situates the collapse in domestic, regional and global contexts. It also analyses and investigates the earlier failed attempts at structural adjustment between 1981 and 1984.

Chapter 6 deals with NRM's initial reluctance to adopt SAPs and its subsequent change of heart. The chapter also highlights the main elements of SAPs as well as political initiatives taken by the NRM towards the restoration of peace, security and democracy.

Chapter 7 evaluates the impact of SAPs at strategic, policy, design, sectoral and social-economic levels.

Finally, the Conclusion summarizes the main findings and conclusions. It also engages in speculating about future development prospects for Uganda, the SSA region and the IFIs into the next millennium.

### 3. Methodology

The study was largely inspired by a political economy approach but was open to theoretical insights from other perspectives. Data and information were gathered from primary and secondary sources in Uganda and Washington D.C. Selected interviews were conducted in Uganda and Washington. Most respondents, because of their nature of work, requested total anonymity. Some of the documents consulted were classified and their confidentiality has been maintained in the study. I was also able to gain access to considerable data and information in my capacity as an employee of the Bank of Uganda, the main institutional link between Uganda and the Bretton Woods institutions and the principal implementor of SAPs-related monetary policies.

#### 4. Summary of findings, conclusions and implications

The NRM's political initiatives have, to a large measure, established an enabling atmosphere for peace, security and democracy. These processes, however, remain fragile and even reversible.

The adoption and implementation of SAPs have led to macroeconomic stability, recaptured part of the informal sector and restored confidence in the economy. However, they have failed to go beyond stabilisation to structural adjustment and change. Many elements of the neo-liberal, market-oriented, agriculture-based, primary commodity export-driven and private sector-led strategy have failed to achieve their objectives. The overwhelming dependence on external funding has pushed Uganda into a dependent "development" trajectory which remains tenuous, unsustainable and reversible. The trajectory is most unlikely to achieve NRM's stated objective of building an independent, integrated and self-sustaining national economy.

In the meantime, SAPs have impacted adversely on many social and economic groups. Health and educational sectors have been profoundly affected by the state's continued withdrawal; and insufficient remuneration and massive retrenchment have decimated the already weak and tiny middle class.

Yet, Uganda has no option but to borrow from Bretton Woods institutions and to restructure its economy. Its options are very limited. It is, however, these very limited possibilities that need to be pursued vigorously. These include the establishment of a strong, proactive, democratic and interventionist state;

promotion of small-scale, agro-based, value-added industrialisation for regional and global markets; strengthening and sustenance of the democratic project and prudent use of borrowed resources. These domestic initiatives, however, need to be strongly supplemented by enhanced regional cooperation and a supportive global economic system. Both the Fund and the Bank will need to be restructured, redirected and democratised in order to attend to the abiding crisis in SSA.

Uganda, under the NRM, has gone a long way towards political and economic recovery. This emerging renaissance, however, remains fragile, unsustainable and reversible.

# **PART I: THE AFRICAN CRISIS AND STRUCTURAL ADJUSTMENT: CONTENDING DEBATES**

## **CHAPTER 1**

### The African Crisis: Causation, Analysis and Praxis

#### 1.1 The Anatomy of the African Crisis

African's economic decline and socio-economic malaise, whose depth and visibility intensified in the last two decades and to which the current attempts at economic and political reforms are directed, is now routinely referred to as a crisis; an escalating and sustained crisis that is ripping apart social fabrics on the continent.

According to Lawrence (1986:2), a "crisis" has a connotation of systemic breakdown, but more generally it can refer to a "moment or a specific time period in the history of a system at which various developments of a negative character combine to generate a serious threat to survival." This basic operational definition aptly captures the serious survival challenges facing African countries and peoples. Based on the sharply deteriorating human condition as a generic measure of the crisis, the evidence, if somewhat over-generalised by some analyses and reports, is palpable.

In Africa, particularly in SSA over the last twenty years, poverty has been increasing in absolute and relative terms (Green and Faber, 1994: 6).

Macro-economic structures have disintegrated, and social and physical infrastructures have decayed. Literacy rates have fallen: just over 50% of the total eligible school age population is attending school. The percentage of all students of secondary school age who are enrolled in schools range from 53% in Mauritius to 2% in Rwanda (Sparks, 1993: 8). Infant mortality rates have gone up: 196 children out of every 1000 die before the age of five while life expectancy is now estimated to be 51 years and is on the downward trend (Sparks, 1993: 8; Aboyade, 1994: 73-75; Akina Aina, 1993: 11; Hyden, 1983: xi; Green, 1991: 1).

Growth rates in all sectors have not only gone down, and even reversed, but have been overtaken by population growth which is projected at an annual rate of 3.2% between 1990 and 2000 (Sparks, 1993: 8). Declining GDP per capita, which in 1992 was 15% below its level of a decade earlier, has been accompanied by high inflation rates, declines in real wages and reduced purchasing power, which has fallen by 24% since 1985 (Sandbrook, 1993: 5; Jaycox, 1988: 21). The shrinking economies have also been characterized by increased unemployment, under-employment and retrenchment. The miserable rural lifestyle has sparked off massive rural to urban migration and in the process hurt agricultural production while putting pressure on already inadequate urban infrastructures (Schuurman, 1993: 9; Edwards, 1993: 93; Akina Aina, 1993: 11; Adedeji, 1990: iv; Mehretu, 1989: 3).

Food production has dropped considerably resulting in food insecurity, shortage, famine and, in the extreme cases, starvation. Food aid to threatened

communities has risen from 0.9 million tons in 1974 to 4.8 million tons in 1989 (Sparks, 1993: 8; Lawrence, 1986: 1; Commins, 1988: 1-2).

Cumulatively, many parts of the continent are faced with agrarian and ecological disaster resulting from deforestation, desertification, drought, soil erosion and exhaustion.

Shrinkage of exports as well as adverse terms of trade, import contraction and strangulation, unbalanced budgets, unequal distribution of income and wealth, and the AIDS epidemic have combined with other disabling factors to suppress growth and worsen the already precariously low living standards.

The external debt in SSA has exploded from \$6,000 million in 1970 to \$290,000 million in 1992. The total external debt as a percentage of total exports of goods and services increased from 96% of exports in 1980 to 362% by 1989 (Sparks, 1993: 9).

All these pressures have led to serious political and social crises: political violence and instability, authoritarianism, civil wars as well as low-intensity conflicts, interstate violence, violation of human rights, escalating crime, social explosions and implosions, brain drain and massive refugee problems. As Sandbrook argues, the crisis of governance tends to depress growth by raising costs of investment and lowering productivity (Sandbrook, 1993: 17).

Africa, it would appear, is facing the twenty-first century with little to cheer about: poorly educated and poorly nourished populations, a fast deteriorating environment and an extremely marginalized position in the international divisions

of labour and power. The euphoria and optimism of the 1960s have given way to current "Afro-pessimism."

Yet, the severity and depth of the crisis should not be over-generalised. The submerged differences among African states may be as important as the similarities that tend to be more emphasized. Not all SSA countries have performed dismally in economic and political spheres. Some countries, classes and communities have exhibited chronically poor performances, while others have in fact stagnated. Still others have been involved in civil wars. A few, however, have maintained annual growth rates of 5% and above and have been able to resolve political conflict without tearing down the social fabric (Faber and Green, 1985: 15).

Even where all-round performance has been very inadequate, there are signs of growing popular democracy movements, attempts to solve inter- and intra-state conflicts, vigilance on observance of human rights, grassroots organisations, freedom of press and a more enduring civil society (Minter, 1993: 300-306). Many, albeit diminished, governments in the region are trying new methods of resolving economic and political issues and of confronting, in some measure, issues relating to violence, security, democracy and participation, sustainable development as well as inequality and environment (Minter, 1993: 300; Sandbrook, 1993: 6). Successful transitions and transfers of power, many of them witnessed by the new forms of "intervention" (monitors and peacekeepers), have been effected in Cape Verde, Ivory Coast, Madagascar,

Mozambique, Namibia, South Africa and Zambia. Elections are scheduled in Ethiopia, Tanzania and Uganda.

### 1.1.1 Central Questions About the African Crisis

The character and intensity of the African crisis raises many economic, political, as well as philosophical and sociological questions. What are the fundamental causes of the crisis? What proportions of the crisis are being propelled by endogenous and exogenous factors? Why is Africa continuing to perform poorly internally as well as globally, where its share of the world market for primary products (excluding oil) has fallen from 7% in 1970 to 4% in 1985 (Sparks, 1993: 9)? Why is the continent being marginalized even further in the international divisions of labour, wealth and power? Why are other countries elsewhere, particularly the Asian "tigers" and "cubs," able to find and sustain their growth and productivity and advance to higher rungs in the world economic order while Africa goes in the opposite direction? Who is, and who should be, defining development for Africa?

What has been the contribution of contending development theories and debates towards analysis and praxis? To borrow from Edward's phraseology, why is poverty on the increase (in Africa) in the face of unprecedented expansion in development research, literature, advice and projects? Why is so much spent on "development" having so little or no impact on the problem it seeks to address (Edwards, 1993: 77)?

Why did the development policies prior to, and after the introduction of SAPs fail? What have been the popular and official responses to the crisis? What are the contexts, content, assumptions and directions, ownership and impact of the neo-liberal based SAPs? Is sustainable development likely to result from their implementation? Adjustment to what, by whom and how? Who will gain and who will lose? Are the new adjustment policies hemming the African countries into new forms of dependent relationships? Are there serious and workable alternatives to the orthodox SAPs?

In many African countries, the crisis has provoked both economic and political liberalisation. Are these two processes reinforcing or obstructing each other? Can democracy be sustained in conditions of extreme material scarcity manifested in Africa?

What is the role of the state in the adjustment era? Is there too much, or too little, statism in Africa? What has Africa learnt from the NICs regarding the possibility of a proactive dirigiste state in the development process? How will the current recipes to alleviate the African crisis work in light of an expanded political economy agenda, the eclipse of the Soviet (socialist) model alternative and consequent "Third Worldisation" of most of Eastern Europe, and the post- Cold War world order? These are some of the key questions the study will seek to address at both theoretical and empirical levels by reference to the case of Uganda.

## 1.2 Causal Explanations of the Crisis

Disparate and diverse causal explanations of the African crisis, informed variously by eclectic observations and/or ideologies, as well as by several social science paradigms, are in abundance. Before a critique of the main development theories is embarked upon, it may be useful to review a representative sample of what several analysts regard as the main causes of economic and political stagnation on the continent.

Many analysts of all persuasions, albeit with widely differing weighting scales, tend to classify the causes of the crisis into external and internal categories. The more familiar external causes include: the energy crisis of the 1970s; worsening terms of trade; an unfavourable export structure and environment; the increasingly unmanageable foreign debt; declining productivity in the Western industrialized countries leading to expensive imports for the African market; deteriorating foreign lending; higher interest on loans; and the reduction of external financial flows.

The internal causes most frequently mentioned include: African technological backwardness and inability to control population growth; self-seeking, misguided and predatory African urban elites who are fond of short-term interests and self-aggrandizement at the expense of efficiency and long-term goals; inadequate or mistaken policies that have led to negative economic growth; neglect of human and physical infrastructures; policies that are

inherently anti-rural and, therefore, likely to translate into food shortages and distorted prices for primary products.

Other regularly cited causes include: gross mismanagement and corruption of state functionaries; excessive statism that has stifled efficiency, competition and productivity; authoritarianism, non-participation, political tensions and conflicts, and lack of democracy.

Psychological explanation, such as that advanced by McClelland (1961: 47-49) suggests that underdevelopment and the African crisis may be a function of a lack of motivation and an absence of the proverbial protestant work ethic. To others, such as Toynbee (1972: 301-2), the problem is an hospitable tropical climate that provides a perpetual holiday mood - an ideal climate which provides a very weak challenge and necessitates a correspondingly weak response. To some others still, this comes down to issues of culture and race. Among the least controversial causes are the vicious droughts of the 1970s and 1980s, and the AIDS epidemic which has depleted the work forces and caused major demographic and social catastrophes.

### 1.3 Historical Perspectives

Several analyses have focused on historical perspectives dating back to slavery and the nature of colonial and post-colonial states to explain the African crisis over the centuries.

Nabudere, a Ugandan social scientist, (1994: 163) argues that Africa's contemporary weakness and marginalization in the global economy has to be understood in historical terms dating back to the days of slavery and destruction of Africa's pre-colonial capacities.

Museveni (1992: 51-52), the current head of state in Uganda, posits the argument that the weak micro states as well as backward technology made Africa an easy prey to foreign domination by more organised societies, partly leading to the slavery industry. Difficult trans-continental communication stifled the spread of ideas and trade and the hospitable climate made the Africans complacent, while tropical diseases weakened and depleted African populations.

Rodney, among many radical scholars, has attributed Africa's underdevelopment to the peculiar circumstances under which the continent came into contact with the outside world, particularly the West. Apart from dehumanizing slavery and colonial exploitation, Rodney argues that "the vast majority of Africans went into colonialism with a hoe and came out with a hoe" (Kiros, 1992: 47).

Leys (1994: 45-46) traces the genesis of the crisis to the colonial times. He posits that colonial regimes failed to transform the relations of production by limiting them to the household units. The colonial state discouraged indigenous capital accumulation and industrialisation. Thus, he argues, the new post-colonial elite had little option but to pillage state-owned monopolies. This process eventually degenerated into an economic crisis which, in turn, sparked off a

political crisis. Thus, Leys locates the crisis in the weakness of the social formations on which the state is founded, rather than the state itself.

Chazan and Rothchild argue that the African colonial state, while pretending to be hegemonic, was in fact too weak to penetrate society and extract resources for material development. Excessive statism delegitimized "politics," creating insensitivity on the part of state bureaucrats towards popular demands. This finally led to economic and political crises (Callaghy and Ravenhill, 1993: 8).

Similarly, Sandbrook has argued that "[African] states whether nominally capitalist or socialist, have also lacked, irrespective of will, the necessary extractive political and administrative capacities" (Sandbrook, 1993: 23). He further asserts that "Africa's post-colonial experience suggests a strong reciprocal relationship between state decay and economic crisis" (Sandbrook, 1993: 39). In the same vein, Williams has argued that while the post-colonial (especially the military) state was efficient at suppressing political opposition, that experience was irrelevant in the face of fiscal and production crises (Williams, 1994: 214).

Hyden, while acknowledging the negative impact of ill-conceived policies and the fall in world market commodity prices, observes that in the period immediately after independence — mostly in the 1960s -- most African governments emphasized distribution and social welfare imperatives rather than growth. The latter was contrasted with development. These orientations triggered off very rapid social services expansion. Shortly thereafter, the resulting huge recurrent expenditure could not be supported by limited resources. This fiscal

imbalance, he argues, translated into the high visibility African crisis in the 1970s and 1980s. Furthermore, Hyden argues that attempts by some African countries to make an historical short-cut from pre-capitalist to socialist societies constituted ideological and policy mistakes which contributed to the contemporary crisis (Hyden, 1983: 1-6). Hyden's observations reinforce earlier remarks by Paul Baran that "socialism in backward and under-developed countries has a powerful tendency to become a backward and underdeveloped socialism" (Sandbrook, 1993,: 34).

Kiros (1992: viii-xix) suggests that while many African countries refused or were impatient to work skilfully with existing capitalism and rejected it before they experienced its spirit, "the economic models that Africa inherited from the colonial past as well as the so-called 'socialist' models that Africa uncritically accepted during the post-colonial period have both led to disaster." Less emphatic on external and historical perspectives, the neo-liberal focuses on the policy- and market-orientations.

### 1.3.1 The Neo-liberal Explanation

The neo-liberal explanation of the crisis is adequately and authoritatively encapsulated in World Bank analyses and statements. The Bank argues that economic stagnation in Africa was primarily caused by poor policies which were informed by a post-nationalist and post-independence development paradigm that espoused the role of the state in production as well as regulation of the economy.

It is argued that this policy choice undermined macro-economic stability, suppressing export growth and diversification. The ill-conceived policies were accompanied by political instability as well as external constraints which, the Bank suggests, are surmountable (World Bank, 1994: 20-30). This explanation, informed by a neo-classical market-oriented paradigm, is a revision of an earlier model provided by the departing colonial officials as well as Western states which suggested that markets in Africa had worked inefficiently. Therefore, a proactive state was expected to intervene to reduce the impact of market failures (Sandbrook, 1993: 2). A more comprehensive treatment of this explanation and attendant suggested praxis will be dealt with in Chapter Two.

From the neo-liberal post-Cold War angle, Richburg (1994: 6) has recently argued that Africa's turmoil and decline have resulted from the continent's loss of relevance:

During the Cold War, the continent was a playground for the proxy conflicts. The Americans, the Soviets, the Chinese, the Israelis, the Arabs, White South Africans, White Rhodesians, even the Taiwanese searched for allies and brought in aid, arms and advice...But the outside attention also meant that the highways were built, hospitals were kept supplied and a generation of Africa's elite were given access to education at home and abroad...With the end of the East-West conflict, the dismantling of South Africa's racist policies of apartheid and the move toward peace in the Middle East, Africa has become more marginalized than at any time since Europeans first set foot here 500 years ago....The lack of foreign interest and investment, combined with the difficulty of implementing new economic and political models, means that even outside the war zones, Africans are struggling to come to terms with long standing social and economic ailments.

The foregoing explanations, if somewhat diverse and even contradictory, provide a tentative framework within which the African crisis can be understood. The main causes appear to be rooted in a combination of: (i) the historical and contemporary location of Africa in the world system; (ii) the unfavourable external environment for exports, trade and investment; (iii) the growing debt burden; (iv) the nature of the post-colonial state; (v) the behaviour of the African elites; and (vi) the quality and direction of development policies. The foregoing explanations are also variously informed by competing paradigms. In order to impose some order on issues of causality, analysis and praxis, it is proposed to mount an overview of development theories and debates. This is also an important background against which the quality and stock of knowledge about the development crisis in Africa and the responses, both popular and official, may be appreciated, categorized and thematized.

#### 1.4 An Overview and Critique of Development Theories and Debates

The debates on the causes of the crisis and possible courses of action to ameliorate it have been, in large measure, informed by competing development theory paradigms. The most influential of these paradigms are: (i) the modernisation (developmentalist) paradigm and (ii) the neo-Marxist paradigm.

#### 1.4.1 The Modernisation (Developmentalist) Paradigm

In the 1950s and 1960s, Western comparative politics analysts were confronted with a new set of previously colonised states which were fast achieving independence during those two decades. These countries, mainly in Africa and Asia, were materially underdeveloped and culturally different. Western scholars of the time, especially Americans, who were heavily influenced by the Judeo-Christian ethos, Weberian and positivist traditions as well as their contemporary Western experiences, began to posit several assumptions, analyses and predictions about the development problematique of the Third, non-Western, post-colonial world.

Economists, in particular W.W. Rostow, assumed that underdevelopment was an original state of backwardness: a problem of scarcity rather than of structural relations (Blomstrom and Hettne, 1984: 18). Development was conceived as an evolutionary, endogenous, materialist and unilinear progression (Chilcote, 1981: 74). It was further assumed that, given capital and technical know-how, Third World countries, as a matter of logic, would be propelled to qualities characteristic of the Western world through a sequence of stages (Chilcote, 1981: 279). The developmentalists focused on how Western values, culture and development ethos and ideology would be transferred to the Third World; i.e. on ways of transferring Western theoretical and technical knowledge as well as institutions to the post-colonial underdeveloped states. This process,

it was assumed, would narrow the gap between the poor and rich nations (Higgott, 1983: 9).

Free and unrestricted market forces, specialisation, the laws of comparative advantage and economic interdependence were proposed as the obvious panacea for what developmentalists characterised as short-term bottlenecks in the Third World countries (Harris, 1986: 21). It was also taken for granted that economic and political development would spread uniformly throughout Africa, Asia and Latin America as it was assumed that economic, social and political factors affected those regions in similar ways (Hoogvelt, 1982: 1).

Amongst political analysts of the modernisation paradigm, there was hardly any difference between the three interrelated concepts: modernisation, Westernisation and development.

Largely informed by anthropology, historical sociology and behaviouralism, heuristic functionalists, in particular Almond, emphasized the supremacy of Anglo-American norms, behaviour and structures as the combination towards modernisation (Apter and Rosberg, 1994: 21). They were concerned with the dichotomy between modern (Western) and traditional (non-Western) political systems, and how the latter, through cultural secularisation (largely a process of Westernisation) would become modern (Chilcote, 1981; 222). Pye and Verba (1965: 8) were equally absorbed by the issue of transference. Huntington emphasized the need to transfer values and institutions to developing countries

while at the same time preserving stability and integration, not revolution and transformation (Korany, 1994: 8; Apter and Rosberg, 1994: 22).

Structural-functionalists, particularly Talcott Parsons, also focused on norms, behaviour and structure and the techniques of transferring the "desired" combination to Third World countries. They built equilibrium models that were primarily intended to gravitate towards stability, mutual interconnectedness and dependability (Apter and Rosberg, 1994: 22).

In the wake of the oil crises of the 1970s, considerable recession in the industrialised countries as well as the shift to the right of influential states in the Western world, many of the Keynesian, as well as some elements of Fabian Socialist, ideals giving rise to the idea of a welfare state have been largely pushed to the sidelines. Instead, neo-monetarism and, later, neo-liberalism have redefined the modernisation paradigm. Neo-liberal philosophy conceives of the state as a stumbling block in the way of competition and market mechanisms (Schuurman, 1993: 11). This revisionist and ascendant paradigm, to be fully discussed in the next chapter, has inspired IFIs, in particular the World Bank and the International Monetary Fund, in their analysis of the causes of the African crisis and the proposed praxis: conditional and policy-based lending for stabilisation and structural adjustment programmes (SAPs).

#### 1.4.2 Critique of the Modernisation (Developmentalist) Paradigm

The orthodox modernization paradigm produced useful insights in the study of developing states, particularly in the areas of the role of culture, values, non-economic factors, motivation and incentives (Akina Aina, 1993: 18). Some of these issues are once more becoming very important in post-modernist discourses as well as at policy levels in the contemporary era of structural adjustment.

However, the main assumptions, analyses, prescriptions as well as predictions have been subject to intense and legitimate interrogation and attack from at least four sources: (i) the actual developments on the ground in Africa and elsewhere in underdeveloped countries; (ii) disagreement and departures within the paradigm itself, including neo-liberalism; (iii) the emergence of a radical neo-Marxist alternative paradigm; and, (iv) the arguments advanced by post-modernist discourses.

The present crisis in Africa and developments elsewhere in what was called the Third World contradict the central logic of developmentalists' arguments, analyses, prescriptions and predictions. The celebrated unilineal Rowstowian take-off did not materialize. Instead, most African countries, no matter which development ideology they adopted, ended up in economic decline and political decay. Import-substitution industrialization policies were making African economies more, rather than less, dependent on Western capital. The expected trickle-down and spread effect did not occur. Comparative advantages and free

markets and mechanisms did not lead to economic prosperity. Indeed, the gap between and among rich and poor countries widened and the New International Economic Order (NIEO) demanded by African and other Southern countries in 1974 passed with a whimper (Hoogvelt, 1982: 57-58).

Western institutions that were hastily installed at independence were swept away by military coups and one-party regimes. The political structures which were considered dysfunctional and pathological in the Western world took centre stage. It soon became evident that development was neither a simple unilinear progression nor merely a technical process (Chilcote, 1981: 179). In any case, differential growth rates and directions in the region contradicted the developmentalists' assumption that the "Third World" was a homogeneous entity. Differentiation and a hierarchical order emerged between and within states, creating Fourth and even Fifth Worlds. The emergence of the Newly Industrialising Countries (NICs) -- the Asian "tigers" and "cubs" -- contrasted quite markedly with many African countries which were unable even to maintain living standards of the 1960s. The oil crises in the 1970s accelerated the differentiation process, as the poor non-oil producing countries were pushed further into economic decline (Hoogvelt, 1982: 3; Shaw, 1992: 1178-80). This variance between African reality and the optimism of the developmentalists' assumptions and predictions cast significant doubt on the orthodox modernization paradigm's explanatory powers.

Some analysts who had hitherto subscribed to the modernisation paradigm began to distance themselves from its central and cherished assumptions. Barrington Moore challenged the linear progression thesis arguing that each state's peculiar history and economic circumstances needed to be taken into consideration. He also disputed the assumption that there was a single historical path to modernity. He suggested that the orthodox paradigm was showing symptoms of historical obsolescence (Moore, 1966: 506; Chilcote, 1981: 287).

McNamara's theme of poverty alleviation and the International Labour Organization's (ILO) concept of basic human needs were revived by UNICEF, and later UNDP, to focus on the human face of capitalism as well as cater to the victims of orthodox (developmentalist) - driven economic policies (Hewitt, 1994: 336).

In the meantime, the radical neo-Marxist scholars, largely based in Latin America, began to raise serious doubts about the modernisation paradigm's capacity to analyze the process of underdevelopment. The structural functionalist approach was challenged by the radical schools as deterministic, conservative or simply false. Traditional-modern typologies were dismissed as culture-bound and imperialist. The orthodox paradigm was alleged to be ahistorical, lacking dialectical materialist analysis and unable to account for tensions between and among classes (Chilcote, 1981: 188). Huntington's analysis and prescriptions, inspired by the Cold War context, were viewed as a recipe for authoritarianism and counter-insurgency. Gunder Frank dismissed Rostow's "stages theory" as

comparative statics (Bloomstrom and Hettne, 1984: 52). The developmentalist thesis was generally criticised as being bound by ethnocentrism, implicit assumptions of the superiority of Anglo-American values as well as serving as an intellectual handmaid of capitalism and imperialism; and therefore irrelevant to development studies and the analysis of the process of underdevelopment.

In her comment on the developmentalist ideology, Bodenheimer asserts that the orthodox paradigm literature committed four epistemological sins which in turn led to the following errors in theory: (i) belief in the possibility of an objective social science free of ideology; (ii) belief in the accumulation of knowledge; (iii) belief in the universal laws of social science; and (iv) belief that these versions of social science were exportable to the Third World (Weiner and Huntington, 1987: 445).

The contemporary post-modern critique, which seeks to challenge the legitimacy of Enlightenment discourses (liberalism and socialism), has asserted that cumulative science and modern political ideologies cannot be used as a universal point of reference: that the "grand narratives", and their attendant teleology and evolutionism, should be rejected and replaced by smaller narratives and local prescriptive claims of "truth" with emphasis on imagination and subjectivity (Norgaard, 1994: 250-51).

Schuurman (1993: 26) argues that the development discourse, through hidden metaphors and language, is a vehicle to consolidate and universalise Western ideas and maintain its governing power and knowledge systems. He

posits the need to "deconstruct" the concept of development and dismantle structures so that the actor is the only valid unit of analysis. This would also focus on local development discourses, culture and, at the same time, liberate knowledge and redirect research efforts in fresh directions. Post-modernism therefore seeks to dismantle the very foundations and epistemology on which the dominant paradigms are premised. This new perspective may be useful in informing and moderating the orthodox theories that are still attempting to provide analyses and solutions to African problems.

#### 1.4.3 The Neo-Marxist Paradigm

The neo-Marxist paradigm, which is by no means homogenous and internally unified, has its roots in the historicist and anti-positivist tradition, the nemesis of behaviouralism in the mid-twentieth century (Chilcote, 1981: 117). While orthodox Marxism and neo-Marxism share the core premise that social and political relations are determined by production relations, the orthodox variant has tended to be more Eurocentric, and to subscribe to unilinearity as well as the historically progressive role of capitalism. By contrast, neo-Marxist variants focus on the impact of capitalism and imperialism on the "periphery" and regard the former as the fundamental causes of underdevelopment. It is for this reason that emphasis in this study will be put on the neo-Marxist perspective as it has significantly informed theories and debates of and about underdevelopment in

Africa. The radical dependency school is probably the most important of the neo-Marxist paradigm(s).

The genesis of the dependency school is intimately associated with the cumulative dissatisfaction with the results of the development ideology espoused by the modernisation paradigm; the perceived ineffectiveness and irrelevance of the latter to provide a solution to continued economic decline in poor countries; and the perceived dissatisfaction with orthodox Marxist theory of imperialism. The school confronted issues such as failure of import-substitution and efforts towards self-reliance, and the growing gap between poor and rich nations.

Although there are several, and sometimes substantial, disagreements amongst neo-Marxists, and even amongst the dependency school analysts, certain broadly shared theoretical suppositions characterize the perspective:

- (i) economies and societies of the Third World are fundamentally affected by their incorporation in the global economy as producers of raw materials and consumers of industrial goods;
- (ii) the division of labour and subsequently wealth and power resulting from their incorporation divided the world into "core" and "periphery";
- (iii) the "periphery," through asymmetrical economic relations with the "core", has been exploited through direct extraction of resources and unequal terms of trade;
- (iv) the manner of incorporation created structural distortions in the "periphery"-  
-extraction of surplus through trade, investment profit repatriation, capital

flight, low export prices and debt-servicing -- which not only underdeveloped the "periphery" but also resulted in a dependency relationship with the "core"; and

- (v) the elites in the "periphery" simply acted as conveyor belts on behalf of international capital; the whole process resulted in inequalities, economic stagnation, authoritarianism and political instability (Higgot, 1983: 56; Lancaster, 1988: 167).

Gunder Frank argued that, under the foregoing conditions, development of underdevelopment in the Third World was the only possible consequence: underdevelopment in the "periphery" and development in the "core" were two sides of the same coin.

Subsequent and more nuanced dependency arguments have been supplied by "circulationists" and "productionists" to recognize internal factors within underdeveloped states as part of the underdevelopment syndrome. They have also recognised, contrary to earlier crude formulations, that the Third World was not one homogenous entity but a hierarchy in which growth and development patterns have palpably proceeded in markedly different directions.

The neo-Marxist paradigm, and in particular the dependency school, raised very critical questions about the process of underdevelopment, the growing gap between rich and poor nations, and the behaviour of international capital. It also raised issues about the behaviour of local elites in the underdevelopment process. As Bienefeld has pointed out, the dependency school raised critical questions

about capitalism as well as predicted the present African crisis (Bienefeld, 1987: 25-27). The paradigm also supplied praxis, however richly ambiguous: rupture the linkages between the "centre" and the "periphery" to liberate the latter. The school has also been quite influential in supplying analyses that have shaped discourses in the international political economy (IPE) approach, an approach (or set of questions) that has gained more currency and form as successive world "orders" are observed and analyzed.

#### 1.4.4 Critique of the Neo-Marxist Paradigm

Notwithstanding its contribution to the development theory and debate, the neo-Marxist paradigm, principally the dependency school, has come under severe criticism.

The first source of criticism is from different brands of neo-Marxists. Writers subscribing to the neo-Marxist mode of production analysis have argued that the dependency school oversimplifies the analysis of underdevelopment by focusing overwhelmingly on the global level and paying very little attention to the local level. Therefore, it is argued, the dependency school is unable to distinguish and differentiate between exogenous and endogenous elements of the underdevelopment process (Schuurman, 1993: 6).

Conversely, orthodox Marxists have accused the dependency school of ignoring class relations and modes of production, which according to Kay, reduces

their contribution to "an eclectic combination of orthodox economic theory and revolutionary phrases" (Blomstrom and Hettne, 1984: 82).

Booth has also raised a number of serious doubts regarding the contribution of neo-Marxists to development analysis and praxis. His argument is that in general the neo-Marxist theories aspired to excessive explanatory power and tended to ignore crucial aspects such as diversity, history, interaction and reality in the "periphery." Having neglected the realism of action, the paradigm, Booth argues, contributed very little towards political and economic praxis; that is, its grand theorization and simplification were both wrong and of little practical relevance to policy-makers in the "periphery" (Booth, 1993: 50). The same author accused the paradigm of essentialism, teleology and economism (Booth, 1993: 13), elements that may have resulted in generalized theoretical disorientation.

Other critics have reinforced Booth's argument that while neo-Marxist variants show considerable strength as critical tools, they are quite inadequate in supplying programmes for action as well as a clear scheme for restructuring social power relations at national and global levels. It is suggested that the paradigm is unable to deal adequately with cultural issues, extra-class domination and exploitation (such as gender and religion) (Akina Aina, 1993: 20).

Lancaster (1988: 168), from a more conservative position, has also argued that the dependency school offers very few insights of practical use: that "it is tautological, obscure and unreflective of the African realities." She suggests that this may be the reason why, on the whole, African decision-makers have ignored

the school's contribution in the policy-making process. In other words, dependency theorists may have a theory of underdevelopment but not necessarily a theory of development (Ofuately-Kodjoe, 1991: 186).

Having observed the contributions and weaknesses of the dominant paradigms, Colclough's (1985: 26) caveat is appropriate. He warns that analysts working in a particular theoretical tradition tend to erect "straw-men" and to characterize unfaithfully the positions of opposing frameworks. In the process of scoring debating points, they argue the differences between competing paradigms, which are grossly exaggerated, and the empirical basis for the truth and falsity, which is crowded out by presumptions. This may be part of the crisis in Development Theory to which the study now turns.

### 1.5 Crisis in Development Theory

While the African crisis has been gathering momentum in the last two decades, a growing parallel literature has been pointing to yet another crisis in development theory. Both the modernisation and neo-Marxist paradigms have not only been unable to explain the African crisis (Shaw, 1992: 178); but they have also failed to guide economic and political praxis. The increasingly crowded development agenda, the dramatic changes in the world system and the realization that prescriptions towards the resolution of the African crisis are only as good as the explanatory framework from which they are derived (Sandbrook, 1993: 12) have all ushered in a mood of urgency to re-examine the major

assumptions as well as explanatory powers and relevance of the dominant paradigms.

Many analysts have joined this debate. Edwards (1989: 117; 1993: 77), from a neo-liberal position, has argued that researchers in the field of development studies may have become part of the problem of underdevelopment; that the approaches inspired by the conventional paradigms (i.e. the dominant paradigms) have not only failed but will fail in future; and that research and practice have emerged as parallel lines that never meet, rendering research findings irrelevant.

Schuurman (1993: 1) has already dubbed the 1980s as a lost decade in the field of development theory as well as praxis. He attributes this phenomenon to three factors: (i) post-modern critique of theory formation in social sciences; (ii) the growing realization that an over-emphasis on economic growth may unleash other crises, particularly in the environment; and (iii) the loss of the socialist paradigm as the link between theory and development praxis. He claims that this "impasse" (and development vacuum) has particularly affected Marxist and neo-Marxist perspectives, giving the neo-liberal paradigm more credibility. Schuurman further argues that there is urgent need for research in development studies to change the explanandum (that which needs to be explained) to include and emphasize diversity, inequality, emancipation and development projectories; that the dominant explanans (the explaining framework) has been constrained by

functionalistic, teleological and reductionist assumptions and has paid little attention to historical comparative research (Schuurman, 1993: 29-32).

Booth (1993: 83-85) attributes the intellectual crisis to a growing gap between academic inquiry and development policy and practice. He asserts that development theory has "failed to respond creatively to the great public issues of the day in the 'real world'," and, in the process, reinforced the growing gap between understanding and action.

Shaw (1994: 22-24), from the radical perspective, attributes the intellectual crisis partly to dramatic changes in the global economic, strategic and environmental "orders" in the 1990s which have brought along new contexts, issues, challenges and complexities that have not easily been accommodated by the established assumptions, prescriptions, analyses and praxis.

Apter and Rosberg (1994: 22-24), both developmentalists, have also argued that both the dominant paradigms, as normative systems, have failed; that James Coleman's "development syndrome" comprising differentiation, equality and capacity did not materialize; and that the policies adopted by nationalists which were informed by either of the major paradigms equally led to failure.

Another aspect associated with the development theory crisis is the role of normative concepts. Edwards has argued that since development is a normative concept, the values and objectives of researchers need to be stated explicitly so that they can be subjected to constructive refutation, criticism and deconstruction. The crisis, according to Edwards, is partly a function of many researchers who

hide behind spurious "objectivity," ignore indigenous knowledge and contribution, and who, consequently, produce knowledge that does not benefit the real populations. He argues that such research methodologies and agendas are unable to produce what he calls "organic intellectuals" -- i.e. a combination of theory and praxis in the same individual which enables one to "interpret" and "change" the world simultaneously (Edwards, 1993: 85-88). But Cox resists this clarion call to completely merge problem-solving and critical theory. In his view, "critical theory stands back from the existing order of things to question how the order came into being, how it may be changing, and how that change may be influenced or channelled. Where problem solving theory focuses synchronically upon the immediate, and reasons in terms of fixed relationships, critical theory works in a more historical and diachronic dimension. Its aim is the understanding of structural change" (Cox, 1994: 101).

The development theory crisis has been strongly felt particularly in the neo-Marxist paradigm. The crisis-ridden nature, and eventual collapse, of socialist projects in Africa, the "disappearance" of the Third World into several "worlds," the inability of the paradigm to supply economic and political praxis, the collapse of the Soviet Union and the "Third Worldisation" of most of Eastern Europe have combined to undermine the paradigm's theoretical efficacy as an alternative development ideology. This has resulted in a theory vacuum that is central to the impasse, prompting analysts to pursue new and alternative directions in development theory. Hence, the post-modernist enterprise.

Like many others, the African crisis has provided a window of opportunity for other approaches to thrive. The first beneficiary of the impasse was the International Political Economy (IPE) approach. As Leaver has pointed out, the monetary trade and energy crises that were felt in Africa and globally not only reduced the barriers between domestic and international realms but also demonstrated the interconnectedness between politics and economics. IPE was more at ease than the traditional International Relations in handling the new issues which were arising in the global system. Furthermore, Leaver (1994: 130-32) asserts that IPE has "overcome and eroded much of the destructiveness of liberal, mercantilist and Marxist traditions...[and] concentrated around three focal points: (i) the rational action theories of the state; (ii) the theory of hegemonic stability; and (iii) the regime theory."

Shaw (1992: 1184) has also argued that the more nuanced contemporary political economy studies have widened the traditional focus on policy and economy to include the state, gender, participation and civil society. The IPE approach, he argues, is able to analyze the African crises within the context of New International Division of Labour (NIDL) while taking into consideration new policy initiatives as well as social contexts.

The second beneficiary of the crisis is the neo-liberal paradigm as both a development theory and a development ideology. The collapse of socialist experiments and one party-states in Africa, the impasse in development theory and praxis, the demise of the Russian model, and the end of the Cold War have

resurrected the modernisation theory and its contingent development ideology. In its contemporary form, the "new" paradigm restates the Western neo-liberal values of freedom, liberty and rights. In the African context, the emphasis is on governance: the quest for accountable state and civil society and general introduction of politics of liberal-democratic reform. There is an emergent assertion that the establishment of political law and administrative order, shrinkage of the state and market-oriented policies are preconditions for African recovery and development (Sandbrook, 1993: 3). This idealistic position, however, may not carry the day: the crowded development agenda and the fragile institutional alternatives may yet witness a revival in the centrality of the state, in either its more democratic or authoritarian guises.

#### 1.6 Crisis in the Global Political Economy

If there are palpable signs of a crisis in the African condition as well as in development theory, there is a growing literature pointing at yet another crisis in the Global Political Economy, particularly in the post-Cold War era.

Cox has argued that the triumphant neo-liberal hegemonic order has evolved a new capitalism that emphasizes deregulation, privatization, unregulated global markets and the retreat of the state from control and intervention in the economy. The doctrine, he points out, has been introduced to Africa and Latin America whose governments have been urged strongly, to say the least, to abandon autocratic, state-directed development. Cox argues that this new

capitalism has produced the following socially destructive consequences, both in the industrialized, as well as poor marginalized, countries:

- (i) an acceleration of social polarization between the rich and the poor; all over the world the rich are getting fewer and richer and the poor poorer and more numerous; the middle class have lost ground as have peasants; and many people are opting out of the world market and national economies to seek survival in the informal sector, a phenomenon which sometimes results in lowering of incomes, safety and health conditions (Cox, 1994: 106 and 111);
- (ii) a problematic relationship between finance and production; in the case of the poor countries, new debt is incurred in order to service old debt without investing in new productive resources (Cox, 1994: 107);
- (iii) new globalization measures have weakened collective bargaining of the work force and therefore undermined the power of labour (Cox, 1994: 107);
- (iv) the terms "core" and "periphery" have acquired a new meaning; the North is generating its own internal South while the South has a thin layer of the North (Cox, 1994: 107);
- (v) new patterns of growth and consumption are creating ecological disasters: in poor countries fertile land is used for export crops while desertification and famine attack peasants, most of whom are women; the contradictions between economic globalization and ecological balance threaten the human race more than ever before (Cox, 1994: 108);

- (vi) migration is occurring from South to North, and from East to West as people look for work opportunities in rich countries; this phenomenon is increasingly creating tensions and conflicts (Cox, 1994: 107).

Homer-Dixon, variously labelled an extreme eco-pessimist and reactionary neo-Malthusian, has recently argued that high birthrates, depletion of scarce resources, environmental degradation and shortage of technical expertise will impose severe stresses on poor countries, plunging large areas of the globe into a "downward and self-reinforcing spiral of crisis and decay." This crisis, he argues, will not only trigger wars, civil strife, fragmentation of nation-states, lawlessness and mass migration in poor countries, but will also constitute the primary threat to Western security in the twenty-first century (Laver, 1994: 18-24). Homer-Dixon's apocalyptic future scenarios, supplemented by events in Somalia, Rwanda, Haiti and Cuba, have already attracted the grim attention of post-Cold War foreign policy analysts and advisors, national-security experts as well as environmentalists in the West.

Bienefeld (1994: 31) has also highlighted the serious implications of the emergent neo-liberal hegemonic development ideology. He points out that while optimists expect massive peace dividends, the more likely and pessimistic scenario will be the emergence of new forms of imperialism and control. In the case of Africa, Bienefeld expects that the neo-liberal economic and political prescriptions are likely to be imposed on the continent with more severity and impunity.

The resurgent neo-liberal hegemonic development ideology, which has generated euphoria and optimism on the one hand, and pessimism as well as the expectation of new forms of authoritarianism, control and imperialism on the other, is the framework which inspires the political and economic conditions that are attached to policy-based lending by IFIs, especially the World Bank and the IMF, for stabilization and structural adjustment programmes now in vogue in many African countries. It is this framework with its attendant assumptions, analysis and prescriptions to which the study now turns, as it both informs and shapes the case study of SSA and Uganda.

## **CHAPTER 2**

### **Debates on Structural Adjustment in Sub-Saharan Africa**

#### **2.1 Background to the Adoption of Structural Adjustment Programmes (SAPs) in SSA**

The 1960s, a decade within which the bulk of SSA countries attained formal independence, were characterized by considerable euphoria and great expectations. Analysts, departing colonial officials and the new African political leaders alike were both informed and animated by the "modernisation" paradigm and its contingent development ideology: given capital aid and technical know-how, the unilinear progression of the development process would, as a matter of logic, transform the new states to conditions similar to those already found in the developed (Western) industrial societies. Five related factors reinforced this illusion:

- (i) the world economy, the West in particular, was experiencing high rates of economic growth at the beginning of the 1960s; as a result, African raw materials fetched more than average prices on the world market;
- (ii) former colonial powers and their allies had not yet imposed protectionist measures against primary commodities from the new states;
- (iii) the Cold-War tensions, dramatized by the Cuban Crisis in 1962, ensured that considerable aid would be tapped by the new states from both sides of the "iron curtain";

- (iv) as a result of the favourable, albeit temporary international context, many African countries registered impressive rates of economic growth that have yet to be repeated in subsequent decades (Green, 1993: 5); and
- (v) the democratic project appeared to be taking root; many African states established multi-party, liberal democratic, if fragile, political systems that gave the impression of future stability and an enabling environment for both domestic and external investment.

Apart from widespread robust economic growth rates, the 1960s were characterized by ambitious projects. Spurred on by the positivist mood of the time and nationalist sentiments, the new governments in the region embarked on import-oriented industrialization (IOI) as well as social services expansion, particularly in education, health and physical infrastructure sectors (Hyden, 1983: 2-3). The role and size of the states themselves were expanded to accommodate clientalist networks and broaden political power bases; expanded state activity was designed to reward allies and to control economic activities (Callaghy: 1990: 258). Later, these overdeveloped project roles would overstretch dwindling resources as the economies faced harsh and uncertain domestic and international environments.

The majority of the new states in Africa, as elsewhere, opted for a "mixed-economy" strategy in which the state participated actively in production, marketing and distribution processes alongside the emergent, but weak, indigenous private sector and multinational corporations as well as global capital. Since, later in the

chapter, debates over structural adjustment in SSA relate to the role of the state in the development process, it is important to pay considerable attention to why this "mixed economy" approach was adopted in the immediate post-independence period.

Sandbrook (1993:22) has suggested disparate and even contradictory factors that attracted SSA regimes towards a statist, "mixed-economy" strategy:

- (i) the strategy was a continuation of the interventionist Keynesian welfare and colonial policies that had taken root over the previous decades;
- (ii) some nationalist elites linked capitalism to imperialism and were therefore unwilling to entrust their economy to the capitalist private sector;
- (iii) having been frustrated by the colonial rules and regulations, the indigenous business class was not strong enough to perform its expected role which the state then assumed;
- (iv) the nationalist politicians argued that state involvement and interventions in the economy would ensure justice, equity and redistribution, an agenda that appealed to the disadvantaged African majority;
- (v) some of the new state managers also realized that the strategy presented opportunities for building political bases as well as serving as a vehicle for self-aggrandizement; and
- (vi) foreign advisers at that particular time supported the strategy. The state was viewed as benevolent and developmental, contrary to the current World Bank and Fund view.

By contrast, the mid-1960s saw the start of more differentiation in economic approaches. Some SSA governments followed a distinctly capitalist path of development while retaining state control in the production process through a plethora of monopolistic public enterprises. Others chose to experiment with state socialism in which the state owned and operated the commanding heights of the economy. In either case, Campbell (1993: 108) argues that the state, through monopolistic marketing parastatals, evolved a selective pattern of "redistribution which was disconnected from the sphere of production," a pattern of income distribution "which had and has little bearing with production and productivity." This is an underlying structural and distributional weakness that would come to define the key domestic elements that constituted the African crisis in the late 1970s.

In any case, by the end of the 1960s both capitalist and state socialist political systems began to feel the enormous pressure from heavy expenditures, dwindling revenues and deteriorating international terms of trade. With increased inefficiency, mismanagement and rising political tensions, the illusions of the early 1960s gave way to sustained economic problems, deficit financing and reliance on external aid, all in an increasingly hostile international environment -- the very ingredients of Africa's economic malaise that rapidly grew into a full-blown crisis at the end of the 1970s.

## 2.2 The 1970s: Towards Economic Decline and Crisis

The 1970s revealed palpable signs of social, economic and political crises. In many parts of SSA, growth rates became slow and stagnant; growth of real GDP fell from 6.4% in 1965-73 to 3.2% (Toye, 1994: 19); food production declined while food imports and aid increased by 117% and 127%, respectively; industrial growth stagnated and balance of payments (BOP) difficulties began to emerge (Lawrence, 1986: 1); per capita incomes, which had hitherto registered positive growth rates, stagnated by 1973 (World Bank, 1989: 2). Military and politically-inspired expenditures began to edge out investment priorities, leading to industrial stagnation, and higher levels of unemployment and under-employment.

### 2.2.1 External Causes of the Crisis

While the domestic and political agendas were putting enormous pressure on scarce resources and the state's capacity, especially in the parastatal sector, was constrained by mismanagement and inefficiency, several related external factors were decisive in the economic collapse of SSA political economies in the 1970s. Amongst the external factors the oil shocks and unprecedented deterioration of international terms of trade against SSA commodity exports were the most profound.

(i) The Oil Shocks

The oil shocks of 1973 and 1979 dealt crippling blows to the non-oil producing SSA states. The first shock quadrupled oil prices, rendering many countries in the region unable to pay for their energy requirements and other critical imports. Many of them resorted to borrowing from external sources. Awash with petro-dollars, international financial institutions (IFIs) and commercial banks were more than eager to lend -- and the SSA states borrowed heavily (Honeywell, 1983: 2).

The second shock of 1979 not only caused a world-wide recession but also doubled the external deficits of the non-oil producing developing countries from \$45 billion to \$88 billion between 1979 and 1981 (Honeywell, 1983: 4). Other sources estimated that the current account deficits of the affected countries jumped from \$3.6 billion in 1974 to \$97.5 billion in 1981 (Griffith-Jones, 1982: 6). Unlike the 1973 post-oil shock arrangements through which the Fund was able to extend low conditionality facilities to SSA countries with serious balance of payments (BOP) difficulties, no such facilities were available in 1979. As Helleiner (1986: 65) pointed out, the 1979 oil shock depressed external markets and dried up external financial flows to Africa so that the little that was flowing in was available only at higher rates of interest. The cumulative impact of the oil shocks along with domestic inability to adjust translated into economic stagnation. Indeed, many military take-overs in the 1960s and 1970s used economic decline

to justify the overthrow of civilian regimes. With hindsight, the soldier politicians performed even more dismally in the areas of economic management.

Suffice it to say that the oil shocks created a foreign exchange crisis sparking off import strangulation which resulted in scarcity of consumer and industrial commodities as well as high levels of inflation. They also pushed SSA countries into heavy external borrowing resulting in serious debt stress that gained higher visibility in the early 1980s (Toye, 1994: 20).

(ii) Deteriorating Terms of Trade

The cumulative impact of the oil shocks caused a world-wide recession beginning in 1979. The OECD countries, themselves adversely affected by the shocks, cut down on their demand for raw materials from SSA. While the oil crisis pushed up the prices for industrial goods exported by OECD countries to the SSA region, the latter's raw commodity prices fell by 35% between 1980 and 1982, hitting the lowest level in thirty years (Griffith-Jones, 1982: 6; Honeywell, 1983: 4). The purchasing power of a ton of coffee was reduced from an equivalent of 37 tons of fertilizer in 1960 to 15.8 tons of the same commodity at the beginning of the 1980s; one ton of sugar was equivalent to 6.3 tons of oil in 1960, but only 0.7 tons of oil in 1982 (Honeywell, 1983: 5). The brief period of high commodity prices enjoyed by the SSA region between 1975 and 1979 was more than neutralized by the dramatic escalation of energy prices, higher import bills and related world-wide inflation (Browne, 1988: 5).

The external factors impacted most adversely on the import capacity of SSA countries. Many of them were forced to effect massive cuts in their volumes of imports: Madagascar cut imports by 40%, Sierra Leone by 36% and Ghana by 29%. The import strangulation also resulted in substantial under-utilization and depreciation of existing productive capacities and encouraged environmental degradation as deforestation followed in the wake of hiked energy prices. The physical infrastructure deteriorated and, therefore, export products could not easily be transported from agricultural hinterlands to collecting centres. Many governments responded by administratively allocating foreign exchange; they also attempted to impose price controls. These restrictions soon led to thriving parallel markets, tax evasion and corruption (Helleiner, 1983: 6-7).

In the meantime, commercial export credit, previously easily accessible, dried up and concessional lending to the region declined from 54% to 35% in 1979 and 1981, respectively (Callaghy, 1988: 12; Lancaster, 1988: 30). This trend was accompanied by the stagnation of official development assistance levels; an upsurge in interest rates; protectionist measures in developed, industrialized countries; the levelling off of private capital; and more surcharges on goods sold to SSA on credit as well as on capital borrowed from commercial banks and IFIs (Dell, 1983: 25; Helleiner, 1983: 4). In short, the burden of restructuring the world economy was decisively shifted on to the shoulders of the developing world. The devastating impact of the external factors, as the foregoing discussions indicate, would seem "to lay to rest one of the basic assumptions with

which the adjustment exercise began, namely that the economic problems of developing countries were largely (or even entirely) the result of their own flawed policies" (Toye, 1994: 32).

By the mid-70s, SSA's political economies were under serious stress. Parliamentary Western-style democracies were replaced by military dictatorships or one-party systems, partially in response to political fall-out. Civil conflicts, secessionist movements and top-heavy bureaucracies disabled the fragile political systems' abilities to adjust SSA economies in light of a harsh international environment. Several countries (Ghana, Madagascar, Sierra Leone, Sudan and Zaire) registered chronic poor performances; others (Benin, Burkina Faso) stagnated; yet others (Angola, Central African Republic, Chad, Mozambique, Uganda and Zimbabwe, then Rhodesia) registered absolute economic declines as a result of persistent civil wars, domestic strife and, in some instances, external intervention. The mineral-rich economies of Mauritania and Zambia experienced dramatically sharp declines of revenue as mineral prices fell precipitously. Thus, whilst it must be admitted that some countries in the region (Botswana, Cameroon, Cote d'Ivoire, Kenya, Malawi, Nigeria and Swaziland) were able to maintain positive economic growth rates, almost all of them eventually joined the ranks of the more depressed countries as the economic crisis gathered speed and depth in the late 1970s (Faber and Greene, 1985: 15).

Callaghy (1988: 11) has very aptly summarized the simultaneous and cumulative difficulties that the majority of SSA countries experienced in the 1970s and which led to a full-blown crisis at the beginning of the 1980s:

The weak producer highly trade dependant African economies were hit severely by a rapid sequence of external shocks: [t]he oil price rises of 1973 and 1979; extensive drought, a major recession in the industrialized North, forcing decline in demand and price for commodity exports not seen since the Great Depression; increasing OECD protectionism; generalised inflation in the world economy which encouraged the accumulation of debt, and subsequently disinflation in the face of relatively high levels of debt at relatively high real interest rates. Then as credits and direct foreign investment dried up, foreign aid tapered off. The already weak states were confronted with decreasing growth rates, stagnant or falling per capita income figures, and severe balance of payments and debt service problems. These difficulties were often exacerbated by inappropriate policies, unproductive investment, deteriorating infrastructure and productive capacity, lax implementations, limited administrative and technical capabilities, the rise of Magendo (parallel economies) and corruption. Many of these phenomena predated the external shocks and were not caused by them, but they certainly aggravated their effects. By the early 1980s the situation had become catastrophic.

By the beginning of the 1980s, then, the SSA external debt was growing at an annual rate of 25.5%; many countries had no more than 27 days worth of imports on their reserve positions. Unable to obtain external credit, and in order to generate domestic savings, twenty states defaulted on their external debt obligations and were in arrears (Helleiner, 1983: 7). Confronted with a rapidly deteriorating situation, many SSA countries had no choice but to approach the International Monetary Fund (IMF) for stabilization funds. The IMF, hardly known in SSA before the mid-1970s, signed conditional credits with two countries in

1978. Thereafter, the number of conditional stabilization arrangements with the Fund increased exponentially, the year 1981 alone witnessing an additional 21 such arrangements (Helleiner, 1983: 8; Bush and Szeftel, 1994: 149).

By the end of the 1970s, the African leaders were so alarmed by the economic crisis that, through the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA), they requested planning ministers to analyze the causes of the crisis and possible solutions (Browne, 1988: 5). The result was the Lagos Plan of Action for the Economic Development of Africa, 1980-2000 which was published in 1980. The Lagos Plan, animated by nationalist and dependency perspectives, identified the harsh international environment as the main cause of the crisis and advocated a self-reliant, internally focused development strategy.

Meanwhile, its African Governors requested the World Bank to undertake its own study of the crisis and suggest remedies. The outcome was a landmark report - Accelerated Development in Sub-Saharan Africa: An Agenda for Action, popularly known as the Berg Report -- which was published in 1981. The Berg Report, to be treated more fully later in this chapter, argued that the main causes of the African crisis were wrong policies and the intrusive state that interfered with production and market mechanisms. It further asserted that external factors were of secondary importance -- a position that was at variance with the Lagos Plan analysis. The Berg Report, and subsequent World Bank reports, stated unequivocally that the African crisis would be ameliorated by the adoption of a

neo-liberal, market and export-oriented strategy that would get the prices right and restore competitiveness and efficiency through the private sector. Furthermore, the report recommended that specific reforms, in line with the Bank's strategy, would have to be adopted and implemented by African countries as a condition for obtaining access to stabilization and adjustment funds from the Bretton Woods institutions. This policy-based lending framework, which was quickly adopted by the Western donor community, defined the fundamental parameters of the assumptions, contents, policies and directions of the IFI - supported stabilization and structural adjustment programmes in SSA to which the study now turns.

### 2.3 IFIs and the African Crisis: The Genesis of Structural Adjustment

The Berg Report placed fundamental blame on the policies and actions of the African governments while acknowledging the external constraints as of only secondary importance (Browne, 1988: 5; Campbell and Loxley, 1989: 3). The Bank's argument was that the terms of trade could not explain the slow growth in Africa in the 1970s as "African importers experienced less deterioration in their terms of trade in the 1970s than did most other oil-importing groups" (World Bank, 1981: 1); that the developed countries' policies could not account for Africa's overall poor performance in the 1970s. Instead, the Bank argued, the three main factors that explained the region's poor performance were all internal:

- (i) a policy-bias against both agriculture and exports which slowed down production growth rates;

- (ii) rapid population growth which increased consumption and reduced exportable surplus of crops; and
- (iii) the inflexibility of African economies which prevented diversification into products with rapidly growing markets (World Bank, 1981: 21).

While the Berg Report recognised other constraints such as a lack of human resources, inadequate agricultural research facilities, potential threats to the environment, and the global trading patterns, all these factors were nevertheless treated as peripheral to the central concerns of policy deficiencies in the areas of trade, exchange rates, economic decision-making, organisation and management, and the role and size of the state (World Bank, 1989: 24-40).

Although subsequent Bank reports were forced to recognize contributions from independent research sources, the theme developed by the Berg Report remained their principal anchor. The Progress Report on Development Prospects and Programmes, published in 1983, gave more prominence to external factors in the genesis of the African crisis but maintained that inappropriate policies remained the fundamental cause (Browne, 1988: 7). This theme was repeated in 1984 by another Bank report, Towards Sustained Development in Sub-Saharan Africa: A Joint Programme of Action. It stated that Africa's stagnation was caused by specific basic constraints as well as inappropriate policies. The basic constraints included poor climate, rapid population growth and poor standards of health, education and institutional development. In the short and medium terms,

however, the report argued that SSA was being held back by inappropriate policies which needed to be changed (World Bank, 1984: 24).

Another Bank report, Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90, published in 1986, returned to the theme of inappropriate domestic policies and the need for policy reform. It asserted that "in many African countries, government policy has long discriminated against agriculture...dismantling such policies will help the region to increase output and exports, and help the poor at the same time" (World Bank, 1986: 1).

Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long Term Perspective Study, published in 1989, reasserted the Bank's central theme: "the post-independence development efforts failed because the strategy was misconceived -- governments made a dash for "modernisation" copying, but not adopting, Western models" (World Bank, 1989: 3). It further argued that "although declining terms of trade result in depressed levels of income, the region has gained more income (at constant prices) since 1961 from terms of trade changes than it has lost" (World Bank, 1989: 24). It concluded that "Africa's declining income must be attributed in large part to population growth and low GDP growth" (World Bank, 1989: 25).

A year later, in 1990, the Bank published Making Adjustment Work for the Poor in which it was argued that the causes of the African malaise, leading to macroeconomic disequilibrium, were over-expansionary fiscal and monetary policies and domestic pricing policies biased against agriculture. The report

conceded that the external and environmental shocks were contributory factors, albeit secondary to the internal ones (World Bank, 1990: 10).

The most recent World Bank study, Adjustment in Africa: Reforms, Results, and the Road Ahead (1994) reiterated the Bank's understanding of the African crisis. It argued that "the main factors behind the stagnation and decline were poor policies -- both macroeconomic and sectoral -- emanating from a development paradigm that gave the state a prominent role in production and in regulating economic activity" (World Bank, 1994: 20). Poor domestic policies also included overvalued exchange rates, heavy government spending, inward oriented trade policies, political instability and lack of human capital (World Bank, 1994: 21-24). The study further asserted that the external factors were surmountable obstacles; that "although the worsening terms of trade hindered growth, they were not decisive in Africa's stagnation and decline" (World Bank, 1994: 27).

Meanwhile the Fund's reports were harping on the same theme. The Fund's latest publication, The World's Economic Outlook, 1994, summarized and restated the position the institution has held since the 1970s: Africa has not been able to catch up with other developing countries because of: (i) lack of economic stability; (ii) inadequate and distorted financial markets; (iii) unproductive state intrusion; (iv) inward oriented trade policies; (v) policy failures; (vi) poor governance; (vii) lack of incentive for reforms; and (viii) adverse external developments (IMF, 1994: 54).

Thus, the IFIs, despite independent evidence suggesting otherwise, continue to assign SSA economic malaise to inappropriate domestic economic policies. They also focus on the weak institutional and decision-making mechanisms as well as the intrusive nature of the state. These presumptions will be subjected to critical examination in Chapter Three and will also be evaluated against empirical evidence in the case study on Uganda. In any case, the causal linkages abstracted above led the Bretton Woods institutions, particularly the World Bank, to suggest a framework within which, it was hoped, the African crisis would be successfully confronted. It is this framework to which the study now turns.

#### 2.4 The World Bank's Suggested Praxis

At the time the World Bank was preparing the Berg Report, two undercurrents were gaining currency in the Western industrialised countries as well as within the Bretton Woods institutions themselves.

First, the cumulative impact of the two oil shocks had given considerable commodity power to oil-producing countries, many of which were from the Third World. This commodity power shift occurred at the expense of the industrial world. Toye (1994: 19) has suggested that the oil shocks caused a major rethinking of world economy management: the industrialised countries made a major retreat from an earlier responsibility of adjusting their economies to avoid major depressions; the post-oil shock thinking placed that burden on the

shoulders of the economically weak in the global economy. Clearly, the non-oil producing Third World countries bore the main brunt of this shift. The post-war Keynesian period ended and "counter-revolutionary" sentiments began to take root in Western industrialised countries.

Second, there was growing dissatisfaction amongst the donor community as well as the Bank with the impact of aid and borrowed resources in SSA. Projects, many of which were funded by the Bank, were poorly designed and poorly implemented, leading to overall poor performance. By the end of the 1970s there was an emerging consensus in the donor community that part of the problem was the African policy environment within which the projects were implemented (Cassen, 1994: 9).

The two factors in the foregoing discussion, together with the ascendancy of conservative governments in the West, the generalised poor economic performance of the global economy, the continuing debates on appropriate development theory and ideology, and the desperation of the African economies, provided the backdrop against which the Berg Report's major assumptions and praxis were located.

The Berg Report, which signalled the end of the post-independence honeymoon, turned out to be an exceptionally contentious document in its assumptions, analysis and praxis. Brushing aside the Lagos Plan, the Bank report advocated the adoption of a neo-liberal, market-oriented, agriculture-based, export-driven and private sector-led development strategy (Campbell and Loxley,

1989: 3; World Bank, 1981: 6). The report argued that the state's intrusion in the market mechanism was ineffective, counterproductive and inconsistent. It suggested a minimalist state that would be restricted to the creation of an enabling environment for the private sector through monetary and fiscal policies (Green and Faber, 1994,: 79; Schuurman, 1993: 11; Wapenhans, 1994: 39). It argued for the liberalisation of trade and prices; the creation of incentive systems, especially in agriculture and export sectors; abandonment of the import-substitution industrialisation strategy; reduction and rationalisation of the public sector; introduction of user-fees; contraction of government expenditures and institutional reforms (world Bank, 1981: 4-34) - the familiar homogenous agenda.

Most importantly, the report introduced the adoption and implementation of specific policy reforms as pre-conditions for access to Bank, Fund, and donor community resources by SSA countries. The report was animated by a sense of overoptimism: policy reforms and external assistance would be able to "increase per capita incomes by nearly one-quarter during the coming decade, compared with virtual stagnation without it" (World Bank, 1981: 123).

While the report's tone sounded advisory and neutral by continued reference to efficiency and fiscal prudence, the message to potential borrowers of funds was not giving them a set of options from which to choose. "African governments must be willing to take firm action on internal problems, to be more open to proposals to revise policies in the light of experience, and be willing to accept the proposition that without policy reform higher aid will be difficult to

mobilize" (World Bank, 1981: 8). It also canvassed the donor community to ensure that its "assistance to a country must be determined in the framework of programmes of actions prepared by individual governments which address the critical development policy issues in this (Berg) report" (World Bank, 1981: 125). The policy-based lending framework, which the Bank had already tried to quietly impose on Kenya, the Philippines, Tanzania and Zambia, was transformed into an official blue-print that remains in force in the mid-1990s (Toye, 1994: 28).

The Berg Report contained highly controversial and contestable theoretical, ideological and policy content with immense political and social consequences. These ramifications will be dealt with in Chapter Three. Before that, however, it is imperative to identify the main elements of the policy-based lending contained in the Bretton Woods institutions' stabilization and structural adjustment policies and conditionalities. The next section deals with these aspects.

## 2.5 Structural Adjustment Under the IMF and the World Bank

The term "structural adjustment," in its contemporary context, was first used in 1979 by Robert McNamara, then President of the World Bank. In anticipation of the impact of the second oil shock and the growing debt burden facing the non-oil producing Third World countries, McNamara broached the idea of providing non-project lending -- later to be known as structural adjustment lending (SAL) -- to countries which were to adopt policy reforms identified by the Bank. 1980 saw the formal adoption of SALs (Please, 1994: 35; Wapenhans, 1994: 37). Since

then the term has acquired a variety of meanings. In fact, ironically, ordinary usage has tended to link the term more with the Fund's conditionalities and activities than those of the Bank, the institution that originated the term (Please, 1994: 14).

In a restricted technical sense, structural adjustment refers to the adjustment of the production structure of an economy; it means "both the proportions in which different goods and services are produced, i.e., public sector vs private sector production, tradable vs non-tradable, agriculture vs industry, export vs goods for the domestic market; and the manner by which such goods and services are produced" (Green and Faber, 1994: 3). Structural adjustment, however, has acquired meaning and substance that go beyond limited changes in the production structure. The new generations of structural adjustment programmes (SAPs) include issues of ecology and environment, gender, poverty, participation and governance, and military demobilisation. They have come to be associated with a set of new tasks for the governments in developing countries which go beyond the normal tasks of economic management; tasks that do not merely correct routine resource imbalances but adjust to long-term structural changes (Toye, 1994: 18).

Quite often, structural adjustment is depicted in many analyses as comprising two distinct components: (i) stabilization -- which refers to the correction of BOP imbalances through the Fund's short-term policies that focus on demand management through the use of monetary and fiscal instruments; and

(ii) structural adjustment, in a narrower sense, which focuses on market and price liberalisation and public sector reform, normally organised around the Bank's longer-term policies on the supply side and the real economy (Green and Faber, 1994: 22; Toye, 1994: 23).

This simplified dichotomy between stabilisation and structural adjustment and the implied division of labour between the IMF and the World Bank is an increasingly artificial hang-over from the original mandates that were given to each of the two IFIs at the end of World War II. These mandates, however, have been revised in the wake of more intractable and structural crises within the global economy as well as within the SSA political economies.

At the inauguration of the Bretton Woods institutions Keynes, representing Britain, characterised the Fund and the Bank as cautious bankers and imaginative expansionists, respectively (Feinberg, 1988: 548). The Fund was empowered to monitor the performance of member country economies over the short-term in order to keep the flow and growth of aggregate demand in line with the level of the growth rate of productive capacity (Guitian, 1981: 5; Wapenhans, 1994: 41). The World Bank was mandated to deal with longer-term perspectives, analysis of the real economy variables, promotion of supply side efficiency, stimulation of productive investment and provision of longer-term assistance (Feinberg, 1988: 545; Brett, 1983: 18).

Over time, however, the boundaries between the activities of the two institutions have become both blurred and overlapping, making it difficult to

distinguish between stabilisation and structural adjustment in the real world.

Several factors are responsible for this trend:

- (i) the 1966 memorandum which sought to redefine the primary responsibilities of the Bank and the Fund left some grey areas; lines of operational responsibilities were not clearly drawn between BOP corrections and domestic investment, stabilization programmes and development priorities, on one hand, and exchange rates and projects on the other hand. Thus, both institutions shared a common turf in the grey areas (Feinberg, 1988: 548);
- (ii) with the collapse of the Bretton Woods fixed exchange rate system in 1971 and the cumulative impact of the oil shocks, the Fund introduced an Extended Fund Facility (EFF) in 1974 which provided medium-term resource mobilization funding, hitherto a traditional role of the Bank. Later, the Fund introduced the Structural Adjustment Facility (SAF) in 1986 and Enhanced Structural Adjustment Facility (ESAF) in 1988 to provide low-conditionality medium-term BOP support. This function shifted the Fund's focus to medium-term lending, traditionally reserved for the Bank, and brought about a higher level of collaboration between the two institutions (Feinberg, 1988: 556; Jespersen, 1992: 11); and
- (iii) the World Bank, by introducing SALs in 1980, shifted into the Fund's traditional area of responsibility. SALs were medium-term BOP support to SSA countries which were adversely affected by the oil shocks and

increasingly unmanageable external debt but which were prepared to adopt and implement policy reforms as a condition for accessing SALs (Stewart, 1992: 312-317).

As demonstrated in the foregoing discussion, the roles of the Bank and the Fund are so intermingled on the ground that clear distinctions between stabilization and structural adjustment (in the narrow sense) are very difficult to draw. Although attempts will be made to discuss the Fund and the Bank separately when dealing with specific aspects of policy reforms, instruments and conditionalities, this study will use the term "structural adjustment" to encompass both stabilization (short- and medium-term programmes) and the narrower sense of structural adjustment, normally associated only with the Bank's policy reform programmes.

The study also assumes that structural adjustment is not merely restricted to the structures of production and supply and foreign payments issues, important as they are. The term will go beyond these confines to examine structures of politics and society and relate them to the contemporary reforms in the SSA countries. There is an underlying assumption in this study that the structural adjustment process is ultimately a political as well as an economic issue. It affects the distribution and redistribution of resources and power within the adjusting countries and between political economies within the global economic system; it affects the division of labour within and between states; and it raises issues of equity, choice and participation. Structural adjustment as a process,

therefore, can only be fully understood when appropriately located in the politics, both national and global, economics and society of the adjusting countries.

### 2.5.1 Policy-based Lending: Bretton Woods Institutions' Conditionalities

The Bretton Woods institutions' policy-based conditionalities which now constitute the core of SAPs in many SSA countries are animated by a neo-liberal framework that advocates a market-oriented, agriculture-based, primary commodity export-driven, and private sector-led strategy. The policy reforms seek to restore macroeconomic stabilisation and economic growth by substantial remoulding of prices, domestic expenditures and the extent of state involvement in the economy (Campbell and Loxley, 1989: 2; Toye, 1994: 23; Baratt-Brown and Tiffen, 1992: 10). Both the Bank and the Fund argue that post-independence interventionist policies failed badly because they caused price distortions, discouraged investment and resulted in inefficiency (IMF, 1994: 58); they argue that it is therefore imperative "to implement comprehensive reforms, in response to various shocks, and to rectify inappropriate past policies that have hampered economic growth" (World Bank, 1990: 1). The new policy packages are meant to effect a switch (from SSA's inflexible and inward-looking domestic policies characterized by macroeconomic imbalances, weak infrastructure, inefficient public sector and, ultimately, economic failure) to a new set of policies in which the unleashing of the market, through fiscal, monetary and trade policies is expected to get macroeconomic policies right, encourage competition and

therefore higher productivity and lead to efficient use of scarce institutional capacity and modification of the structure of the economy towards sustainable economic growth (Jaycox, 1988: 27; Aboyade, 1994: 79; Morrissey, 1994: 254; World Bank, 1994: 9).

Central to the Fund's stabilization and adjustment package are: liberalisation of trade and prices, exchange rate management (mainly devaluation), restrictions on domestic credit ceilings, fiscal spending and foreign borrowing. These measures are intended to stabilize the economy by keeping aggregate demand in line, improving BOP position, and reducing inflation levels, all leading to the clearing of the economy for steady growth and a conducive and "enabling" environment for foreign investment (Taylor, 1987: 34).

The Bank's reform packages are price and project-based; their implementation is expected to establish a "market-friendly" set of incentives, leading to accumulation of capital, more efficient allocation of resources, increased access to imports and positive supply response in the export sector (Van Den Walle, 1994: 491; World Bank, 1994: 3). In order to establish a more comprehensive and comparative understanding of policy reform packages, this study treats the Fund and Bank conditionalities in some detail.

### 2.5.2 The IMF Conditionalities

Although the current IMF stabilisation conditionalities are not expressly stated, they are implied within the general mandate given to the Fund at its inception. Article 1 of the agreement states the purpose of the IMF as being:

- (i) to promote international monetary cooperation;
- (ii) to facilitate the expansion and balanced growth of international trade;
- (iii) to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation;
- (iv) to assist in the establishment of a multilateral system of payments;
- (v) to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with the opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity; and
- (vi) to shorten the duration and lessen the degree of equilibrium in the international balance of payments of members (Korner et al., 1986: 44; Dell, 1983: 17; de Vries, 1986: 3-14; Guitian, 1981: 2).

Whilst the principle of conditionality was not incorporated in the articles until 1952, the first amendment of the Bretton Woods institutions in 1968 gave authority to the Fund's Board to determine conditions for granting loans (Korner et al., 1986: 51).

The core of the Fund's conditionality stems from the neo-liberal agenda which places a high premium on macroeconomic stability as a necessary precondition for all other adjustment packages intended to stimulate economic growth and vibrant world trade (Toye, 1994: 23). The Fund's argument is based on the perceived relationships between macroeconomic disequilibria, BOP deficits, inflation, prices, government expenditure, export capacity and external debt. Based on the analytical framework of the Polak Fund model, established in the 1950s, the Fund posits that internal and external balances are essential preconditions to sustained growth.

The Fund's policy reforms and instruments are therefore aimed at restoring equilibria or preventing the emergence of imbalances (Wapenhans, 1994: 41). The main cause of imbalances, it argues, is excessive domestic demand caused, in turn, by excessive credit expansion which leads to higher prices and inflation. Higher levels of inflation not only put pressure on the BOP position but lead to an overvaluation of the national currency, causing a flood of imports. While the prices of local products rise with demand, imports tend to remain relatively cheap because of fixed exchange rates.

At the same time, the overvaluation of the national currency makes it extremely difficult for a country to export goods necessary to earn hard currency to improve the BOP position. This results in a worsening BOP gap which must either be financed by foreign loans, thereby exacerbating the external debt, or be addressed by severe cuts in imports. In the same vein, domestic expenditure

levels that exceed available revenue are said to create fiscal imbalances that lead to unsustainable aggregate demand which, in turn, weakens the BOP position (Bacha, 1987: 145; Guitian, 1981: 2-5; Korner et al., 1986: 55; Ravikanbur, 1987: 1516; Wapenhans, 1994: 41; Green and Faber, 1994: 2).

According to the Fund, countries experiencing intractable BOP problems and which must, therefore, reconcile demand and supply problems, have to reduce imports and public expenditure, largely through devaluation and tight budgeting; i.e., "demand management." It is argued that deflationary monetary and fiscal policies have the effect of limiting demand for foreign exchange and reducing the level of inflation, thereby creating ideal conditions for foreign investment (Jespersen, 1992: 61).

The Fund's focus is on fiscal and monetary policies, most frequently devaluation, which is the core of virtually every IMF-supported programme. Most programmes are typically characterized by demand restraint, switching policies, and policies related to long-term supply or efficiency (Stewart, 1992: 316; Toye, 1994: 34). Demand restraint involves measures to curtail expenditure on imports and make more resources available for export. These measures include control over money supply, reduction in government expenditure (particularly in the social services sector), removal of subsidies, restructuring or elimination of public enterprises, imposition of credit ceilings, real wage cuts, and liberalisation of trade and prices (Green, 1994: 3; Stewart, 1992: 316).

"Switching" resources is intended to shift resources from non-tradable to tradable activities through incentive systems. This switch, largely effected by devaluation, is said to shift consumption into non-tradables, thereby increasing the net export tradables (Hu, 1986: 6; Guitian, 1981: 12). Other frequently used instruments and measures include interest rate policies, tax measures to increase revenue, restrictions on new external debts, elimination or reduction of payment arrears, the liberalization of payment mechanisms and the setting of targets for minimum foreign exchange reserves (Green and Faber, 1994: 3). All of these measures constitute the typical core stabilisation programmes.

The main vehicle for the disbursement of stabilization funds is a stand-by arrangement - a right to draw upon the Fund's resources over some future date, should the need arise, subject to the observance of the Fund's stabilisation conditions (Helleiner, 1983: 665). Normally when a country signals the need for such a stand-by facility, the Fund and the intending borrower sign a letter of intent which spells out (i) pre-conditions: actions to be taken before a drawing is made; these actions are pre-eminently exchange rate, pricing and interest rate measures; (ii) performance criteria: qualitative and quantitative actions which have to be performed, and constantly monitored, during the stabilisation process; these include domestic credit ceilings, minimum levels for external reserves and restrictions on new external debt commitments; and (iii) policy understandings which would normally include residual policy measures not covered in preconditions and performances criteria (Killick, 1984: 191-93; Helleiner, 1983:

666). Both the letter of intent and the stand-by arrangement protocols are subject to the approval of the Fund's Board of Directors.

The initial mandate of the Fund was restricted to short-term financing of BOP stressed countries, primarily through demand management. With the persistence of the BOP crisis and the continued economic malaise, it was quite evident that the administration of short-term "shock treatment" alone was not going to resuscitate the African economies. In any case, many of the latter were accumulating external debt and having problems repaying the Fund. The Fund thus introduced low interest facilities - the Oil Facility Trust Fund and the Compensatory Financing Facility in the 1970s. Later in the 1980s it introduced SAF and ESAF to deal with long-term BOP deficits on both demand and supply sides. Stringent performance criteria still apply in the case of SAF and ESAF.

The IMF's power goes beyond its conditional net lending to SSA countries. First, a highly conditional agreement with the Fund is a precondition for accessing the Bank's SALs. Second, the Paris and London Clubs which treat official and commercial debt rescheduling, respectively, only deal with debtor countries that have a standing and functioning agreement with the Fund. Third, increasingly, bilateral funding and aid flows to SSA countries are also predicated on an operational agreement with the Fund. Thus, the IMF's "seal of approval" has enormous leverage on practically all potential sources of external funding; its total influence cannot, therefore, be overemphasized.

### 2.5.3 The World Bank Conditionalities

The World Bank's conditionalities are inspired by the neo-liberal framework already abstracted in this chapter. It envisages maintenance of macroeconomic stability, an enhanced export sector, reduction of the role of the state in the economy and control of population growth (World Bank, 1994: 34). While the Bank's conditionalities have concentrated on economic and institutional reform at national and sectoral levels, the focus and locus of its objectives, concerns and emphases have varied and shifted over time.

In the 1950s and 1960s the Bank's main focus was on reduction of poverty through investment in infrastructure and rapid industrialisation. In the 1970s, the focus shifted towards integrated rural development and urban projects. In the early 1980s, the persistent economic stagnation and increased external indebtedness in the SSA region prompted the Bank to shift its emphasis to economy-wide frameworks, non-sectoral structural adjustment programmes aimed at restoring growth through efficient resource allocation and investment (Sahn, 1994: 11). Later in the 1980s issues relating to the environment, gender and poverty were added to the Bank's agenda. In the 1990s, the Bank has added two more dimensions to its conditional lending: political liberalization - good governance, participation, transparency, accountability and probity; and military demobilisation (Sandstrom, 1994: 30; William and Young, 1994: 85; World Bank, 1989: 60). Thus, SSA countries wishing to access the Bank's funds are increasingly being subjected to a simultaneous triple conditionality: economic and

institutional reforms, political liberalization and military demobilisation (particularly in countries where the military establishment was expanded in prior periods of civil strife).

Arguably, the Bank's framework has undergone changes that indicate at least three distinctive and successive generations of structural adjustment policies (Cornia, 1992: 3). The first generation focused sharply on macroeconomic stabilisation; the second concentrated on structural adjustment programmes. These programmes, however, provoked strong reactions from the African governments and independent researchers because of their adverse impact on the poor and vulnerable groups in both urban and rural areas. In the wake of this criticism the third, and latest, generation of SAPs has been attempting to grapple with social and political dimensions of adjustment, the long-term perspective and such other issues as food self-sufficiency and poverty reduction.

A critique of the SAPs in the next chapter will deal with these issues more fully. Suffice it to say here that the Bank's major concentration -- the production structure -- has been joined by institutional reforms, ecology, gender, the informal sector, political liberalization and military retrenchment, some of which are not compatible or consistent with its central theme. The Bank's framework, while firmly anchored in the neo-liberal tradition, continues to be redefined on the margins.

The starting point of the Bank's set of conditionalities is the assumption that the majority of SSA countries put in place deficient domestic policies that led to

the inefficient use of resources, poor incentives for production, huge and useless parastatals, excessive and un-monitored public expenditure, and neglect of small farms and the private sector. Most importantly, the Bank argues that the policies failed to create incentives in the agricultural sector -- the engine of development. The deficient policies, the Bank insists, operated within a context of weak managerial, technical and entrepreneurial skills, institutions, infrastructure and human resource base (Jaycox, 1988: 22).

The Berg Report targeted specific deficiencies -- official exchange rates, import duties, export taxes, subsidies, restrictions on imports, foreign exchange controls and distorted agricultural and industrial policies -- which resulted in stagnant agricultural output and exports (World Bank, 1981: 4). The latest Bank report has asserted that "development (in SSA) cannot proceed when inflation is high, the exchange rate overvalued, farmers overtaxed, vital imports in short supply, prices and production heavily regulated, key services in disrepair, and basic financial services unavailable" (World Bank, 1994: 2). The 1994 report has further asserted that the public sector lies at the core of the stagnation and decline in Africa; the public sectors have been intervening in activities where markets work reasonably well -- and the results have been poor (World Bank, 1994: 99). Thus, the Bank has suggested a major shift in the development paradigm in which reform policy conditionalities play the central role.

The conditional lending of the Bank has three separate, but not necessarily compatible objectives: (i) to provide resources to alleviate medium-term BOP

difficulties; (ii) to manage aggregate demand with a view to maximising medium-term economic growth prospects; and (iii) to improve the performance on the supply side by removing what it terms policy-induced distortions. The three objectives are supposed to give greater roles to prices, markets and the private sector while trimming, and making efficient, the public sector (World Bank, 1986: 2). The hope is that the SSA countries would then move in a direction similar to that of the Newly Industrialising Countries (NICs) in East Asia (World Bank, 1994: 2).

The Bank has a variety of lending vehicles and instruments at its disposal. These include: (i) structural adjustment loans (SALs); (ii) sectoral adjustment loans (SECALS); (iii) specific investment loans; (iv) technical assistance loans; and (v) emergency reconstruction loans. The most important vehicle, however, is the first category, the SALs.

Disbursement of SALs is conditional upon major restructuring of incentives, public investment, budget and debt management and institutional reforms. The Bank's policy tends to focus on trade policies, government finance and administration, public enterprises, the agricultural sector, as well as fiscal and social policies (Stein, 1983: 93; Stewart, 1992: 317; Green and Faber, 1994: 4).

An expanded list of underlying conditionalities quite often includes the following:

- (i) Mobilisation of resources through fiscal, monetary and credit policies; these policies overlap with those of the Fund already discussed in this chapter;

- (ii) Liberalization of trade: liberalization of foreign exchange regimes, and interest rates to provide incentives for agricultural production; removal of import quotas; lowering of tariffs and restructuring of the taxation system; improved export incentives and less taxation on agriculture; support for the informal sector to provide jobs and incomes; liberalization of the export crop marketing; encouragement of more traditional and non-traditional cash crops; and the limitation of the role of the state in production and marketing sectors (Stewart, 1992: 318; World Bank, 1994: 34, 62). Other policy reform measures in this general category include: privatisation; general price decontrol; elimination or reduction of subsidies; credit ceilings and reforms; revision of investment codes and encouragement of direct foreign investment; and management of fiscal deficits (Stewart, 1992: 317; Toye, 1994: 29);
- (iii) Institutional reforms: strengthening the public sector; civil service reforms, including retrenchment; restructuring of the financial sector; human capital investment and indigenous capacity building; improvement of legal and accounting frameworks; enhancement of agricultural research and extension; and family planning (Husain, 1994: 1-5; Stewart, 1992: 317; Sandstrom, 1994: 33; World Bank, 1994: 121-125);
- (iv) Social policy reforms: rationalization and enhancement of social services delivery systems, particularly in education and health sectors; introduction

of user-fees and creation of social safety nets for the poor and vulnerable groups (Husain, 1994: 3; Sandstrom, 1994: 32; Stewart, 1992: 317);

- (v) Political liberalization: good governance, participation and multiparty elections; accountability, transparency and probity; public expenditure review; decentralisation of decision-making; and the enhancement of the role of women and increased access to education for girls (Sandstrom, 1994: 33; World Bank, 1994:2);
- (vi) Reduction of military establishment: reduction in military expenditure as well as military demobilisation; and
- (vii) Environmental protection: reforestation and restructuring of land tenure systems.

Streeten (1987: 1471-74) has simplified the maze of structural adjustment reforms by providing answers to the following questions: Adjustment for what purpose? Adjust to what? Adjust what? Adjust how?

- (i) Adjust for what purpose? -- to reduce or alleviate BOP deficits, resume higher rates of economic growth, and achieve structural changes to prevent future BOP problems;
- (ii) Adjust to what? -- to unfavourable internal and external shocks, to reduction in demand for exports, and to a new strategy;
- (iii) Adjust what? -- adjust six "ins": incentives, inputs, innovation, information, infrastructure and institutions; and
- (iv) Adjust how? -- through the market mechanism.

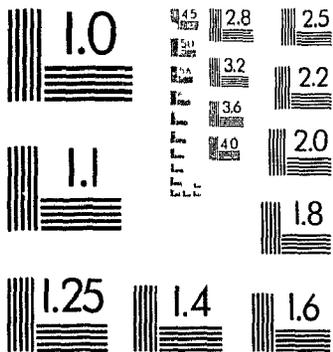
In its assessment of SAPs in SSA, the World Bank has recently asserted optimistically that the economic reforms have halted the economic decline in the region. Indicators of this trend include lower inflation rates, increased external competitiveness, reduced agricultural taxation that has helped boost the living standards of the poor, increased production and exports as well as enhanced access to imports needed for growth (World Bank, 1994: 3). The Bank has further claimed that the majority in SSA are better off as a result of adjustment programmes; and that the retrenchment of civil servants in absolute numbers has not added greatly to the poor (World Bank, 1994: 7). It is also claimed that new firms have been created, private investment and savings performance has improved; and that both agriculture and industry are expanding (World Bank, 1994: 13).

In cases where structural adjustment programmes have failed to produce positive results, both the Bank and the Fund have blamed domestic factors for slippage: drift, lack of seriousness and political will, inability of governments to maintain commitments, weakness at the implementation stage due to lack of administrative capacity and inappropriate targets and delays (Helleiner, 1983: 585; Ravenhill, 1988: 204). Their basic argument is that the problem is not the failure of adjustment but the failure to adjust; that SAPs are correct but the implementation is faulty.

The Bretton Woods' institutions' policy reform packages and conditionalities raise very serious and profound political, economic and social questions. Will



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SAPs further marginalise SSA or bring about a badly needed economic renaissance? Are SAPs aimed at short-term objectives at the expense of longer-term prospects? Will the developmentalist paradigm be effective in SSA in the way it has among the NICs, as both institutions keep arguing? Will the current strategy bring about self-sustained structural transformation? To what extent can, and should, the state withdraw from the production sector? What are the likely consequences of this withdrawal? Are the two institutions' policy instruments appropriate and consistent? How will they affect the poor and the vulnerable groups? What is the relationship between economic reforms and political liberalization? Is the Bretton Woods institutions' advocacy for democratization contradicted by their own undemocratic procedures in the negotiation and implementation of SAPs? Does the implementation of SAPs create, or require, authoritarianism? Are there viable alternative frameworks to SAPs? These and other questions are pertinent after 15 years of SAPs' adoption and implementation in SSA. The next chapter attempts to address these questions.

## CHAPTER 3

### Politics of SAPs in SSA: Evaluation of the Role of IFIs

#### 3.1 Critique of IFI - Supported SAPs

SAPs and their attendant conditionalities constitute a formidable arsenal of disparate policies, instruments and outcomes. Arguably some are useful while others are inconsistent and contradictory; several have questionable consequences for SSA in both short- and long-term perspectives; many have been found to be harmful to the socio-economic and political fabrics of the adjusting countries.

In attempting a general critique of SAPs one has to confront a major procedural problem. Analysts with widely different normative notions of development tend to engage in debates that go past each other. Studies that are animated by macroeconomic equilibrium models seem to evaluate the impact of SAPs on their capacity to restore monetary, fiscal, domestic and external balances. They conceptualize "success" in terms of solving BOP deficits, domestic budgets, curbing inflation and improving macroeconomic growth rates. More radical analysts, while not oblivious to macroeconomic balances, are interested in a whole range of different issues and criteria: they evaluate SAPs in their global economic setting and are deeply interested in political economy issues of distribution, equity, mass poverty reduction, provision of social services, and employment opportunities; they are also interested in long-term issues of

transformation and sustainability. Radical analysts have been joined by ECA, UNDP and UNICEF to challenge the IFIs' conceptualization of "successful" SAPs. As a result, when analysts of the two approaches are evaluating the impact of SAPs, they are comparing unlike terms. These frameworks lead to different views of the purpose and functioning of the principal IFIs -- the Bank and the Fund. Thus, as a prelude to the evaluation of SAPs, the study will outline its normative operational framework, review other frameworks that have informed and shaped criticism of the Bank and the Fund, and discuss some of the pitfalls in the methodologies used to evaluate SAPs.

### 3.1.1 The Study's Normative Development Framework

This study, informed by the political economy approach, envisions SSA's long-term strategic goal as that of establishing an equitable and sustainable economic, political and social transformation at three interrelated levels:

- (i) at the global level, this transformation entails a shift from contemporary SSA's technologically and financially dependent relationships with the industrialized world into a more symmetrical conjunction;
- (ii) at the regional level, the study envisions enhanced integration of political, economic and market structures amongst sub-Saharan countries; and
- (iii) at the national level, this transformation is conceived in terms of equitable and sustainable economic growth that would ensure the improvement of the human condition through poverty reduction; increased access of the

poor and the vulnerable groups to productive forces and basic social services; attainment of sustainable food security; expansion, differentiation and diversification of the productive and export bases; and a policy characterized by popular participation, probity, social equity and ecological prudence.

This normative yardstick, which admittedly goes beyond the limits and horizons of the current adjustment policies, will be applied to evaluate the structural adjustment policies, processes and outcomes.

### 3.1.2 Competing Frameworks and Models of Bretton Woods Institutions' Behaviour and Functions

Many critiques of the Bank and the Fund and their policy-based lending are partly inspired by the formers' normative and ideological positions. It is presumed that these positions tend to construct sets of global realities and dynamics that inform the critics about the roles and functions of the Bretton Woods institutions in the global political, economic and financial systems. Building on Stiles' study, which examined the structure and process of IMF decision-making, and which can equally be applied to the Bank, it is arguable that most critics of the two institutions are inspired by one (and probably a combination) of three competing models:

(i) The Functional Model

This descriptive model assumes that the IFIs are not political organizations; rather it perceives them as public organizations that carry out designated "technical" functions; these functions are carried out by a technically competent staff who adhere to well-established principles and procedures; the staff operate without ulterior motives and without direct interference by economic or special interest groups; all countries that seek the services of the institutions are treated equally and effectively (Stiles, 1987: 6-11). This model would appear to be both idealistic and naive.

(ii) The Political Model

Two conflicting positions hold the view that the Bank and the Fund are politically inspired institutions. The radical school argues that the two institutions are instruments of western capitalist powers and domination. Far from being mere technical agencies that dispense policies dispassionately and fairly, the two are viewed as intellectual and ideological instruments through which the capitalist world perpetuates and intensifies its position of dominance, and now hegemony, over the developing world; policy conditionalities, which stiffened with the arrival of Reagan's administration, are seen as animated by debt recovery and global financial equilibria; the fact that the institutions' concerns exacerbate the debt problem and destroy the social structures of the adjusting countries is of peripheral importance to them. According to the radical school, the

solution is complete restructuring of the global economic system, including the two institutions. The most radical, but currently unfeasible, solution is for SSA and other developing countries to disengage from the orthodox SAPs and fashion alternative frameworks and sources of funding (Brett, 1983: 30; Helleiner, 1983: 13; Stiles, 1987: 11-15). The predominant mood among the Third World representatives at the Madrid IMF/World Bank annual meeting in October 1994 was to remain in both structures and fight for their rights from within.

Critics from the conservative perspective argue that the Bank and the Fund have yielded too much power to the Third World, particularly after the creation of SAF and ESAF lending windows. The proponents of this view would wish to either preserve the status quo without further "erosion" by the Third World countries or cause the two institutions to be eliminated so that free market forces take care of international finance (Stiles, 1987: 11).

A variant of the political model has posited the view that the political elements within the Bank and the Fund do and should exist; the two institutions, creations of the nation-states and representatives of capital, could not and should not formulate policy; rather, their staff should be subordinated to the political elements at the top of either institution (Stiles, 1987: 11-13).

(iii) The Neo-functionalist Model

The third model emphasizes bargaining as the dominant mode of operation in the two institutions. It is argued that no single entity controls them.

Rather, political, technical, pluralist and managerial sub-units interact and share influence, depending on the issues and circumstances. Policy-making is perceived as dynamic and disaggregated; policy outcomes emerge, not from the imposition of technical or political power, but through a pragmatic bargaining process, where the ultimate goal of all actors is the perpetuation of the relationships themselves. Circumstances, the ability of the actors involved, and tactics determine policy outcomes. This model depicts the two institutions as more fluid and unpredictable than in the first two models (Stiles, 1987: 15-18).

The three heuristic models on the perceived nature, role and behaviour of the Bretton Woods institutions are ideal type elements which constitute part of practice. Yet, they do provide a useful platform on which to mount a more nuanced critique of the two institutions' SAPs in SSA.

### 3.1.3 Methodological Differences and Difficulties

What to compare and how to compare are issues that have not been resolved in the burgeoning analyses of structural adjustment policies and outcomes. Different modes of analysis seem to offer "appropriate" questions in order to provide "appropriate" answers. Where necessary, convenient units of analysis and criteria have been manipulated to suit the preferred outcomes. While this tendency is unavoidable in the social sciences, it must still be recognised as a major problem.

Ajayi (1994: 54-67), Mosley (1994: 70) and Kraus (1991: 119) have demonstrated how the World Bank has carefully selected base years and indicators to prove that structural adjustment is successfully improving the economic conditions in SSA. For example, the Bank, in order to justify the adoption of market mechanisms and liberalization, prepared and issued studies which indicated that countries which were adjusting strongly were performing better in the areas of growth, agricultural production, export growth, real domestic investment and per capita consumption than those which were adjusting weakly. Subsequently, the ECA launched an assault on the Bank's figures, accusing the latter of manipulating the data to serve its purpose. By its own manipulation of the data, the ECA was able to prove the contrary thesis; i.e., that countries with strong SAPs in fact experienced negative GDP growth between 1985 and 1987 while those with weak SAPs or no SAPs performed better (Kraus, 1991: 119-120).

The Bank has also changed criteria upon which SAPs are assessed. Its study in 1988 measured performance in four policy areas: growth, external balance, internal balance and external debt; in 1990 it used a different set: savings, investment and export ratios; and in 1992 it used yet another set of indicators: exports/GDP, growth in real GDP, gross domestic investment/GDP, savings/GDP and the rate of inflation (Ajayi, 1994: 58-59). It also shifted its methodology from the "before-and-after" approach in analyzing the impact of SAPs to "control-group" and "modified control-group" approaches without clear explanations and rationales (Ajayi, 1994: 61-62). The Bank's criteria and

conclusions alienated analysts who were asking different questions; i.e., the impact of SAPs on food security, economic diversification and the quality of life (Ajayi, 1994: 66).

The evaluation of SAPs is compounded by counterfactual questions. In the case of SAPs, the counterfactual for comparison is a specified hypothetical situation that would obtain in SSA if SAPs in their present forms were not adopted and therefore not implemented; comparisons between the past performance of SAPs and the hypothetical counterfactual situation is therefore logically impermissible (Streeten, 1987: 1477). There are several counterfactual questions that have been posed in the context of SAPs: What would have happened in the absence of SAPs; i.e., if the previous policies continued or if alternative SAPs were introduced? Would the poor have benefited from less adjustment? Could the policy reforms have been designed differently to benefit the poor? (Callaghy, 1993: 19; Aboyade, 1994: 76). Counterfactual questions are difficult to answer because they seek to construct a "reality" that did not exist. They nevertheless challenge and animate analysts who are absorbed by the possibilities of alternative policies and alternative results.

However, as SAPs produce outcomes that, in the short and medium terms, have impoverished many social groups, African governments find themselves in a bind that Callaghy (1990: 279) has termed the "politics of counterfactual" dilemma: how to explain to increasingly impoverished people that without the reforms their situation would be much worse. Thus counterfactual issues pose

not only methodological and comparative dilemmas; they also constitute practical political dilemmas.

Another methodological problem is how to isolate the impact of SAPs from other impacts. In many SSA countries, economic performance has been affected by war and drought. In other cases, economic performance has been boosted by adequate rainfall, reduction of social tensions and conflicts and the increased flow of external funding, rather than the adjustment policies themselves. It is therefore quite possible that adjustment policies may have claimed several economic achievements which are in fact attributable to other factors; conversely, the reforms may have been blamed for poor performance caused by other phenomena. In the case of the World Bank, the gestation periods of some of the programmes are quite long; assessing such programmes, with so many intervening variables in between, is clearly problematic.

### 3.2 Critique of Policy-Based SAPs

There has been a steady increase of literature on structural adjustment in recent years. Critiques of the programmes have also proliferated. An overview of this growing literature, both case studies and comparative analyses, appears to indicate that concerns with SAPs fall under three broad themes: (i) the Bretton Woods institutions' understanding of the African crisis; (ii) the long-term implications of SAPs in SSA; and (iii) the short- and medium-term impact of SAPs

on SSA social structure. In the next chapter these themes will be located in selective SSA case studies.

### 3.2.1 The Bretton Woods Institutions' Understanding of the African Crisis

Many analysts have argued that both the Bank and the Fund have misunderstood the fundamental causes of the African crisis. Their well-known view that the domestic, rather the international, environment has been the fundamental cause of the crisis has been persistently challenged. While it is undeniable that domestic policy failures, mismanagement and limited institutional capacity remain essential features and explanations of the African crisis, the harsh external environment (oil shocks, deflationary policies in industrialised countries, adverse international terms of trade and the resultant BOP deficits and increased indebtedness) seems to have had a far greater impact on SSA economies than the Bank and the Fund are prepared to admit.

Recent studies that Toyé (1994: 32) summarises indicate that there is evidence which "seems to lay to rest the basic assumptions with which the adjustment began, namely that the economic problems of developing countries were largely, even entirely the result of their own flawed policies." Indeed, the fact that almost all the African countries experienced major BOP difficulties, fiscal crises and import strangulation in 1979 and 1980 is not a coincidence; it followed on the heels of the second and most devastating oil shock of 1979. The Bretton Woods institutions, however, have an interest in blaming domestic factors: this

gives greater credibility to their policy reform programmes which are primarily targeted at revamping domestic policies and strategies.

### 3.2.2 The Long-Term Implications of SAPs in SSA

A persistent criticism of policy-based lending reforms is that they do not pay sufficient attention to the region's long-term development strategy and needs. They do not deal adequately with issues such as the structural weaknesses of SSA economies; while advocating more production, the reform packages do not address the structural issues of production, trade, human resources and capacity building -- all of which have serious long-term implications; neither do the reforms seem to have a credible strategy for industrialization; on the contrary, they encourage further de-industrialization (Adedeji, 1990: iv). While sustained development is widely referred to by the two institutions, it is not clear on what basis it will be achieved. Additionally, many critics argue that the reform programmes do not adequately address the issues of dependent "development," technological transfer and ownership, mass poverty reduction, equity, ownership of knowledge and reform efforts, the external debt, world trade patterns and the nature and role of the state in the development strategy. In other words, strategic issues relating to qualitative transformation are either glossed over or ignored (Cornia et al., 1992: 160; Campbell and Loxley, 1989: 1-2). Concerns raised by both UNDP and UNICEF regarding the low levels of human development

indicators and basic human needs in SSA are yet to be integrated in the core of policy-based lending reforms.

### 3.2.3 The Short- and Medium-Term Impact on SAPs

There is growing evidence to show that the short- and medium-term adjustment reforms have not only failed to achieve their own stated objectives but have also impacted adversely on the social structures of the adjusting countries, making it even more difficult for such countries to address long-term sustainable growth and transformation (Seshamani, 1994: 114). They therefore preclude significant future improvements in both the basic human needs and human development indices.

Many studies carried out by NGOs and other independent analysts, from both liberal and radical perspectives, have contested the litany of successes the Bank and the Fund have claimed. In many adjusting countries, GDP per capita has declined, industrial and investment growth levels have stagnated, the structure of production has remained unchanged, and the level of generalised poverty has risen (Aboyade, 1994: 77-83). The debt burden of the region, projected at \$199 billion by the end of 1993 and equivalent to 90% of the continent's GNP, increased by 113% between 1982 and 1990; that of the very poor and least developed was up by 110%; and heavy debt repayments have had widespread environmentally destructive effects while making it difficult for the debtor countries to invest in economic and human recovery (George, 1992: xvi;

Bush and Szeftel, 1994: 149). Indeed, "the debt crisis has developed beyond a transitory crisis into a system of international economic relations" (Bush and Szeftel, 1994: 149). Import strangulation reduced import volume in 1990 to 84% of the level ten years earlier. Stabilization may have created a series of unsustainable "successes" at a high cost (Callaghy and Ravenhill, 1993: 18-34). Case studies from Ghana, Tanzania, Uganda and many other SSA countries indicate that SAPs have caused major government expenditure cuts, adversely affecting education, health and social services (Cornia et al., 1992: 13-27; Hoeven and Kraaij, 1994: 182).

Under pressure to achieve results and to adhere to strict and standard requirements of macroeconomic stabilization, both the Bank and the Fund have tended to deliver similar packages to most of their borrowers without due attention to local peculiarities. Additionally, the wish to do everything at once has created enormous problems of sequencing and absorption; the practice of economic reform has, therefore, been higgledy-piggledy (Toye, 1994: 30).

Many countries were prepared to receive adjustment funding without the intention of, and commitment to, complying with attendant conditionalities. In many instances, the Bank misjudged the intentions of borrowers bent on deliberate "slippage." Kenya is such an example where the government cynically ignored the terms attached to World Bank funding; the Bank, presumably for Cold War political reasons at the time, nevertheless continued financial flows to Kenya in spite of non-performance. In an attempt to minimize these glaring

inconsistencies, the Bank has been reluctant to produce comparative analyses of the implementation record of individual adjusting countries; instead it has, conveniently, emphasised "average levels of implementation for adjusting countries as a group" (Toye, 1994: 30).

Thus, although SAPs may have increased microeconomic efficiency by cutting down waste, major bottle-necks in the way of overall growth still remain. A more detailed analysis of policy reforms and outcomes can be adequately appreciated by mounting separate critiques of the distinctive Bank and Fund reforms.

### 3.3 A Critique of World Bank Adjustment Reforms

The World Bank's policy package, which is animated by a neo-liberal and market fetishist framework, routinely refers to the NICs' experience as a development path that SSA countries have to travel as they embrace the neo-liberal position. It is therefore important to evaluate the core elements of the Bank's strategy and to relate them to the NIC debate.

#### 3.3.1 Liberalization of Trade and Prices

Liberalization of trade and prices, as advocated by the Bank, aims at getting rid of policies that "distort" markets while assisting with the establishment of price incentives that would provoke a positive response on the supply side. This strategy may have limited application in Africa. As many critics have argued,

market-orientation in the SSA region, characterized by market imperfections and a weak domestic private sector, may not function as well as the neo-classical axioms would suggest (Stein, 1994: 287). Furthermore, blanket removal of protectionism may not only lead to further de-industrialization but also to less growth and serious consequences for SSA (Stein, 1994: 288).

In any case, the NICs' experiences do not support the Bank's thesis. On the contrary, almost all of the Asian NICs did not abandon the state-led developmentalist "inward" looking policies; they continued protecting many of their industries from international competition while enhancing their export sectors. Strategic industries remained in the public sector during the fast growth periods; they also used subsidies, tax breaks, deliberate prioritization of foreign exchange use, tariffs and other barriers (Stein, 1994: 296). In Hong Kong, the state directly intervened in the market: prices of food were kept competitive through state supervised marketing, and low interest loans were provided to farmers to produce cheap food; to date, 40% of the population live in government-subsidized public housing; the state meets almost all the educational costs; more than 75% of all hospitals are government-owned or supported, and medical user-fees per day are less than 70 cents (U.S.); the state also controls prices and profit margins of privately owned public utilities (Stein, 1994: 296).

Singapore, another NIC success story, has registered high growth through deliberate "market-distorting" state intervention. Several "distorting" tools have been applied: tariffs, special government incentive schemes, state-ownership of

public enterprises which participate directly in production, subsidized housing, education and health (Stein, 1994: 298).

All these examples indicate that the Bank's cherished axioms of getting the price right and avoidance of market distortions are not associated with the NICs success stories. In the case of SSA, wholesale liberalization of trade and prices has adversely impacted on the fragile industrial sector. There is, therefore, a need to supplement market signals with "distorted" but prudent and proactive interventions in order to pursue a set of desired national objectives in the short-, medium- and long-terms. The crucial issue then seems to be the choice of appropriate and timely protective measures to avoid replicating some of the previous mistakes associated with improperly planned import-substitution industrialization projects (de Walk, 1994: 235). In any case, "markets" are not expressions of abstract principles of rationality and efficiency; they represent power and power relations within the global order. Otherwise, some SSA countries would be much better off and more rational by selling marijuana and cocaine on the world market than coffee, cotton or copper.

### 3.3.2 Agriculture-based Strategy

The Bank puts a lot of emphasis on the agricultural sector as the potential engine of development to reverse SSA's economic malaise. This emphasis is understandable, given the lack of other realistic options. However, the strategy's longer-term implications for the region raise serious concerns: given the

progressively deteriorating terms of trade against commodity exports on the world market, a strategy that relies on agricultural exports may not provide the necessary critical mass to sustain economic development; in any case, historical evidence would tend to confirm that no country has been able to improve its living standards by simply relying on the export of non-value added cash crops or simple processing of agricultural commodities (Stein, 1994: 302). In the long run, therefore, the merits of this strategy are highly questionable.

The experience of the NICs provides additional challenges to the viability of the agriculture-centred policy. Taiwan and South Korea made agriculture entirely subservient to industry. The former was deliberately made into a source of cheap food through heavy state intervention; farmers were legally compelled to grow rice in designated areas and rice was exchanged for fertilizers, which were themselves a state monopoly. Clearly the state used several mechanisms to transfer surplus from agriculture. It was only after the governments in the NICs had achieved their objectives in industry that state intervention then gradually loosened (Stein, 1994: 299); i.e., they established a well thought out sequence. The Bank's agricultural strategy in SSA has no family resemblance to the policies that were pursued in the NICs. Indeed, the linkages between agriculture and industry are not clearly articulated by the Bank. In the long run, the agricultural strategy being pursued will most likely create structural barriers to the process of industrialization in SSA.

### 3.3.3 Primary Commodity Export-Driven Strategy

The criticism of this strategy revolves around the compelling "fallacy of composition" argument. In the event that the Bank's agricultural policy reforms produce the desired goals, many SSA countries would be able to increase their agricultural tradable output, most of which would be available on the world market. This oversupply would depress prices to the detriment of the SSA region. There are several other grounds on which this strategy can be faulted.

SSA export markets are controlled by large food and mineral-utilizing foreign corporations; the strategy would perpetuate this external form of domination and reduce the region's long-term objective of reducing dependent and asymmetrical relationships with the industrialized countries (Lawrence, 1986: 4); the export-oriented strategy would not only weaken congested international markets but would also encourage neglect of food production, leading to food insecurity, shortages or even famine (Campbell and Loxley, 1989: 2-5).

The drive for more cash crop production has caused extensive and probably irreversible damage to the environment; Ghana's log production, for example, has permanently damaged the forest environment in exchange for short-term and unsustainable gains (Campbell and Loxley, 1989: 6).

The middle-income countries have made substantial investment in agriculture; with more cost-effective production methods and superior physical infrastructure, they are likely to intensify competition in the world markets and depress primary commodity prices further (Ravenhill, 1998: 195).

The post-Cold War era, and the less than robust global economic conditions, are characterized by protectionist trading blocs that have tended to exclude the SSA region. African products will therefore be facing both competition and tariff barriers which will lead to low returns (Stein, 1994: 259). As a bargaining strategy, SSA countries will have to consider the feasibility of approaching world markets as a bloc.

The export-oriented growth in the NICs, which the Bank has sanguinely recommended to SSA via policy reforms, cannot be replicated in Africa; the NICs' export-oriented growth occurred at a unique international temporal juncture unlikely to be reproduced anywhere else, let alone in the more than 50 African countries (Barratt, Brown and Tiffen, 1992: 14). Cold War politics induced the Western industrialised countries, particularly the U.S.A., to provide massive aid support to countries such as Taiwan and South Korea; the emergence of the Asian NICs also coincided with healthy global economic growth and less protectionism from industrialized states. In any case, there is a limit to the number of NICs the New International Division of Labour can sustain.

Strong Asian states and land reforms that preceded the emergence of the NICs' phenomenon do not obtain in many SSA countries. It may also be difficult to effect massive land reforms in the middle of the implementation of SAPs. This process would most likely produce unbearable political tension. Thus, on the whole, the Bank's assertion that the NICs' experience will have a good demonstration effect on SSA is misplaced. At its best the strategy will benefit

only a small number of farmers in specific regions of individual SSA countries who are involved in production of cash crops for exports. This will result in regional inequalities, and further marginalization of the majority of farmers involved either in food crop production or in non-agricultural activities. Mass poverty will persist. Arguably, SAPs may be more plausible in bigger and differentiated economies than in small economies such as those in the African region. In any case, ten years of export-led growth, far from leading to recovery, have resulted in a decline in Africa's share of world trade from 4% to 2% -- and the IFIs still insist on imposing this strategy on the region (Bush and Szeftel, 1994: 150)!

#### 3.3.4 Private Sector-Led Strategy

The expansion of the private sector, largely through privatization, is one of the pillars of the World Bank's policy reform package. Such privatization has a variety of meanings. In its most fundamental sense, it means the transfer of asset ownership and control from the public sector to the private sector (Adam, 1994: 137). In another sense, privatization refers to the restructuring of public enterprises, a process that involves contract production, pricing reforms and rationalization of government control in such enterprises (de Valk, 1994: 232; Toye, 1994: 34). In yet another form, privatization may simply mean the retreat of the state from commercial risks and rewards activities to "crowding-in" activities that create an enabling environment for the operations of the private sector; such moves, which usually include the creation of local capital markets, deliberately

expand the realm of the private sector (Adam, 1994: 140; Young, 1991: 50). In the case of SSA the thrust of privatization is focused on ownership issues.

The economic arguments for privatization rest on a number of hypotheses about the relationship "between ownership, management incentives and market structure on the one hand and performance on the other" (Adam, 1994: 138). The World Bank's assumptions are that privatization would lead to efficiency, competition and the elimination of rent-seeking; that it would reduce production costs and improve allocative efficiency. The merit of these assumptions is very questionable.

The privatization process may not necessarily embrace the presumed rationality of the state. Ravenhill (1988: 193) has observed that Kenya and Nigeria have had significant private sectors, "elements of which have been every bit as inefficient as the state-owned enterprises." He has further observed that quite often the local capitalists, who would presumably benefit from privatization, are not merely closely related to the political elite but may in fact be one and the same. In such a situation, the expansion of the private sector, through privatization, may be taken advantage of by those controlling state power not to promote market efficiency but to strengthen oligopolistic advantage for further rent-seeking (Ravenhill, 1988: 194). This has happened repeatedly in Africa. In Cote d'Ivoire, for example, members of the privatization subcommittee took advantage of their positions and bought up shares in the state corporations (Campbell, 1993: 110).

In circumstances where the roles pertaining to privatization are not clear and the information on the assets to be sold is not readily available, the exercise may result in a loss to the government. The treasury would receive once-off benefits from the assets that are quite often sold at a discount (Callaghy and Ravenhill, 1993: 35). The usual tactics to get national assets cheaply is for the intending buyers to insist that the assets be sold as on-going concerns. The balance sheets of such enterprises would show cumulative losses as a result of mismanagement and inefficiency; such information would effectively devalue the assets to the advantage of the new owners.

Privatization has several political implications. In SSA most local citizens and entrepreneurs are not in a position to purchase state corporations. Privatization in these circumstances may simply mean transfer of major national resources to foreigners. Although globalization of production and capital is now the emergent trend, such a move would result in political problems: it would reduce the opportunity for the local population and business people to learn how to operate and run industries (Mkandawire, 1992: 325; Campbell and Loxley, 1989: 7; Malima, 1994: 14). Indeed, privatization may also be resisted because it tends to reduce the government's patronage system and therefore the latter's political support (Callaghy and Ravenhill, 1993: 35).

In her study of the political under-currents of the privatization process in Africa, particularly Cote d'Ivoire, Campbell (1993: 108-110) argues that "the post-colonial rent economy driven by export crop production, as the main locus and

agent of selective redistribution was disconnected from the sphere of production resulting in a pattern of income distribution which had and has little bearing on production and productivity." This is what Campbell refers to as the "specific mode of political regulation." The most important instruments for this mode of political regulation were state marketing boards which are now prime targets for privatization. In light of Bank and Fund insistence on privatization, Campbell suggests that the locus of state redistribution has shifted to the conduct of privatization itself, a process that is characterized by social tensions and repression as segments of the political elite fight to control the new mode. In this context privatization is likely to lead to more inequalities, more inefficiency and enhanced political conflict; the objectives of orthodox structural adjustment and equity may therefore not be reconcilable (Campbell, 1993: 110).

Attempts to rush to wholesale privatization and private sector expansion may be self-defeating. As Helleiner (1986: 76) has observed, the "creation of inefficient private monopolies is not the appropriate response to inefficient public monopolies. The answer lies in a mixture of well structured and managed state and private activities."

Preliminary lessons of experience from the Asian NICs indicate that privatization was neither wholesale nor rushed: it was a gradual process in which the public sector continued to own the commanding heights of the economy and in which the state corporations effectively participated in the production process.

In Singapore, for example, more than 450 state-owned companies continue to directly participate in the production process and account for more than 25% of the country's GNP. In Taiwan, many of the commanding heights of the economy remain in the hands of the public sector (Stein, 1994: 298).

The benefits of privatization, particularly in the SSA setting, may be overstated. Meanwhile the Bank continues to press the African countries to divest quickly, arguing that "privatization of both competitive and non-competitive enterprises will generate more immediate and greater benefits the more market-friendly the environment" (World Bank, 1994: 198). Yet, evidence from NICs and SSA regions would suggest rushed and ill-considered wholesale privatization may hurt the long-term strategic objectives of the African region. There is need to reconsider ideological imperatives behind wholesale privatization in light of the abiding reality in the SSA region.

### 3.3.5 The Role of the State in the Economy

One of the most debated elements of the Bank's reform policies is the suggested shrinkage of the state in the areas of production and finance, except in the narrow sense of the latter (Toye, 1994: 24). The Bank has persistently argued that the state institutionalises wastefulness and 'crowds out' entrepreneurship and efficiency and is therefore at the core of the stagnation and decline in SSA; that the public sector has taken on too much where the market forces would have worked well (World Bank, 1994: 99; Bush and Szeftel, 1994:

150). The Bank's solution has been unequivocal: liberalise the market and disengage the state; buttress the minimal liberal (presumably neutral) state with enhanced capacity and accountability so that it (the state) can create an enabling environment for others, principally the private sector, to engage in production and marketing. The residual roles of the state would remain that of enforcing property rights and contractual obligations (Sahn, 1994: 16; Sandbrook, 1993: 18; Williams and Young, 1994: 94). The standard orthodox argument that is now an integral part of the corpus of the Bank's structural adjustment language is that government intervention in the production process equals mismanagement; that government failure is more serious than market failure (Morrissey, 1994: 254). Yet, paradoxically, the state continues to have a central and crucial role in the Bank's perceptions. Its 1994 report, having maligned the state, proceeds to suggest that "only with strong government commitment and backing will policy reforms be sustained" (World Bank, 1994: 217).

The Bank's view of the state has undergone considerable mutation since the 1960s. Reflective of the neo-Keynesian context of the 1960s and early 1970s, the Bank then assumed a benevolent role for the state in developing countries; a state that was genuinely "committed to advance development and open to instruction as to suitable methods" (Toye, 1994: 4). Reacting against one-party "state socialism" among other things, the Bank's view of the state in SSA underwent a metamorphosis in the 1980s. The new assumption was that the state in many developing countries was malevolent; it was run by self-interested,

rent-seeking groups that identified with policies which were the cause of "distorted incentives, wasted resources and accumulating economic failure" (Toye, 1994: 24).

Curiously, this reconstructed argument resonated with the neo-Marxist argument of the 1970s and before which held that the state in the developing countries was unable to act in the general interest of society because it was captured by the dominant class located in the metropolitan countries and acting through local compradors. The Bank's view, however, was not predicated on class analysis; it attributed the malevolent nature of the state to "interest groups which lack any particular sociological status and which are formed and dissolved according to the fluctuating self-interest of their individual members" (Toye, 1994: 24).

Singling out the state as the major culprit gave false hope for an easy resolution of the African crisis. The Bank's view created the impression that "once the correct (neo-liberal) policies were in place, all would be well because all the bottlenecks and rigidities would have been removed by the process of liberalization and deregulation" (Toye, 1994: 25); "once the idea took general hold that the state was the single source of failure, a panacea seemed to be possible simply by rolling back its boundaries. The new hegemonic discourse, partly propagated by the work of Bates, assisted in promoting the misleading transmutation" (Toye, 1994: 25).

There is more than ample evidence that there are many malevolent states in SSA which are weak, incompetent and rent-seeking, and which have failed to deliver economic and political goods to their populations. This, however, is a description of a particular type of state behaviour that is not necessarily immutable in SSA. In some instances effective, timely and strategic intervention by a proactive and reformed state may provide the opportune solution. The World Bank's blanket view of the state, enshrined in the Berg Report and strongly articulated in its 1994 publication, lays down a rigid framework that denies the more proactive governments in the region the option to intervene (Campbell and Loxley, 1989: 2).

The Bank's option of shrinking the state also misses an essential relationship between politics and structural adjustment. The latter and its outcomes affect the distribution and redistribution of resources, incomes, wealth and opportunities within and between states; they affect the divisions of labour between classes, genders, regions and global trading blocs; they substantially influence the provision, or non-provision, of public goods; and they shape the development trajectories for the decades to come. The structural adjustment process is, therefore, a political process in which the state will, and should, play an increasingly pivotal role. Instead of blindly shrinking the state, emphasis needs to shift to the analysis of varieties of state and government behaviours as well as the quality and timeliness of their impact on markets and (formal and informal) economic institutions towards sustainable development.

The history of structural adjustment in the last 15 years has shown that there are crucial political factors that go beyond the size of the state and economic models which determine the performance of economic reforms, no matter what their direction and intention. In recent years, the Bank has had to recognize the importance of infrastructure, health and education in the alleviation of social problems associated with the adjustment process. These are crucial roles that the state will have to shoulder for a long time. They will not be adequately performed by a folding, shrinking state, particularly where, as in many African states, civil societies and NGOs are relatively weak.

The NICs' experience is a lesson in the virtues of a decisive, proactive interventionist state. It is not a lesson about allowing markets to operate 'freely' without the distortion caused by a large public sector (Stein, 1994: 289). In East Asia, the state was strong and decisive; it intervened to sustain thriving import-substitution programmes while entering new markets; the state intervened in health, education, housing, land ownership and production; it even intervened in the operations of the private sector by creating profitability ceilings; the NICs controlled wage levels, intervened in extracting surplus from agriculture to sustain industry; they subordinated the private sector to a set of national economic priorities. The NICs' success is about getting the price right -- but not through the unrestricted market signals envisioned by the neo-classical model. Rather, it is about properly managed protectionism which, far from being an obstacle to growth, is an indispensable instrument in promoting growth (Dale, 1983: 34).

Contemporary studies from the SSA regions seem to contradict the Bank's analysis and the resulting conditionality of state shrinkage. Alderman's (1994: 51) neo-liberal study indicates that "Ghana's recovery will be led by the public sector, even as it attempts to divest these roles"; Sarris and Van den Brink (1994: 300) have observed that "given the current state of Tanzania's infrastructure, both in physical and institutional terms, getting rid of government is clearly not the answer." Studies of Mozambique have concluded that "a desire for market-based solutions should not be pursued in situations where markets are non-existent or poorly functioning...(market-based solutions) are unlikely to be effective in areas involving infrastructure such as roads or water systems" (Kyle, 1994: 259); studies on Madagascar indicate that "with market liberalization, a growing economy, and privatization of state assets, there is also increasing concern about the distribution of benefits of growth and a possible increase in the concentration of wealth" (Dorosh and Bernia, 1994: 364) -- a condition that necessitates a strong proactive state to ensure growth with equity.

The foregoing discussions seem to strongly suggest that the expanding development agenda and the long-term strategy in SSA will require a strong, efficient, proactive, democratic, accountable and interventionist state. The issue is not whether or not the state should intervene; it is the decisiveness, the timeliness and the purpose of the intervention; a proactive "developmental" state will know why, how and when to intervene, and when to leave the market mechanisms to influence decisions. It is the process of reforming the state and

the local as well as global private sectors that ought to engage the time and resources of IFIs, the academic discourse, the African political and economic elites, NGOs, and civil society as well as the general citizenry in SSA.

It is the contention of this study that the Bank's neo-liberal market-oriented, agriculture-based, primary commodity export-driven and private sector-led development strategy needs to be deconstructed and redirected in light of SSA long-term development objectives and short- and medium-term adverse social-economic impacts of SAPs on the social structures in the region. The African states have to make strategic decisions which seek to redirect internal economic activities as well as redefine their economies within the global economic set-up and hierarchy.

### 3.4 Critique of the World Bank's Policy Instruments and Outcomes

Having reviewed the evaluations of the Bank's broad strategic framework within which it seeks to address the African crisis, it is now appropriate to attempt an evaluation of the Bank's policy instruments and their outcomes.

The Bank argues that the restoration of government and domestic external accounts, reduction of inflation and increased productivity are essential adjustment components (Van Der Geest, and Kottering, 1994: 72). These components have to be achieved through fiscal, monetary and credit policies -- similar to the ones employed by the Fund -- which effect demand management, budget deficit reduction and debt management. These contractionary measures

are achieved through budget cuts, removal of subsidies, credit and import restrictions, institutional downsizing, especially retrenchment, and social policy reforms that involve the introduction of user-fees in education and health sectors (Stewart, 1992: 317; World Bank, 1989: 7). These measures have caused serious strains in the social and economic fabrics of the adjusting countries.

Government expenditure cuts have reduced human resource development in SSA, particularly in the areas of health, education and training. This, in turn, has led to de-education, diminished research capacity and productivity; it has widened the gender gap, precipitated large-scale emigration of skilled professional Africans and increased reliance on highly-paid expatriates whose remuneration and upkeep costs SSA \$4 billion every year, about 25% of the structural adjustment loans extended to the region on an annual basis (Cassen, 1994: 9, Jaycox, 1993:7). This is on top of \$11.3 billion which SSA paid out in debt servicing in 1993 (equivalent to four times as much as public spending on health and education (Bush and Szeftel, 1994: 149). The cumulative adverse impact has also slowed down the capacity of SSA countries to develop a sense of ownership of the adjustment process and programmes (Campbell, 1993: 112; Stewart, 1994: 101). More importantly, the reduction in human resource development has reduced the prospects of attaining a long-term strategic objective, namely the improvement of the human condition through increased access of the poor to basic social services. Even in the short-run, there appears to be a decline in Human Development Indicator scores in SSA.

The contractionary policies have also adversely affected industrial development. The expenditure cuts have reduced funding for research and development, capital projects and investment -- the reverse of what happened in the NICs. Budget cuts and wholesale liberalization have put a lot of local industries out of production by exposing them too fast too soon to international competition. Consequently, there is a palpable trend towards de-industrialisation and depression in capacity utilization rates, seriously constraining the region's prospects for export diversification. The Bank's inadequate attention to industrial development has long-term negative consequences that will perpetuate the African crisis well into the next millennium (Stewart, 1994: 101; Cornia et al., 1992: 319).

Budget cuts, removal of subsidies and credit restrictions have particularly hit the small-scale producers, the backbone of the rural economy. Expensive credit, deteriorating infrastructure and other public sector cuts have increased the small farmers' operating costs and more than negated the agricultural incentives; this trend has reduced food supplies, constrained exports and pushed up general price levels. Demonstrably, the market has not been able to compensate the losers.

Although the Bank now regularly includes the need for establishment of social safety nets for the poor and the vulnerable as well as environmental sustainability and gender balancing (Sandstrom, 1994: 31-33), its fiscal policy requirements expose these groups to more poverty, vulnerability and inequality.

User-fees, introduced at the Bank's behest (World Bank, 1989: 7-8), have particularly hit rural and urban populations. The introduction of user-fees will substantially reduce girls' access to education as SSA's largely patriarchal social systems will give educational priorities to boys. This will further widen the gender gap and adversely affect the welfare of children who depend on mothers for all manner of facilities. In a wider context, contractionary policies will entrench inequality, exacerbate poverty levels and defeat long-term goals already outlined in the study.

The Bank's institutional reform policies include civil service reforms, now intimately associated with massive retrenchment. In some countries this process has its counterpart in the military, involving demobilization of thousands of soldiers. In defence of this conditionality the Bank has argued that "personnel cuts have usually had little fiscal impact, because the cuts disproportionately affect low-paid employees at the bottom of the civil service" (World Bank, 1994: 124). The issue though is not so much the overall fiscal impact as it is of disadvantaging the poor, the marginal and women who constitute the lower layers of the civil service. Clearly, retrenchment compounds poverty amongst urban groups, creates more gender imbalances and consolidates structural inequalities and violence in SSA.

At the international level there are structural issues that have not received the appropriate attention of the Bank and which will render domestic adjustment a painful but unrewarding enterprise. The debt problem figures prominently in this

category. External debt is intimately associated with the structural adjustment process and the growing inequalities within the global system. Between 1986 and 1990, SSA countries paid more to multilateral institutions on loan settlements than they gained in new borrowings (Callaghy and Ravenhill, 1993: 39). The multilateral debt is getting bigger and more unmanageable, particularly in the so-called strongly adjusting countries in which Bretton Woods institutions have continued to channel loans to ensure a sizeable number of "success" stories. Many of these loans, however, have failed to stimulate the supply side or enhance external and domestic investment, let alone import substitution industrialization. Debt repayments coupled with import strangulation threaten minimum consumption levels to ensure food supplies, health, education and water supply (Campbell and Loxley, 1989: 9). Biersterker has very aptly captured the gravity of the debt problem and its severe consequences:

The current approach to the problem of the highly indebted countries -- using international financial negotiations to ensure reform, without providing adequate relief -- may be flawed. The general approach is not sufficiently attentive to the depth of the economic crisis confronting heavily indebted countries, and it is not attuned to the difficulty of pursuing long-term economic reform in the midst of a major debt overhang. The distribution of global burden sharing has fallen disproportionately on the debtor countries, not on their creditors. At the same time, the distribution of domestic burden sharing within the debtor countries has fallen principally on the poorest and most marginal. Thus, reform without relief (and without domestic compensatory measures) may not contribute to the economic performance objectives for the heavily indebted countries (either for their creditors or for their own populations) and accordingly may be increasingly difficult to sustain (Biersteker, 1993: 11).

There is growing cynicism that associates SAPs with the Bretton Woods institutions' strategy to ensure loan repayments by debtor countries. There is little effort in the direction of comprehensive debt restructuring, write-offs, low conditionality and restructuring of global trading patterns and more enthusiasm for encouraging SSA countries to intensify primary commodity exports (Campbell and Loxley, 1989: 8). Faced with deteriorating terms of trade and accumulated debt stock, many SSA countries have to work extremely hard to stay in place; they do not have the capacity to engage in the construction of alternative approaches to the orthodox structural programmes. Reverse development continues.

In light of the foregoing discussions and criticisms, there is a compelling need not only to deconstruct the World Bank's strategic framework but also to contemplate serious revisionism of policy design and implementation of SAPs, a subject to which the Bank has not paid due attention. Several studies have identified a number of policy design weaknesses inherent in SAPs: (i) insufficient attention to the problems of transition during the reform process; (ii) insufficient attention to the political and social impact of reforms; (iii) the implications of the persistent view that reform programmes are externally imposed and therefore not locally owned; (iv) the issue of very complex and ambitious policy reforms expected to be implemented simultaneously in all sectors by a relatively weak state (leading to slippages, lack of absorption capacity and sequencing problems); (v) insufficient attention to the formulation of social safety nets to protect the vulnerable groups; and (vi) insufficient attention to negative responses in the

distributional sectors that quite often wipe out positive production responses (Jones, 1994: 40; van der Geest and Kottering, 1994: 78). Strategic, policy and operational short-comings associated with the Bank led one critic at the Madrid Conference to describe the institution as "a lender to despots and bankrupt megaprojects, financier of corrupt and inept governments, home to a bloated bureaucracy of more than 6000 earning average incomes of \$123,000 (U.S.)" (Globe and Mail, 4 October, 1994).

In summary, the analysis of the World Bank's assumptions, analysis and praxis of the African crisis suggests the following:

- (i) the Bank's overall neo-liberal development strategy is inconsistent with SSA long-term development goals and needs; it encourages Africa's integration in global markets rather than development of local/regional markets;
- (ii) while the latest generation of SAPs attempts to incorporate a wider social agenda in the corpus of reform programmes, its relentless drive towards the achievement of internal and external balances, through public expenditure cuts and import constriction, eliminates the achievement of the wider agenda; some of its programmes destroy social investments and enhance indebtedness;
- (iii) the Bank continues to marginalize the fundamental issues in the global economy that destabilize attempts towards systematic poverty elimination; prominent among these issues are the debt problem and trading patterns.

Internally SAPs and their outcomes disproportionately hurt the poor and the vulnerable;

- (iv) there are no apparent theoretical or practical bases for wholesale economic liberalisation and the shrinkage of the state;
- (v) the policy design and implementation are faulty and socially insensitive; most attention is paid to balanced budgets and BOP positions -- and the ultimate SSA capacity to repay external debts; the policy design has also paid inadequate attention to issues of sequencing and slippage; in any case, the Bank has developed a habit of always blaming policy implementation whenever SAPs do not succeed -- even if the fault lies with the Bank's policy reforms themselves;
- (vi) even by its own set of standards the Bank's reform policies have not been able to stimulate sufficient supply response and investment;
- (vii) the Bank's excessive optimism and its overwhelming faith in market forces, reflective of neo-liberal hegemony, has created unrealistic and unattainable expectations. While elevating its short-term and medium-term palliatives to the level of a development strategy, the Bank's reforms are unlikely to positively improve SSA standing in the New International Division of Labour and Power.

### 3.5 Critique of the IMF's Policy Reforms and Outcomes

The Fund's policy reforms and conditionalities were reviewed in the preceding chapter. Principally focused on interventions to restore external account and domestic fiscal equilibria -- which are seen as pre-conditions for growth -- the Fund is directly at the centre of the tensions between liberal trade and "balanced" international growth on the one hand and national economic development dilemmas and prospects for the poor SSA countries on the other. The former concerns are shared by most of the OECD countries who regard the Fund as the custodian of open global trade, while the critics concerned with development dilemmas in SSA characterize the Fund as a rigid and insensitive organisation prepared to unleash draconian measures on poor, fragile economies without due regard to their social and political consequences (Wapenhans, 1994: 42).

Initially, the Fund was primarily concerned with stabilisation programmes and demand management which focused on fiscal and monetary policies (Toye, 1994: 34; Please, 1994: 14). Currently, its range of activity has expanded to include three broad areas: (i) demand restraint: reduction in government expenditure and budget deficits, control over money supply and credit creation; (ii) switching policies: shifting of resources from non-tradeables to tradeables by changing the incentive system; the main instrument in this category is devaluation; (iii) policies related to long-term efficiency: trade liberalization, financial and price deregulation (Stewart, 1994: 99).

The impacts of demand management, as well as trade liberalisation, have already been dealt with earlier in the chapter when discussing Bank policy reforms. This section will therefore concentrate on the rest of the Fund's monetary instruments, particularly exchange rate management, before an overall evaluation of the policies and outcomes is embarked upon.

Exchange rate management in general and devaluation in particular are sound monetary instruments for changing relative prices and achieving external balance. They are used regularly in most economies to achieve short- and medium-term objectives including: (i) achievement of current account balance; (ii) removal of distortions in relative internal prices; (iii) encouragement of a switch from imported to domestic inputs in production; (iv) encouragement of a switch from foreign to locally produced consumption goods; (v) restoration of profitability in key export industries; (vi) encouragement of export diversification; (vii) improvement of competitiveness of the tradable goods; (viii) reduction of capital flight and parallel market transactions; (ix) encouragement of remittances of citizens working abroad; and (x) rationalisation of trade and payments systems and elimination of payment arrears (Mistry, 1994: 116).

SSA countries recognize the imperatives behind devaluation and the need to respond to changing domestic and international economic, financial and trading circumstances. The issues at stake are the direction, intensity and speed with which devaluation has been applied and the impact it has had on specific types of economies in SSA.

When countries are experiencing BOP difficulties, almost invariably the IMF will require devaluation to attempt to establish external account balance. Rather than establishing whether the BOP difficulties originate from the domestic or international environment, the Fund is, instead, interested in whether the BOP problem is transitory or permanent. Many critics have argued that disregard of the source of the BOP problems may lead to the introduction of policy palliatives that are irrelevant, leading to negative impacts (Hu, 1986: 9; Killick, 1984: 187). In particular, when BOP difficulties result from reduction of inputs as well as government revenues and food supplies, devaluation may be of little corrective relevance (Ravenhill, 1988: 202). In any case, depending on the economy undergoing adjustment, devaluation may lead to a crisis of confidence and depression (Dell, 1981: 10).

Additionally, if an economy has no unemployed resources to mobilize, deflationary measures, far from raising output, may instead raise domestic prices and cause inflation (Hu, 1986: 28). If money wages remain constant after devaluation, then income distribution will shift towards profits and more inequitable economic growth; if, however, other social groups resist and defend their income levels by forcing up money wages, then the real effect of devaluation will be nullified and workers on fixed incomes would be gravely disadvantaged (Taylor, 1987: 36). While, theoretically, devaluation is expected to increase export receipts, it may, at the same time, drive up the cost of imports; since countries tend to devalue when they are experiencing trade deficits, the income loss from

imports may exceed the export gains, leading to an overall decrease in purchasing power and, subsequently, contraction (Taylor, 1987: 36).

Studies in SSA and elsewhere seem to suggest that devaluation works more effectively in countries which are more advanced, with a diversified modern industrial sector, a strong private sector and developed financial systems as well as a wide export base that can switch from imported to domestic production processes (Mistry, 1994: 117). Economies of that calibre are a small minority in the region. Within SSA economies which are single commodity-dependent, and where linkages between price signals and output response are very weak, devaluation may register negligible supply response (Mistry, 1994: 117).

Thus, the theory behind devaluation, while compelling and useful, has created serious debates amongst economists and other analysts regarding its specific application, in form and intensity, in the type of economies which predominate in SSA.

Many, and legitimate, criticisms have also been levelled against the related policy reforms and outcomes:

- (i) demand management and credit squeeze approaches used by the Fund (as well as the Bank) reduce the quality and quantity of government and services;
- (ii) the Fund's reluctance to accept a gradualist and selective approach reduces local acceptance of the adjustment process and causes political and social tensions (Helleiner, 1983: 1; Lancaster, 1989: 216);

- (iii) the main concern of the Fund appears to be the protection of the revolving character of its own resources; it is driven by the creation of maximum probability that the debtor countries repay their loans.

Other observers have even argued that the Fund's strong anti-inflationary stance is subordinated to excessive pre-occupation with debt recovery (Killick, 1984: 187; Dell, 1981: 10; Spraos, 1986: 2; Cassen, 1994: 10, Mosley, 1986: 1). An extension of this argument posits that the Fund's introduction of SAF and ESAF in 1986 and 1988, respectively, was prompted by the realisation that many heavily indebted SSA countries were going to fail to repay multilateral loans, primarily owed to the Fund itself. The introduction of the longer-term facilities was therefore not primarily intended so much to contribute to the longer-term framework for adjustment and development as to provide a longer-time framework for the repayment of loans (Cassen, 1994: 2; Feinberg, 1988: 558);

- (iv) the Fund is perceived as being primarily inclined to lend through high conditionality windows that cost more in terms of interest and time; pre-conditions, performance criteria and other understandings take a long time to haggle over; in essence, therefore, this is not a provision of true liquidity; as Helleiner (1983: 12) argues, true liquidity must be "available quickly and relatively costlessly when the need arises";
- (v) the Fund, like the Bank, has committed errors of estimation, judgement and strategy; it underestimated the causes of BOP problems and overestimated

- the speed at which those problems would be brought under control; its estimates of the effects of reforms and the availability of both internal and external resources have, according to Cassen (1994: 10), been inaccurate;
- (vi) the Fund appears to have a limited appreciation of Africa's limited capacity to adjust; credit, monetary and liberalisation reforms -- all introduced at once -- are unlikely to succeed in SSA because of limited economic flexibility and limited short-term responses to price incentives, low and falling per capita incomes and urban wages, limited technical and administrative infrastructure as well as fragile political conditions (Helleiner, 1983: 19);
- (vii) the Fund's programmes are not concerned with SSA's long-term development perspectives or the short-term economic and social implications of adjustment; its rigid "monetarist" approach pays a great deal of attention to the free-market framework and short-term BOP issues but not enough to external constraints facing SSA; it appears to put adjustment above employment and development (Hu, 1986: 9); and finally,
- (viii) the Fund does not pay sufficient attention to distributional and equity issues; while it puts relentless pressure on deficit countries, the Fund appears to be either disinterested or unable to put similar pressure on the surplus and protectionist countries (Dell, 1981: 25; Hu, 1985: 19; Killick, 1984: 220; Mamdani, 1991: 193). This criticism is all the more important in light of the studies which show that SSA's GDP and debt service ratio

in the 1980s and beyond are far more dependent on political and economic changes in industrialized countries than on their own domestic policies (Edwards, 1989: 3; Helleiner, 1986: 64; Mamdani, 1991: 193).

Thus, while the Fund's programmes may have succeeded in meeting some of their primary objectives, particularly the halting of the free-fall of the early 1980s, and the reduction of inflationary and BOP problems, the pertinent consideration is the cost at which their objectives were achieved. In many SSA countries the cost can be measured in terms of reduced consumption, increased poverty and inequality, higher unemployment levels, decline of local industries, curtailment of social services and human resource development and overall contraction of the regional economies (Brett, 1983: 32).

It is essential to recognize, however, that the principle of conditionality, which underlies the Bretton Woods institutions' policy-based lending, is not a matter of dispute, as it was in the 1970s. The current debate is about the content and the environments of the conditionalities; the appropriateness of reform programmes and instruments and how they relate to SSA's long-term development perspectives; the leverage exercised by the two institutions; the cost and repayment terms of borrowed resources; the contradictions between policies; the relationships between adjustment, global trading patterns and the debt crisis; and the popular reactions in civil society and the population as a whole (Helleiner, 1983: 11; Killick, 1984: 185).

These are some of the issues that will animate the empirical study of the adjustment programmes, processes and outcomes in the case of Uganda. However, before the thesis shifts to the main case the rest of this chapter will deal with two aspects that help to locate the structural adjustment debates at the core of SSA's development problematic: the emergence of political liberalisation and its relationship with economic reforms; and alternative frameworks to the orthodox adjustment programmes. The first aspect will deal with the latest debates on SAPs within the context of SSA's changing political directions in the 1990s while the second will, hopefully, highlight possibilities and limitations of SSA's developmental choices and options beyond the neo-liberal paradigm. It is these aspects to which the study now turns.

### 3.6 Political Liberalization

Along with ubiquitous economic reform programmes has been the proliferation of political reforms that have, at least temporarily, redefined, and in some cases jettisoned, authoritarian rulers and regimes in SSA. In a sense, Africa has gone through a full circle: the emergence of political liberalization, democratisation and good governance on the agenda is a return to the immediate pre- and post-independence era of the early 1960s. In several SSA countries emergency regulations have been lifted, individual and collective rights have been recognized, observation of human rights has gained currency; there is considerable independence of the media and the general acceptance of the

principle of universal suffrage. Multiparty elections have been held in an increasing number of African countries, leading in some cases to peaceful changes of government. In many instances, democratization is restricted to rules relating to interest organization and recycling of existing rulers. Although the tentative steps taken have yet to confirm a strong trend towards durable and enduring democratic institutions and societies, the democratic project seems to be gathering pace and substance (Healey and Robinson, 1992: 128; van der Walle, 1994: 483).

The emergent democratic "wave," however, has also witnessed in the region unprecedented instances of systemic collapse of governance and social systems. These cases include the genocide in Rwanda, the absence of government in Liberia and Somalia, the implosion in Zaire, and the rejection of free and fair electoral results and return to military rule and authoritarianism in Angola, Nigeria and Togo.

Part of the explanation for the resurgence of the democratic project and increased political liberalization is the Bretton Woods institutions' conditionality of good governance. The latter is part of the triple conditionality, the second being economic reforms and the third military de-mobilization in countries whose military expenditures and troop numbers have been escalated by civil wars.

Until the end of the 1980s, the Bank's governance concerns were restricted to the improvement of bureaucratic structures, budget and policy analysis discipline, improvement of legal frameworks, and a general sense of transparency

and accountability. Both institutions got along quite well with governments led by brutal dictators (Sandbrook, 1993: 4; Williams and Young, 1994: 86). However, with the change of mood within the donor community, the lessons of adjustment failure where political dimensions were ignored, the persistent academic debates and influences, grassroots agitation for change in SSA, and the relative decline of the price-based orthodoxy within the institution itself, the Bank shifted gear on political liberalization and good governance.

In 1989, the Bank focused on the demerits of personalized rule and emphasized legitimacy, freedom of speech and press, human rights, political participation and the creation of vibrant civil societies (William and Young, 1994: 88; World Bank, 1989: 60). In a sense, the Bank was blaming failures of SAP reforms on African regimes again. Many African governments, without viable alternative sources of funding, began, most reluctantly in several instances, to shift towards political liberalization.

The shift in the Bank's position was supplemented by the changing mood in the donor community. The new European Community/Union linked aid to observance of human rights, democracy, free press and probity; the Paris Club announced in November 1991 that it would suspend aid pledges to Kenya on account of the government's repressive policies (Sandbrook, 1993: 4). Britain, France, Japan and the United States announced that their aid would also be tied to the observance of human rights, pluralism, accountability and increased participation (William and Young, 1994: 85). This concerted mood among the

donor countries added impetus towards political liberalisation in SSA. Considering that the same donor community appeared at ease with brutal dictators up to the 1980s and, in some cases, beyond, the new mood appeared cynical and harmful to vulnerable groups in SSA.

There are other external factors that are associated with the democratization "wave" in SSA. The collapse of the Soviet Union, changes in Eastern Europe, and the end of the Cold War, and the "triumph" of capitalism have resulted in the resurgence of the neo-liberal paradigm and development ideology. Increasingly, the SSA countries have realised that the present neo-liberal hegemony presents them with no other choice but to orient their political economies in that direction (Luckham, 1994: 58-65). The collapse of the socialist experiments in the Soviet Union and Eastern Europe and the inability of radical development theory to supply both explanation and praxis to deal with the African crisis has not only given the neo-liberal paradigm a new lease of life but has also seriously reduced the appeal for socialist alternatives amongst the ranks of African political leaders (Schuurman, 1993: 1-11). The perceived failure of state socialism within SSA itself has added to the momentum towards the neo-liberal paradigm.

The democratization projects in SSA were by no means prompted entirely by external forces, however. There were several internal factors, some of which pre-date the external pressures, that created the critical mass towards political liberalization. The fiscal and economic crises led to the decomposition of

authoritarian regimes and the attendant security apparatuses, including the military. With diminished resources to satisfy the military and other crucial groups that provided political support, authoritarian rulers became more vulnerable than ever before. This weakness and the growing discontent with the deteriorating human condition provided internal opposition with more space for political and even military action against the incumbent regimes.

In time, the defeat of several regimes at the hands of armed non-regular guerrilla forces further devalued the dictatorial regimes. The new triumphant regimes, seeking to avoid the past mistakes, were anxious to build wider social contracts and bases through increased popular participation. Several other authoritarian regimes, in an attempt to pre-empt armed challenges, either retreated from power or negotiated with opposition and other elements in the civil society for broader participation and power-sharing (Luckham, 1994: 58-63; Williams, 1994: 214). Fiscal crisis "shrank" the state, causing substantial devolution of responsibility for basic human needs and services to local and international NGOs. This shift, in its own right, provided more opportunities for political participation and, therefore, contributed to the democratic projects in many SSA countries. It would appear that SSA countries shifted to increased political liberalization in response to fairly adverse internal stimuli. It is therefore not surprising that the political liberalization processes in the region are characterized by democratic projects with vastly different social characters, agendas and effects.

Whatever its causes, political liberalization -- based on the liberal concepts of the state, the public and self -- has been superimposed on economic reforms which are predicated on neo-liberal economic principles. There are many questions about the durability, compatibility, and even desirability of the dual process occurring simultaneously. The next section discusses the more salient linkages between political liberalization and economic reforms, and how these relate to the African crisis and prospects for its resolution.

### 3.6.1 Linkages Between Political Liberalization and Economic Reforms

There is a growing, lively debate about the causal links between political liberalization and economic reforms. Country experiences in Africa and Asia provide mixed signals. There are countries which have embraced both phenomena, giving an impression that the two processes are causally linked and mutually reinforcing; in other countries, political liberalization has been resisted while economic reforms have been implemented with various degrees of success; in other instances, the emergent political liberalization has slowed down economic reforms while some countries have simply resisted or abandoned both forms of reforms. Are these two phenomena causally linked or parallel processes? Do they reinforce each other or obstruct each other? Is capitalism historically causally linked to democracy and can this explain the trends in SSA? Has democracy been redefined in peripheral countries? The debate has crystallized

into three approaches: conflict, compatibility and sceptical perspectives (Helliwell, 1994: 235).

(i) The Conflict Perspective

The first perspective perceives an inherent conflict between political liberalization and economic growth in the SSA context. Arguably, a region that is under extreme social and economic pressure cannot be expected to sustain an egalitarian and democratic political system (Leys, 1994: 40). It is further argued that political reforms do not necessarily alter structural characteristics of the economy and democratization does not necessarily lead to empowerment (van der Walle, 1994: 483; Helliwell, 1994: 235; Chazan and Rothchild, 1993: 16). This perspective further posits that adjustment affects powerful interest groups who, given the opportunity, will resist economic reforms; extended political participation is said to raise unrealistic popular expectations while limiting the ability of governments to take necessary but unpopular decisions; increased democratisation is therefore seen as a threat to solid economic policy because of its populist raids on efficiency (Gourevitch, 1993: 1271,; van de Walle, 1994: 490). Cases such as Togo and Zaire are given as examples where increased participation and competition between the government and opposition worsened the economic conditions to the point where economic reforms were abandoned. The conflict perspective is characterised by arguments that see a constructive role for "a courageous, ruthless and perhaps undemocratic government to ride

roughshod over these newly created special interest groups" in order for adjustment to succeed (Toye, 1994: 26). The NICs' experience provides further ammunition to this perspective. This is the view that IFIs cherished in the 1970s and 1980s and which they are attempting, at least publicly, to distance themselves from in the 1990s.

(ii) The Compatibility Perspective

The proponents of the second perspective argue that democratic systems are particularly suited to combine redistribution with growth while broadening markets and economic activity (Helliwell, 1994: 235). It is further argued that economic growth requires democracy to deal with rent-seeking and corruption, the hallmarks of authoritarianism and economic inefficiency (Gourevitch, 1993: 1271). In any case, democracy has an intrinsic value: it is a long-term investment with both economic and non-economic benefits and should therefore be pursued as an end in itself, even if it may be accompanied by short-term economic losses (Helliwell, 1994: 246). The argument that adjustment needs authoritarian government to succeed is refuted by proponents of this perspective who point to Guyana, Haiti, Sudan and Zaire where authoritarian regimes have failed to use their "courage" and ruthlessness to adjust (Haggard, 1985: 509). Thus, while this perspective asserts compatibility between political liberalization and economic reforms, it does not succeed in establishing a causal link between the two phenomena. In any case, some of the procedural aspects of democracy, such

as formal elections, are necessary but not sufficient conditions to the establishment of substantive democracy with a vibrant and differentiated civil society.

(iii) The Sceptical Perspective

The third perspective argues that there are no systematic linkages between political liberalization and economic growth. This view is supported by a neo-liberal study of thirteen country studies in which correlates between democracy and economic growth were tested: in three instances there was an unqualified negative effect of democracy on growth; in four cases there was a negative effect of democracy on economic growth in some specific circumstance and regime; and in six cases there were no relationships between the two variables (Helliwell, 1994: 236). The sceptics also argue that the agenda of structural adjustment is set by the IFIs and the donor communities and not the recipient countries, who largely remain reactive in the process; consequently increased political liberalization would not substantially change the adjustment agenda (Helliwell, 1994: 490).

Commenting on the state of debate on the relationship between political liberalization and economic reform, Fierlbeck (1994: 152-155) has observed that many theorists as well as IFIs' preferences and inclinations have been too quick to draw a causal link between the two phenomena and to conflate "civil society" with "the market place" while ignoring pressures that compel many states to resist

the establishment of accountability of the rulers to the ruled. She casts further doubt on two arguments -- namely, that democracy is necessary for economic liberalization and that democracy can be achieved simply through the implementation of liberal economic reforms. It is one thing to argue that markets can be mechanisms to improve efficiency and democracy. It is quite another to argue that development and democracy require that society should be regulated by the market (Bush and Szeftel, 1994: 153). While, admittedly, market forces tend to facilitate the formation of an autonomous sphere of civil society, Beetham has observed that economic inequalities which come with market freedom tend to prevent effective political equality; that the market's penetration of the state is as damaging as the state's penetration of the market (Beetham, 1994: 165). He concludes that:

This ambiguous relationship between the market and democracy is reflected in quite contradictory evaluations of the impact of the neo-liberal strategy of market reforms and structural adjustment on democratisation. [On] the one hand the uncoupling of politics from the market to create a 'leaner' state, less personalised economic relations and a more independent civil society are all positive for democracy. On the other hand, the reduction in social welfare, the refusal to acknowledge any positive role for the state in the productive economy, and the undermining of a distinctive public service ethos, must be judged equally negative. The failure of neo-liberalism lies in its inability to recognize these important distinctions, or to see that, if the market is not a *sufficient* condition for democracy, this is because of limitations inherent in the market itself.

The validity of the arguments and postulations generated by the debate on the linkages between political and economic reforms will be evaluated in the empirical case study. In the meantime, however, it is pertinent to place the interventions of the Bretton Woods institutions in the political and economic liberalization debate.

### 3.6.1 Political and Economic Reforms: The Bank and Fund Record

Judging from their public postures, pronouncements and conditionalities, the roles of both the Bank and Fund would appear to fit neatly into the neo-liberal variant of the compatibility perspective. However, their actual behaviour in relation to structural adjustment processes reveals major contradictions.

The Bretton Woods institutions discourage political debate over SAPs in SSA. Having realized that adjustment programmes cause political tensions, they have tacitly lent support to the notion that authoritarian regimes are more effective agents of structural adjustment than governments who seek national debates and consensus on the process (Toye, 1994: 24). The two institutions, officially and in practice, avoid dealing with "political" structures. Instead, they deal with insulated "apolitical" bureaucrats in special policy units -- many of them former employees and consultants. It is the latter unrepresentative group which has become the negotiators as well as supporters of SAPs. In one truly bizarre instance, the Tanzania Prime Minister refused to answer questions about structural adjustment in Parliament, arguing the Parliamentarians had nothing to

do with the adjustment policies, programmes and processes (van der Walle, 1994: 483).

Aside from their undemocratic and secretive approach, the two institutions' programmes are draconian, quite often non-sequential and politically destabilising in ways that elicit repressive and authoritarian responses (Haggard, 1985: 509).

In a related discourse, Cox (1994: 50-52) has argued that democracy has been quietly redefined since the crisis of the post-Cold War order: the new, neo-liberal inspired, limited and exclusionary definition of democracy in peripheral capitalist countries attempts to separate economics and politics in such a way that key aspects of economic management are deliberately shielded from popular political pressures. Furthermore, he claims that this redefinition operates in the interests of external debts, creates more inequalities and is likely to lead to renewed repression. Cox's observation fits the trends in SSA where, notwithstanding the proliferation of democratic projects, the "depoliticisation" of economic policy and management is, ironically, encouraged and induced by the Bretton Woods institutions, the guardians of the neo-liberal order.

In light of the conceptual, political and social difficulties and the contestable gains associated with the orthodox structural adjustment programmes and outcomes, one of the abiding questions is whether there are viable alternative frameworks that can supply unorthodox analysis, praxis and ultimate attainment of Africa's long-term development objectives. What has been the response of

African political leaders, civil society, NGOs and development experts to this challenge? It is this challenge to which the study now turns.

### 3.7 Alternative Policy Frameworks to Orthodox SAPs

Several alternatives to orthodox SAPs have been suggested by institutions in Africa and beyond. The proposed alternatives differ markedly in ideological orientation and specificity: Ake has prescribed a total revolution in SSA while Amin has been advocating the region's de-linkage from the capitalist world. These two alternatives, however, do not provide coherent policy frameworks that can be realistically applied by the governments in the region to resolve their economic crises given the NIDL and the neo-liberal context; they do not seem to go beyond the broad explanation of the origins of the African crisis to deal with the contemporary international policy antecedents and conjectures; they are strong as theories of underdevelopment rather than theories of development.

With the new neo-liberal hegemony, the demise of radical regimes and the inability of development theory paradigms to provide alternative conceptual frameworks, the notion that the globally marginal SSA can fashion a development strategy that is de-linked from global capitalism and markets has receded very substantially. Thus the alternative frameworks supplied by the Economic Commission for Africa (ECA), UNICEF, scholars and policy practitioners have gradually become unclear (or more resigned) on the ideological front. They are predicated on the assumption that SSA's crisis will have to be confronted within

the existing global order; they envision part of the solution to lie in an enhanced capacity of the region to cope with the challenges of the international economy as defined by the rules of capitalism; capitalism in the present conjuncture has to be managed, rather than avoided. Additionally, SSA's structural weaknesses and external indebtedness reduce further the region's prospects to successfully de-link or fundamentally challenge the orthodox SAPs (Campbell and Loxley, 1989: 9; Hyden, 1983: 207). This problem, however, may be confronted by the creation of large regional units and South-South linkages rather than a focus on national SAPs.

The first systematic attempt to provide an alternative development trajectory was the Lagos Plan of Action (LPA) which was published in 1980 when the African economic crisis exploded on the scene. LPA, inspired by nationalist and dependency perspectives, attributed the African crisis almost wholly to historical, structural and external factors. Its long-term objectives included the reduction of mass poverty; promotion of sustained growth through structural changes in patterns of production, consumption and foreign trade; and collective self-reliance through regional integration of production, market, transport and trade structures. The strategy sought to insulate the region from external vulnerability and to change its traditional role as exporter of primary commodities and importer of manufactured goods (Browne, 1988: 8; Cornia, 1992: 159; Ravenhill, 1988: 180).

The LPA appears to have either misjudged or underestimated neo-liberalism's rise to hegemony at the time. Shortly after its publication, LPA was removed from centre stage by the World Bank's Berg Report. The LPA's lack of detail, financial resources and political support as well as the severity of the African crisis, particularly the BOP difficulties, presented the African governments with no alternative but to urgently request massive funding from the Bretton Woods institutions. The preoccupation with the crisis shifted to short-term palliatives rather than long-term strategies (ECA, 1989: 10; Ravenhill, 1988: 180). Although the ideals of LPA would surface later in the ECA's alternative framework, its immediate intellectual and policy contributions were subordinated to the crisis imperatives of the day.

Another seminal attempt to redefine the structural adjustment agenda was the UNICEF-backed "growth-oriented adjustment with a human face" approach. Its proponents argued that the human dimension of the adjustment policies were central considerations, not merely additional tail ends of the process; vulnerable groups needed policies that focused on food availability, access to productive employment, education and health; emphasis needed to be placed on expansionary macro policies, restructuring of the productive sector, increased equity and efficiency in the social sector, and incentives directed at small farmers (Van Der Geest, 1994: 212).

The UNICEF framework, which was less radical than ECA's position, did not really challenge the neo-liberal foundations on which the orthodox SAPs were

predicated. It simply advocated the re-arrangement of priorities and more humane consideration of those adversely affected by the reform policies -- with limited capacity to defend themselves. It would therefore be inaccurate to portray the UNICEF-based approach as an alternative framework.

Be that as it may, the UNICEF's compelling theoretical and practical arguments were recognised by the Bank which proceeded to include most of them in its 1989 publication, Sub-Saharan Africa: From Crisis to Sustainable Growth.

Arguably, the most comprehensive critique of the orthodox SAPs, which also sought to present a detailed alternative, is the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF - SAP) which was published by the ECA in 1989; i.e., towards the end of the first decade of SAPs. The AAF-SAP is a more nuanced outgrowth, and improvement, of the Lagos Plan. Its contribution can be subsumed under five themes: the causes of the African crisis, SSA's development objectives, the alternative framework, proposed macro, rather than grass-root, policy instruments, and the financing of the framework.

(i) The Causes of the African Crisis

AAF-SAP argues that the problems associated with the African crisis -- high inflation, instability of export earnings, BOP deficits and the rising debt burden -- are direct results of a lack of structural transformation, the unfavourable physical and socio-economic environment of the African economies and excessive outward

orientation and dependence (ECA, 1989: 1). It documents eight structural characteristics of the patterns of production, consumption and exchange that are the most fundamental causes of SSA's malaise: the predominance of subsistence and commercial activities, the narrow, disarticulated production base with inappropriate technology, the neglect of the informal sector, the degraded environment, the lopsided urban-biased public policies, the fragmentation of the African economy, the openness and excessive dependence of the economies, particularly dependency on external factor inputs and weak institutional capacities (ECA, 1989: 2).

AAF-SAP recognises domestic constraints as part of the crisis; it also recognises the improbability of the region successfully pursuing an autarkic development strategy that is predicated on isolation from the vagaries of the global economy. The submission also identifies some African values and attitudes that are obstacles to development, and the demerits of Africa's propensity to imitate foreign models and experts without critical analysis and local discourse. It also re-affirms the Khartoum Declaration on the need for basic rights, individual freedoms, government accountability and popular democratic participation (ECA, 1989: 5-7); themes that constitute the core elements of the on-going political liberalization.

(ii) Development Objectives

ECA's alternative frameworks for the alleviation of mass poverty, self-sustained development and global interdependence of economies are not mutually exclusive. While recognizing that Africa remained under pressure simply to deal with the crisis issues of the moment, ECA argues that the governments can ill-afford to lose sight of three crucial development objectives. First, it stresses human-centred development that aims at the alleviation of poverty and raising general living standards through food self-sufficiency and provision of income-generating opportunities to the poor. Second, the ECA advocates a self-sustaining process of economic growth through the transformation of the African economic and social structures. Third, the AAF-SAP advocates regional integration (ECA, 1989: 9-15). Many of the development objectives recommended by ECA overlapped with those suggested by UNDP and UNICEF.

(iii) The Alternative Framework

The ECA's alternative is organized around three modules. Module 1 deals with the patterns of allocation of resources, enhancement and diversification of the productive base, efficient resource use, greater domestic mobilization, improvement of human resource capacity, strengthening of the scientific and technological base and economic diversification (ECA, 1989: 33). Several of these elements have also been recommended by IFIs.

Module 2 deals with distributional issues, allocation of factor income, domestic markets and alleviation of mass poverty. It identifies four policy directions to achieve these ends: establishment of a pragmatic balance between the public and private sectors; creation of an enabling environment for sustainable development (participation, equity, justice); shifting of resources to minimize non-productive expenditures and excessive military spending; and improvement in the pattern of income distribution among different socio-economic categories (ECA, 1989: 34-35).

Module 3 deals with expenditures and their relationship to the satisfaction of required needs to enable adjustment and transformation to take place. It suggests four policy directions: food self-sufficiency, lessening of import dependence, realignment of consumption patterns with production patterns, and management of debt and debt-servicing to ensure continuous assessment of the payment capacity and identification of productive projects with high returns (ECA, 1989: 36).

(iv) Proposed Policy Instruments and Measures

The AAF-SAP framework proposed four clusters of policy instruments and measures that are required to ensure the efficient operationalization of the alternative framework:

- Strengthening and diversifying production capacity: land reforms to improve production, gainful employment and equity; more public investment in

agriculture to improve infrastructure, productivity and employment; more resources to be shifted to importation of critical agriculture inputs to satisfy crucial needs; selective credits for the food sub-sector; adoption of investment codes to create an enabling environment; selective nominal rates to discourage speculation; creation and strengthening of rural financial institutions to increase mobilization of rural savings; rehabilitation and maintenance of existing productive and infrastructural capacities to attain fuller capacity utilization and savings in foreign exchange; utilization of multiple exchange rates to reverse capital flight and ensure availability of essential imports; and creation of subsidized interest rates for particular economic operators to encourage greater productive activity (ECA, 1989: 39).

- Improvement of the level of income and the pattern of its distribution: enlargement of the tax base and probability to increase government revenue; reduction of government expenditure on defence to release resources for investment; removal of subsidies from parastatals that are not of national strategic importance; limitation of deficit financing; and guarantee of minimum prices for food crops (ECA, 1989: 40).
- Pattern of expenditure for the satisfaction of needs: expenditure switching to social sectors, particularly health, education, and integration of women in the development process; selective policies to procure essential supplies while discouraging luxury goods; strengthening of intra-African monetary

and financial compensation; limitation of debt-service ratios to levels consistent with sustaining and accelerating arrangements; provision of incentives for processed exports; differential export subsidies to reduce external dependence; and bilateral and multilateral agreements on primary commodities to ensure improved and stable BOP position (ECA, 1989: 41-42).

- Institutional support for adjustment with transformation: creation of food production credit systems to mitigate against food insecurity; strengthening of agricultural research; creation of rural institutions to support cottage industries; legislation of a clear framework of ownership and participation; establishment of community development institutions, especially local NGOs and self-help programmes; and greater mass participation in decision-making and implementation of programmes (AAF-SAP, 1989: 42-43).

(v) Financing of AAF-SAP Implementation

The ECA's document, aware of the critical issue of financing development, suggested eight sources to enhance the mobilisation of the domestic and external sources to sustain adjustment with transformation; improved international commodity trade environment; appropriate policies and means for mobilization of domestic resources; more efficient utilization of the limited domestic resources; reduction of outlays on external debt-servicing; increased external resource flows

from bilateral, multilateral and private sector sources; promotion of transfers by nationals living abroad; and prevention of leakages through capital flight, over-invoicing of imports and under-declaration of export earnings (ECA, 1989: 51).

The AAF-SAP perspective attempts to shift emphasis from structural adjustment to structural transformation; it outlines a long-run development strategy, the ingredients of an alternative industrial strategy based on selective protectionism, lower interest rates for industrial production, more access to credit and recognition of the informal sector, promotion of small-scale industries and support of strategic national economic enterprises (ECA, 1989: 39; de Valk, 1994: 234). Although critics have argued that the ECA's strategy and plan of action would lead to the reintroduction of central planning agencies and elaborate but unachievable quinquennial development plans, aspects that failed in the past (Please, 1994: 18), the contribution of the alternative framework lies in its ability to push many long-term development issues, strategies and new policy directions back onto the development agenda. This is more necessary now than ever before.

### 3.7.1 Contributions of the Alternative Frameworks

The Lagos Plan of Action, the UNICEF's "growth-oriented adjustment with a human face" and the AAF-SAP did not fundamentally challenge the hegemonic ideological foundations of the orthodox structural adjustment policies. Moreover, they did not reject structural adjustment per se; they simply wanted to go beyond

it. Their contribution, therefore, resides more in the influence they have wielded in the adjustment debates and less in supplanting the Bretton Woods institutions - supported policy programmes.

The Bank's more recent SAPs generation, reflected in Sub-Saharan Africa: From Crisis to Sustained Growth (1980) and Adjustment in Africa (1994), has peripherally incorporated many of the ideas and ideals supplied by the three frameworks this study has reviewed; they include renewed focus on: the human dimension, protection of vulnerable groups, participation, governance, health, education, gender, environmental, technological and informal sectors. Others include the reduction of military establishment, institutional capacity building, the centrality of small-scale farmers, regional integration and debt management (de Valk, 1994: 234; der Van Geest, 1994: 200; Please, 1994: 16; World Bank, 1989: 6-9; World Bank, 1994: 161-178; 209-213). In this limited, but important sense, the alternative frameworks participated in the redefinition of assumptions, analyses and praxis of the African crisis; the Africans, mainly through the ECA study, were able to participate in the attempts to resolve the on-going crisis.

Having reviewed the debates on the IFI's neo-liberal policy-lending framework as well as other debates on SAPs, the next chapter seeks to locate some of these debates and critiques in empirical referents; i.e., three selected country studies from SSA.

## **PART II: SAPs: AFRICAN COMPARATIVE PERSPECTIVES**

### **CHAPTER 4**

#### **Comparative Case Studies of SAPs in SSA: Ghana, Tanzania and Zambia**

Thus far the thesis has reviewed the literature on the issues and debates about the causal explanations of the African crisis and the circumstances that led to the widespread adoption of Bank/Fund-supported structural adjustment programmes by the beginning of the 1980s. It has also mounted a critique of the neo-liberal policy-based lending framework -- its strategy, policy reforms, conditionalities, instruments, outcome and impact. And, finally, the thesis has also reviewed alternative frameworks to the orthodox approach.

In this process a number of questions, criticisms and hypotheses have emerged. This chapter seeks to provide comparative insight by way of locating these debates in the experiences of selected SSA countries which have adopted and implemented SAPs with varying degrees of commitment and success. It is hoped that the comparative insights gained from these cases will both inform and broaden the ensuing study of the Ugandan case.

Many African countries adopted SAPs fifteen years back, a period of time that may well now constitute a medium-term perspective. What differences have those years made to the adjusting countries? What has happened to the human condition in that period of time? What lessons of experience on the SAPs'

strategies, policy-design and impact can be gleaned from the adjustment process? The rest of this chapter attempts to address these and other questions by looking at the adjustment experiences of Ghana, Tanzania and Zambia.

The choice of these cases is inspired by the rich diversity of their SAP experiences. First, Ghana's experience is closest to the Ugandan case: both their economies were in a state of advanced decay when they adopted almost the entire range of the adjustment menu; both economies have been labelled successful cases by the IFIs and donors. Second, Tanzania brings forth a different experience. Fiercely protective of its egalitarian principles, the country's political leaders attempted to resist SAP elements that were incompatible with their long-term development objectives through tough negotiation with both the Bank and the Fund. The Tanzania case illustrates the limited extent to which the dominant neo-liberal framework can co-exist with alternative approaches. Tanzania is also representative of "average" adjustment cases. Finally, third, the<sup>4</sup> Zambian case dramatizes the failure of adjustment and political tensions that can be unleashed by attempting to introduce reforms that threaten the economic interests of entrenched social groups. The thesis now turns first to the Ghanaian case study.

#### 4.1 Ghana: From Radical Populism to Wholesale Liberal Reform

Ghana's post-independence social economic experiences have swung through extremes and they resonate with Uganda's own modern history. The first

sub-Saharan country to achieve its independence (in 1957), Ghana was both a role model and pace-setter for the rest of the region. It boasted of a buoyant economy and relatively well-developed human and physical infrastructures; it dominated the world cocoa market (some would add that it was also dominated by cocoa); and it was clearly among the five most prosperous countries in the region (Alderman, 1994: 23; Mistry, 1994: 127; Rothchild, 1991: 3).

However, owing to a combination of domestic and external factors, the Ghanaian economy was in a state of advanced collapse by 1981. Agriculture, industry and infrastructure were in ruin; galloping inflation, soaring commodity prices and extreme scarcities forced nearly 10% of the population, especially workers and professionals, to leave the country for greener pastures elsewhere (Kraus, 1991: 121). With very few alternatives at its disposal, Ghana turned to the Bank and the Fund for funding in 1982.

Since then the country has once again assumed another leadership role in the region: that of structural adjustment's star pupil. It is said to have undergone successful stabilisation and adjustment with the highest probability of sustained economic growth in the decades to come. However, as the social, political, distributional and environmental problems begin to challenge adjustment's largely productionist imperatives, and as studies begin to predict that the country would require an average GNP growth rate of 5.8% per annum to restore GNP per capita to its 1965 level by the year 2000 (Alderman, 1994: 42),

enthusiasm about the Ghanaian "miracle" is beginning to recede among IFIs, donors/creditors, Africans and Ghanaians.

#### 4.1.1 Causal Explanation of Ghana's Economic Collapse

As in most other cases in the SSA region, the Ghanaian economic collapse was a function of internal as well as external factors.

The internal causes are traceable from the early days of the immediate post-independence Nkrumah era. While his visionary notions of continental unity and focus on industrialisation are as important today as they were in the 1960s (Hutchful, 1987: 3), Nkrumah probably fell an early victim to what Callaghy (1990: 258) calls the "new political syndrome", in which political rather economic logic inspired the first, and maybe subsequent, generation of African leaders. Nkrumah used his notion of state socialism to create a huge statist structure that oscillated between egalitarian policies and exploitation as well as neglect of agriculture and the peasantry; excessively ambitious inward-oriented industrialisation, through state enterprises, was not sustainable, and the state gradually became both weak and authoritarian with urban-biased non-developmental attributes. State marketing boards extracted surplus from the peasants and maintained an over-valued exchange regime (Callaghy, 1990: 258-261; Mistry, 1994: 127). With increased political tensions, coups and counter-coups, successive governments were unable to change their mono-cultural status. Gradually, the predatory and inefficient state observed, virtually helplessly, as strong external constraints

pushed the already weak political economy into unprecedented cumulative collapse and seemingly irreversible decline.

The dramatic collapse at the beginning of the 1980s was exacerbated by external factors. The successive oil shocks of the 1970s and the global recession impacted adversely on the Ghanaian economy which was already weakened by internal factors. Between 1981 and 1982 real cocoa prices dropped to a third of their 1977 peak; severe bush fires reduced the value of agricultural output by 12% and drought reduced the capacity to generate electricity, and foreign exchange, from aluminium smelting; and Nigeria's expulsion of one million expatriate workers and their families back to Ghana added to the national burden (Alderman, 1994: 29; Mistry, 1994: 127).

The combined impact of both internal and external constraints resulted in food price increases, severely reduced government revenues and services, malnutrition, lack of stock maintenance, and a general decline of living standards. Per capita spending on education dropped from \$20 in 1972 to \$1 in 1983; real wages for government employees were 20% of those in 1975; by 1981 the parallel exchange rate was eight times the official value and the underground economy, Kalabule, was well entrenched. The government, whose tax revenue had fallen from 17% of GDP in 1972 to 5% in 1983, was too weak to respond to the severe challenges (Alderman, 1994: 23-33). At the very end of 1981 Rawlings overthrew the civilian government. After a brief period of radical populism, the new government invited the Bank and the Fund to commence one of the most

intensive structural adjustment programmes in the SSA region. In Uganda, as analysis in Chapter 6 will show, Museveni's initial reluctance to deal with the Bank and the Fund and his subsequent adoption of SAPs supported by the two institutions resulted in experiences remarkably similar to those of Ghana.

#### 4.1.2 Structural Adjustment Reforms

In 1983 the Ghanaian government made a dramatic shift, in terms of ideology and praxis, from radical populism to wholesale liberal reform. Virtually all the policy reforms and conditionalities of the Bretton Woods institutions were put in place at the same time, resulting in shock treatment: (i) the cedi was massively devalued and the exchange rate system progressively liberalised; (ii) controls on money supply and expenditure were imposed; (iii) price incentives and bonuses in favour of export production were put in place; (iv) price controls were eliminated; (v) a foreign exchange auction system and private foreign exchange bureaux were introduced; (vi) import liberalization and divestiture were commenced; and (vii) the government budget was trimmed, partly by retrenching 53,000 civil servants and introducing cost-sharing in the health and education sectors (Alderman, 1994: 37; Mistry, 1994: 129; Rothchild, 1991: 7). The drastic measures impressed the IFIs, particularly the Bank and the Fund. Between 1983 and 1992 the IMF's total financial resources committed to Ghana amounted to SDRI, 208 million (IMF, 1991: 3), a level of commitment unlikely to be repeated elsewhere in small SSA economies.

#### 4.1.3 The Impact of the Structural Adjustment Policies

Several orthodox analyses and studies have produced prima facie evidence to suggest that the basic objectives of stabilisation and structural adjustment have been largely achieved in Ghana. Boosted by markedly increased foreign funding in the 1980s, the country has maintained an annual growth of GDP of 6% from 1984; agricultural production is said to have increased by 3.6% in 1988 while industrial production, mining, construction and log production have grown by even bigger margins. Inflation has been reduced to lower double digits, domestic savings have increased, the budget deficit was brought under control in the late 1980s, roads and railway networks have been repaired; there are more vehicles on the road; imports and food production have gone up while basic and luxury consumer items are now in abundant supply (Kraus, 1991: 128; Rothchild, 1991: 10).

There is, however, considerable doubt as to whether the macroeconomic recovery is a result of adjustment policies themselves. Other factors, some entirely unrelated to policy reforms, may be largely responsible for this turn around. The recovery is closely associated with stable rainfalls and weather as well as increased labour force in the agricultural sector which was prompted by deteriorating urban conditions and the expulsion of one million Ghanaians from Nigeria. The increase in exports is also linked to the reopening of the railroad to Senkondi and Takoradi and the shift of trade previously conducted clandestinely across the borders; in any case, the increased external funds, rather than policy

reforms themselves, were used to rehabilitate the infrastructure. It is therefore doubtful to what extent adjustment policies and conditionalities contributed to the recovery of production and consumption (Kraus, 1991: 129; Alderman, 1991: 39).

Moreover, Ghana's "success" story has to be assessed in wider economic, social and political terms along the lines suggested by ECA and UNICEF. What are the economic benefits that have accrued to ordinary Ghanaians when the golden macroeconomic numbers are disaggregated? What are the long-term implications of the adjustment process carried out under an evidently authoritarian regime? To what extent can the growth be self-sustained? Can Ghana-like levels of external funding be made available to other SSA countries?

Ghana's impressive economic growth rates are always related to the 1982/83 period as the base year. At this period in time, however, the economic collapse has sunk to its lowest possible level. Subsequent improvements, however minor, tend to appear spectacular. Such comparisons, therefore, have limited applicability; they exaggerate the degree of economic renaissance that has actually taken place in the country. Besides, a significant part of the recovery was sustained by the very large aid and funding flows that are neither likely to continue indefinitely nor are available at the present levels to other African countries (Alderman, 1994: 39; Kraus, 1991: 139).

Despite the Bank's flamboyant claims, devaluation and rising exports have not fulfilled crucial stabilisation goals: trade and current account deficits have increased and could easily be out of control without aid and soft loan in-flows

(IMF, 1991: 15; Kraus, 1991: 138); Ghana's investment ratio in 1991 remains at 1970 levels and lower than the average for all SSA countries (IMF, 1991: 12) while foreign private investment remains an uninspiring trickle. While the wholesale liberalisation has re-invigorated retail trade and reduced the scarcity of commodities, the prices of the latter put them far beyond the reach of ordinary Ghanaians (Kraus, 1991: 139).

In the meantime, indiscriminate liberalisation has hurt the local industries very badly: local garment factories have run out of business because of unregulated competition from imported garments and second-hand clothing; leather processing, drug and plastic manufacturing industries have been seriously undermined by external competition, further shrinking employment opportunities (Kraus, 1991: 135). Liberalization clearly conflicts with protectionism but without obvious gains.

Ghana's recovery still remains exceptionally vulnerable to adverse international terms of trade. Although cocoa production increased from 153,000 metric tons in 1984 to 300,000 tons in 1989, the net benefit from increased production was more than off-set by the decline in world market prices; while Ghana's exports increased in volume but shrunk in foreign-exchange earning capacity, the cost of imports in the same period rose by 20%, creating a big trade deficit (Rothchild, 1991: 10). Thus the Ghanaian export-led strategy was a victim of both the fallacy of composition syndrome and, in general, the harsh external environment.

Ghana's high receipts of external loans have accumulated into an unmanageable external debt which will further constrain the country's growth possibilities for decades to come. The debt ratio at the end of the 1980s was 62.5% of exports; in 1984 alone, when draconian adjustment measures were being implemented, the country paid \$203m towards the retirement of external loans (Kraus, 1991: 127 and 139). Thus with mounting external debt obligations and deteriorating international terms of trade, Ghana's hope of going back to the future of 1965 by the year 2000, dismal as the goal is, may not be realisable.

At the social level, Ghana's adjustment programmes have been commended by several neo-liberal studies for the introduction of a rural bias as well as attempts to achieve economic recovery without creating a class of newly poor (Alderman, 1994: 25; Rothchild, 1991: 12). However, mass poverty remains intact while trends towards social and economic inequalities are emerging. For example, government expenditure cuts have reduced resources available to health and education sectors; child immunisation programmes have collapsed; malnutrition is on the increase; preventable diseases are re-emerging and reducing productivity; and attempts to revitalize the social sector through user fees have been manifestly inequitable and largely out of the reach of ordinary Ghanaians (Kraus, 1991: 140). The rich obtain educational and health facilities privately, while the poor have to depend on NGOs for those services. Ghana's austerity programmes have also resulted in massive retrenchment and unemployment while demoralising those civil servants who remain at work. The

Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), which was supposed to provide social safety nets for the poor and the vulnerable during the adjustment process, has been largely ineffective in transferring essential services to the poor (Alderman, 1994: 49).

The introduction of the rural bias has produced other forms of inequalities. Increasing earnings from exports, principally cocoa, have benefited a very small segment of farmers which is concentrated in one geographical region of the country. Thus the majority of the farmers who do not have the opportunity to engage in agricultural export activities are unable to take advantage of the new incentives aimed at the agricultural sector (Alderman, 1994: 43; Kraus, 1991: 132). This distributional problem has created a feeling amongst large sections of the Ghanaian peasantry that recovery is only for others. In the process, ethnic, class and gender conflicts have emerged. The design of SAPs that over-emphasize agricultural export promotion, always at the expense of non-export and non-agricultural opportunities in the rural areas, appears to be a consistent weakness demonstrable in many SSA countries, including Uganda.

At the political level the Ghanaian case study provides useful insights about the linkages between political liberalization (or lack of it) and economic policy reforms. It fits the basic characteristics of the conflict perspective, discussed in Chapter 3, in which it takes a courageous, ruthless and undemocratic government to successfully adopt and implement SAPs.

When the Ghanaian government abandoned its populist stance and began implementing SAPs, it isolated itself from former political allies as well as powerful interest groups which were resolutely opposed to the adjustment moves. Instead, the government relied on a small team of local politically-insulated bureaucrats to work with external agencies and actors in the negotiation and implementation of policy reforms. The state increasingly relied on coercion to deal with opposition groups who were agitating against the social and economic consequences of the adjustment process. The government was able to act firmly, decisively, and to large measure, effectively in successfully implementing policy changes and achieving objectives that had eluded the civilian government under Limann (Callaghy, 1990: 263; Kraus, 1991: 127).

Notwithstanding the recent elections, whose authenticity remains doubtful, economic reforms and political liberalisation have not worked in tandem; there was no attempt to conflate the market place with civil society. Authoritarianism, therefore, appears to have helped quicken the pace of economic reforms, an instance that vindicates the conflict perspective thesis.

The conflict perspective, however, has its limits. In the case of Ghana, a backlash effect is emerging: hardships caused by the adjustment process on resentful urban and middle-class groups have hardened the resolve of those affected into new forms of assertiveness and resistance. This has led to an unstable ruling political coalition that may have to increasingly rely on coercion to continue with the reform programmes. This unstable environment prevents a

sense of widespread ownership of the adjustment process and may tempt future governments to repudiate the programmes to gain political popularity. These prospects may, in the meantime, heighten political tension and lead to more authoritarianism -- and away from political liberalization.

Several lessons for other SSA countries and especially Uganda emerge from the Ghanaian adjustment experience: (i) it is relatively easy to impose a full range of structural adjustment reforms in countries that are in an advanced state of economic collapse and where critical elements in the civil society have consequently been weakened by the process of atrophy; the Bank and the Fund also find it easier to carry out bold experiments in such political economies; (ii) owing to a lack of realistic options, leaders who emerge in countries with decayed economic systems tend to experiment with SAPs without necessarily seeking a wide consensus; (iii) because political economies in an advanced state of economic collapse adopt SAPs when they are in the worst possible shape, subsequent recovery measures and achievement, however minor, tend to appear dramatic; (iv) countries that unreservedly adopt Bank/Fund-supported programmes are likely to attract funding levels that are unlikely to be sustained, or available to many other countries in the region; "favoured" cases like Ghana are likely to accumulate unmanageable external debts that will make them permanently beholden to the IFIs; (v) while SAPs may have halted the free-fall at the beginning of the 1980s, it is not self-evident that macroeconomic recovery was due to policy reforms or to events that are unrelated to the policies themselves; (vi) exemplary

as the Ghanaian macroeconomic recovery has been, disaggregation of golden numbers reveal that core adjustment objectives have not been achieved --- inability to attract foreign investment is a particular case in point; (vii) implementation of adjustment programmes invariably exacerbates social and economic inequalities; it also distracts governments and societies from focusing on long-term development goals; (viii) implementation of SAPs appears to thrive most in an authoritarian atmosphere; alternatively, the process tends to induce authoritarianism. The necessity to maintain strict fiscal policy controls and to resist demands from the public lead governments to adopt authoritarian measures which, in turn, limit the formation of civil society -- structural adjustment is therefore difficult to reconcile with the development of democracy; (ix) given the development agenda, the Ghanaian state will continue to play a central role in the development process; and finally (x) Ghanaian economic recovery and growth rates are not sustainable; they are too dependent on external funding and remittances from Ghanaians in the diaspora and severely constrained by international terms of trade, growing external debt and inability to attract investment; indeed, the absence of external funding alone is a sufficient condition to halt, and even reverse, the recovery process in Ghana. In short, the temporal conjuncture of Ghana's adjustment experience cannot be easily replicated in many other SSA countries. The thesis now turns to a more ambiguous case of a Ugandan neighbour -- Tanzania.

#### 4.2 Tanzania: Reluctant Adjustment and the Limits of Negotiation

The post-colonial history of Tanzania was relatively uneventful until 1967 when Nyerere's nationalist government challenged the liberal development strategy and its attendant institutions which had been inherited at independence. The Arusha Declaration officially established a socialist (Ujamaa) framework with emphasis on egalitarianism, basic needs and self-reliance. Socialist policies and related institutional changes were perceived as necessary prerequisites for future equitable economic growth. The comprehensive nationalization of industries, banks and other financial institutions, and insurance agencies firmly put the government in control of production, marketing and distribution; most land was nationalized, hired labour on small-scale holdings was restricted; public servants were prohibited from ownership of employment and profit-generating ventures; more than 13 million people were resettled in Ujamaa villages which had previously belonged to large-scale farmers; trade unions and cooperatives were brought under government control; and, to manage the rapidly expanded public sector, the government created nearly 300 state corporations (Kimei, 1992: 347; Sarris and van den Brink, 1994: 263). Tanzania established a classic one-party socialist state. The scale of government control of the economy was elevated to a level unprecedented in the region. Towards his retirement from the Tanzanian presidency, Nyerere startled Tanzanians and observers when he suggested that the Ujamaa development strategy he had presided over for nearly two decades was not working and had to be abandoned. Since the early-1980s Tanzania has

been reluctantly beating a retreat from socialist ideals towards the vagaries of neo-liberalism and the market place.

#### 4.2.1 Causal Explanation of Tanzania's Economic Decline

The dramatic policy shifts towards a state socialist framework saw enormous expansion of the public sector which was accompanied by the unsustainable expansion of both development and recurrent budgets. By 1974 the economy was showing signs of stress: production for export registered poor performance, there was a marked decline in national savings, returns on capital investment were low and declining, and the import-dependent, capital-intensive industrialisation programme was straining both the local budget and foreign exchange resources (Kimei, 1992: 349-352).

The expanding social sector and indulgence in costly projects needed resources that were not matched by revenue for producer exports, whose prices were declining on the world market. The government was forced to borrow from external sources and to apply the "price-scissors" policy in the wake of shortages and rises in general domestic prices. These administrative measures were largely unsuccessful and ineffective (Sarris and Van Den Brink, 1994: 264). Paradoxically, the strategy of socialism and self-reliance produced a huge bureaucracy and dependence. Like the Ghanaian case, the first oil shock of 1973 coincided with a prolonged drought and pushed the economy into a major crisis.

Towards the end of the 1970s a combination of external and internal factors forced Tanzania to reassess its options. The external factors included the second oil shock; the deteriorating international terms of trade which fell by between 33% and 40% between 1970 and 1980; the cost of war against Idi Amin's regime in Uganda; the costly breakup of the East African Community; and a persistent drought. The external constraints were compounded by internal factors: the heavy and inefficient public sector, economic mismanagement and the neglect of agriculture -- which resulted in food crises and decline in agricultural exports.

Overall, the government's responses to the crisis were slow and inadequate: current spending continued at high levels on the false assumption that foreign capital and aid flows would continue to plug the gaps. So, by the early 1980s, the country's industrial production had collapsed. At this point Tanzania had no option but to approach the Bank and the Fund for conditional lending (Loxley, 1989: 14; Van Der Geest and Kottering, 1994: 70; Sarris and Van Der Brink, 1994: 267).

#### 4.2.2 Tanzania's Adjustment Experience

While Tanzania was in urgent need of external funding by the beginning of the 1980s, its government was most reluctant to implement policy reform conditionalities, particularly devaluation, which it claimed would erode its socialist ideals. Indeed a soft loan with the Fund that avoided devaluation was

successfully negotiated in 1980; thereafter the Bank extended a structural adjustment loan. The government, however, refused to comply with credit and import ceilings as laid down by the Fund, prompting both the Bank and the Fund to discontinue their funding facilities (Kimei, 1992: 352; Loxley, 1989: 15; Sarris and Van Den Brink, 1994: 260).

When SAP negotiations were re-opened in 1981 the Fund insisted on the familiar menu of conditionalities -- massive devaluation, increases in producer prices, abolition of maize subsidies, price decontrol, freezing of urban wages, and an increase in interest rates. The government, after protracted negotiations, rejected the conditionalities and was able to convince the Bank to finance a neutral, Canadian, three-person team to advise the country. The establishment of the Tanzania Advisory Group (TAG) was the first time that such a mechanism had been adopted in SSA.

TAG, while sensitive to Tanzania's political concerns about equity and self-reliance objectives, advised that devaluation was not only a sine qua non for obtaining multilateral financing but would also create price incentives and financial balance without abandoning the self-reliance framework (Loxley, 1989: 24). The government, however, argued that devaluation would not improve the BOP position because of poor supply response; rather, it would generate inflation-cum-devaluation cycles, leading to slow and inequitable growth (Loxley, 1989: 17).

In 1982 Tanzania introduced a structural adjustment programmed based on the TAG report -- but without the devaluation element. It agreed to cut

government expenditure in order to restore its internal and external accounts' balance, reduce inflation, increase productivity and more efficiently allocate resources; it also agreed to reduce monetary expansion and improve agricultural infrastructure and incentives (Van Der Geest and Kottering, 1994: 72).

By 1983, however, accelerated economic deterioration finally forced the government to devalue the shilling by 20%, followed by another depreciation of 35% in 1984. In 1986, after Nyerere's partial retirement, the government agreed on the Economic Recovery Programme (ERP), many of whose objectives and instruments were insisted upon by the Fund. The latter insisted on further devaluation, expenditure and money supply control, raising of interest rates, parastatal reforms, progressive price decontrols and the introduction of user-fees (Van Der Geest and Kottering, 1994: 73). After prolonged negotiations, the Fund acceded to the government's request for a modest devaluation and watered-down versions of price exchange control liberalization. Through tenacious and sustained negotiations, Tanzania successfully resisted wholesale liberalisation (Loxley, 1989: 25).

#### 4.2.3 Benefits and Costs of the Adjustment Programmes

Available evidence indicates that in 1986 Tanzania, for the first time in a long while, registered GDP growth higher than that of population; 1989 saw an all-time post-Arusha Declaration high rate of GDP growth of 4.4%; non-traditional exports improved; government revenues and expenditures increased five-fold from

1983 to 1989; and maize production increased enough to make the country a net exporter (Kimei, 1992: 360; Loxley, 1989: 26-29; Van Der Geest and Kottering, 1994: 71). Tanzania was also able to tap more resources from both the Fund and the Bank and to reschedule part of its external debt at the Paris Club.

Tanzania, however, has experienced very moderate increases in per capita income and reductions in development expenditure since 1982; the country's ideological commitment to the provision of social services has been abandoned in the wake of conditionalities and budget cuts; in particular, the government budget shares in education, health and economic services have sharply declined while the share devoted to servicing the public debt has increased four-fold; enrollment of primary school age children in schools has declined from over 90% in the 1970s to less than 80% in 1986. Those attending school have experienced marked deterioration in the quality of education as budget cuts mean less school provisions. Secondary school education is now a luxury that only well-to-do parents can afford. These trends are already accentuating income and opportunity inequalities and the problem is likely to gather momentum in future (Loxley, 1989: 30; Sarris and Van Den Brink, 1994: 283).

In the meantime, external constraints continue to depress Tanzania's prospects for self-sustained growth. The deteriorating international terms of trade, the unbearable external debt, estimated at \$6 billion, as well as dwindling aid and funding flows have destabilized the foundations on which the SAPs in the country were premised (Loxley, 1989: 30; Sarris and Van Den Brink, 1994: 276).

All these pressures have created political tension, threatening the very survival of the Union between Tanzania Mainland and Zanzibar. With considerable loss of autonomy and resources, the government has had to abandon its long-term objective of fostering an egalitarian and self-reliant political economy. Like Ghana, Tanzania's capacity to sustain current growth would be dangerously eroded if foreign aid and funding were no longer forthcoming. The country is more dependent on outside aid, especially from NGOs, than ever before. As the country nervously moves towards multipartyism, more political tensions are likely to ensue.

#### 4.2.4 Lessons from the Tanzanian Adjustment Experience

Tanzania, unlike Ghana, did not simply embrace wholesale adjustment policies; it resisted more than most countries have managed to do in an attempt to keep its social democratic ideological framework in place. The country, unlike most in SSA, was initially able to obtain concessions from the Bank and the Fund; in fact it was able to successfully prevent wholesale liberalization. The case, however, also indicates the limits to which SSA countries can receive funding from IFIs without adopting the neo-liberal framework. Tanzania, more indebted and less able to pursue an alternative adjustment course, was finally forced to accept most of the conditionalities including devaluation. But it missed opportunities in the early 1980s as a result of foot-dragging and inflexibility.

Part of the problem Tanzania faced was the social consequence of removing subsidies as well as social services that were already in place. In Ghana the economy was so decayed that the government was not encumbered with the difficult prospect of reducing social services and subsidies -- they did not exist! The lesson, which is more amplified in the case of Zambia, is that the more an adjusting country is forced to dismantle existing social services, the more the adjustment will be resisted.

Although Tanzania was, until recently, legally a one-party state, the SAP process was more politicised than in Ghana's case. As a result, the implementation of economic reforms was delayed. Proponents of the conflict model would argue that attempts to politicise the adjustment process in Tanzania were largely responsible for the half-hearted and sometimes ineffectual implementation of economic changes; i.e., Tanzanians were more democratic than their Ghanaian counterparts -- and SAP negotiations were much more difficult and protracted in the former case.

Tanzania's strategic objectives very much echoed those advanced by the Lagos Plan of Action and the AAF-SAP. The case illustrates the limited space which alternative frameworks possess, given the contemporary international divisions of labour and power and the resurgent hegemonic neo-liberal order. The thesis now turns from a case of a semi-successful to that of a non-successful SAP -- Zambia.

### 4.3 Zambia: Adjustment Failure and the Power of Vulnerable Groups

Zambia, like Ghana and Uganda, had one of the highest per capita incomes in SSA when it attained independence. Copper prices enabled the government to embark on ambitious welfare programmes, particularly in education and health; and basic foods, especially maize, were heavily subsidized. The state also initiated aggressive import-substitution industrialization, partly aimed at reducing dependence on the then Rhodesia. Increased state activities were administered through a large centrally planned public sector -- much like the one-party political economy of Tanzania -- which concentrated more on industry protection, controls of foreign exchange and prices and less on agriculture and diversification (Jones, 1994: 25; Mwanza et al., 1992: 212).

#### 4.3.1 Causal Explanation of Zambia's Economic Crisis

Zambia's short-lived prosperity depended overwhelmingly on its mining sector: copper and cobalt provided 97% of gross export revenue, 58% of government revenue and 36% of the GDP (Jones, 1994: 25). In 1975, the price of copper collapsed and has since never recovered to these 1970 levels. This precipitated an enormous income loss equivalent to 22.9% of GDP (between 1975 and 1979) and 31% (between 1980 and 1986) of GDP (Jones, 1994: 25).

Earlier attempts by government to restrain wage increases, eliminate subsidies and create incentives in the agricultural sector met with fierce resistance from the mining unions and the highly urbanized population -- both adequately

represented in government and party hierarchies -- who saw themselves as the potential victims of reform programmes. The government backed off the reform efforts, in the face of growing opposition, and made no further efforts to respond to the external shocks for the rest of the 1970s. It mistook the crisis to be cyclical and short-term and proceeded to borrow heavily to support its worsening BOP position while resisting devaluation and price decontrol. The 1979 oil shock exacerbated Zambia's economic woes.

By 1980, Zambia's highly urbanized and fast-growing population was confronted with a rapidly declining economy, a stagnant formal sector, burdened by subsidies and characterized by extremely skewed income distribution. The economy was also under enormous pressure from an increasing external debt and inoperative agricultural and industrial sectors (Jones, 1994: 27). Accelerated economic decline prompted the United Nations General Assembly to classify Zambia as a least developed -- or Fourth World -- country (Pearce, 1994: 87). In 1981, Zambia had no choice but to apply for funding from the Fund.

#### 4.3.2 Zambia's Adjustment Experience

Between 1981 and 1985 Zambia attempted stabilization and limited economic liberalization under an IMF Extended Fund Facility and, later, under a standby arrangement. The Kwacha was devalued, producer prices increased; price decontrols over most commodities (except maize, wheat flour and bread)

were lifted; and in 1984 there was further liberalization of prices and reduction of subsidies (Pearce, 1994: 84).

All these reforms notwithstanding, the foreign exchange position deteriorated and became desperate. Despite the strong objections from trade unions and other urban groups, the government, in 1985 and 1986, intensified the reform programmes when the Kwacha was devalued by 900%. Following on the heels of devaluation, the government introduced foreign exchange auctions, decontrolled prices across the board, provided incentives for greater production and diversification, and embarked on the rehabilitation of existing enterprises (Mwanza, 1992: 229-231).

The enhanced reform programmes produced such intense political pressure from the urban population in 1987 that the government, mindful of impending elections the following year, suspended the foreign exchange auction, restored maize subsidies and nationalized the milling industry (Mwanza, 1992: 235; Jones, 1994: 31). Predictably, the Bank's and the Fund's financial support was immediately suspended.

In May 1987 the government decided to go it alone by introducing the New Economic Reform Programme under the slogan: "Growth From Our Own Resources." The programme limited debt repayment to 10% of net export earnings, reintroduced administrative allocation of foreign exchange as well as price controls on essential consumer items, and limited the employment of expatriates (Jones, 1994: 31; Mwanza, 1992: 244). These populist measures

reduced labour unrest and enabled the incumbent government (and the only party) and President to "win" the elections in 1988.

The "growth from our own resources" approach was a brave alternative but had limited internal support, application and success. It was unable to address the BOP pressure which, by 1989, was so intense that total collapse of most sectors appeared imminent. Repeating what was now a regular pattern, the government initiated yet another rapprochement with the Fund. The process of negotiation, however, was brought to an abrupt end when government attempts to double the price of maize sparked food riots in 1990 and degenerated into a full-scale crisis. The government abandoned the negotiations and hastily promised to establish a multi-party political system. Without the support of urban workers, trade unions and the intelligentsia, UNIP, the ruling party, was comprehensively defeated by a newly-formed opposition coalition (Mwanza, 1992: 239; Jones, 1994: 33). The new government has since approached the Fund for yet another round of negotiations. President Chiluba's government has a serious dilemma: whether to adopt SAP and face political opposition or abandon adjustment programmes and face severe economic problems.

#### 4.4.3 Benefits and Costs of the SAPs

It is hard to identify any tangible benefit from Zambia's on-off-and-on experiences with the structural adjustment process. The government always approached the Fund at extremely desperate moments; attempts to put policy

reforms would then be derailed by its organized urban population. The interregna that punctuated several rapprochements with the Bank and the Fund were not spent on finding alternative solutions; they were used to buy political respite, particularly when general elections were around the corner; the home-grown alternative provided short-term politically-inspired palliatives that clearly did not address the fundamentals of the crisis. In the meantime, dramatic devaluations and ...outs of policy reversals stymied economic growth.

However, in every crisis there is a window of opportunity. The Zambian crisis forced Kaunda's government to abandon the old-fashioned one-party system in favour of a competitive, multiparty system. If the resultant political climate continues to encourage wider and more meaningful participation, this will have been the biggest single achievement of otherwise failed structural adjustment programmes in Zambia. Chiluba's government, however, has been rocked by scandals and indecisiveness in economic policy and management. At this point, the government's level of commitment to SAPs is not clear.

#### 4.3.4 Lessons of Experience from the Zambian Case

The Zambian experience affords valuable lessons, many of which are likely to confront adjustment programmes elsewhere in Africa in the near future. While demonstrating the vulnerability of countries that rely on a narrow export base, the case also illustrates how well-organised vulnerable groups and a resilient civil society are able to thwart adjustment policies when the stakes are as high as they

were in Zambia. Vulnerable and politically entrenched groups saw the desubsidization of maize as a direct threat to their livelihood and resisted until the government capitulated. The level of difficulty of introducing SAPs is likely to be highest in cases similar to Zambia's and lowest in cases similar to Ghana's. The former cases are characterized by a strong, well-organized civil society while the latter lack that attribute.

The Zambian case illustrates how some SAPs can pay inadequate attention to political and social factors in the adjusting countries. Programmes that seek to achieve simultaneous reforms in all sectors of the economy are likely to adversely affect political, social and communal structures and create further problems of local ownership of the policy reforms. In the case of Zambia, SAPs were seen as externally imposed and not owned locally. The government reinforced this perception by repudiating the programmes when it was politically expedient to do so. Chiluba's administration, however, is essentially a neo-liberal regime which opposed SAPs simply to gain political support. In any case, Zambia does not have a viable alternative option but to enter into a SAP arrangement.

As the democratization experiment gathers momentum in SSA and stronger civil societies emerge, many governments will face more resistance to the reforms. This will be even more so when the "stroke of the pen" adjustment reforms give way to more difficult issues that affect the economic interests of entrenched pressure groups. Sequences from easy to hard adjustment measures

will make the exercise even more politically difficult. Coalition building will be crucial for adjustment programmes to proceed.

The Zambian case, like Ghana and Tanzania, demonstrates the immense impact of external constraints as both causes of the crisis and impediments to successful economic transformation. Zambia, while facing deteriorating terms of trade, has to contend with the prospects of servicing the external debt which had climbed to \$7.2 billion by 1989 (Mwanza, 1992: 244). In many ways the Zambian case study is a lesson on how not to implement structural adjustment programmes.

#### 4.3.4 Conclusions

After 15 years of adjustment, common themes, as these three cases indicate, have emerged in SSA. In all cases, whether recognised at the time or not, a combination of internal and external factors were steadily simmering in the 1970s. The 1979 oil shock was the last straw that broke the back of most economies in the region, prompting an unprecedented number of countries to seek stabilization and structural adjustment loans from both the Fund and the Bank.

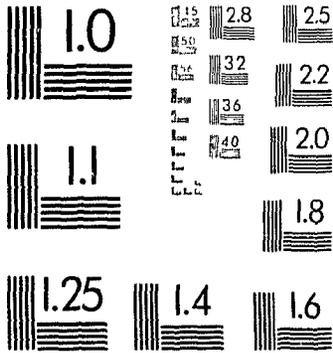
The case studies also illustrate the pronounced country peculiarities that need to be recognised when SAPs are introduced. Where economies are in a state of advanced decay and the civil society is weak, and the state is authoritarian, as in the case of Ghana, SAPs are likely to be implemented



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relatively easily. In countries where SAPs confront well-organised and politically powerful groups, as the Zambian case illustrates, implementation is likely to be a lot more difficult. The designs of SAPs, therefore, need to pay more attention to these peculiarities to avoid slippage and anticipate the most appropriate sequencing of the programmes.

Although the neo-liberal strategy has been able to halt the free-fall of many SSA economies and to stabilize the macroeconomic variables, the SAPs have been unable to tackle widespread poverty; many adjusting countries are now firmly integrated into the lowest rung of the New International Division of Labour; they are also now more indebted and reliant on foreign funds than ever before. With an increasingly hostile international environment and the "Third Worldisation" of many parts of central Europe, the level of funding is unlikely to be sustained.

Many adjustment programmes, as the above mini-case studies illustrate, have prompted growing inequalities without necessarily expanding the production base in the adjusting countries. The rich have shifted to private facilities in health and education sectors while the poor have had to rely on delivery services rendered by NGOs and their own devices. Curiously, the shrinking of services formerly rendered by the state may itself provide opportunities for wider grassroots political participation and therefore to the democratisation "wave" -- this time from below.

The severity of the crisis has elevated crisis management to a higher, and permanent, level and pushed consideration of long-term strategic issues to the

bottom of the development agenda. Countries like Tanzania which were initially prepared to adjust without abandoning their ideological frameworks soon discovered the limits of tolerance by the dominant neo-liberal paradigm.

Linkages between political liberalization and economic reforms remain tentative and unsettled. Several countries have attempted to implement both processes along the lines of the compatibility perspective, but with mixed results. Enhanced political liberalization in Zambia has, at least temporarily, reduced the appeal and implementation of SAPs -- political liberalization has triumphed at the expense of economic reform. In Tanzania, increased political liberalization is gradually warming up to SAPs, giving a tentative view that the twin processes may be mutually reinforcing. The Ghanaian case is typical of the conflict perspective. Implementation of SAPs has ignored pressure from civil society and relied on coercion -- political liberalization has been sacrificed at the altar of economic reform -- and the latter was implemented with relative ease and speed. In other words, Ghana's case seems to suggest that if structural adjustment is to work, it cannot have a "human face."

IFIs and the donor communities are facing dilemmas, part of which they helped to create. They would like to conflate the market place with civil society; to at once have Ghana's type of commitment and speedy implementation of SAPs and Zambia's political liberalization and pluralism in any one SSA adjusting country. The case studies indicate that this is very unlikely to be achieved in many SSA countries.

Thus, the alleged causal relationship between political liberalization and economic reform remains unsubstantiated; it is therefore highly speculative to conflate the market place with civil society in SSA at the present juncture. With time, however, the post-SAPs political economies, hopefully having emerged from the current crisis, will be more likely to sustain political and economic reforms that are mutually reinforcing. Experiences of countries in Europe and Asia indicate that capitalism and democracy did not always thrive in tandem. On the contrary, capitalism tended to erode the political rights and freedoms of individuals in the initial stages. It is well after the fruits of capitalism were generalized and property rights became major issues that liberal democracy began to thrive. It is not therefore certain whether SSA countries will be able to simultaneously establish capitalism, democracy and a liberal society. Notwithstanding the preceding scepticism, however, the long-term development perspective requires deliberate efforts to cultivate both political and economic reforms in the post-SAP SSA.

Having reviewed the debates on SAPs in Part I and gained comparative insights from selected case studies from SSA in Part II, the next three chapters of the thesis, which comprise Part III, will attempt to illustrate and evaluate the themes in the Ugandan case study.

## **PART III: CASE STUDY OF UGANDA**

### **CHAPTER 5**

#### **Background To Uganda's Political and Economic Collapse**

When Uganda attained independence in 1962 after sixty eight years of British Colonial rule, it had one of the most vibrant and promising economies in SSA. Endowed with a good climate and fertile soil, it was considered a very successful colony by the British, at least in terms of its economy, whose industries benefited from Uganda's raw commodity exports, particularly cotton. Uganda was also able to increase other exports, such as coffee, and sustain a self-financing colonial administration (Mamdani, 1983: 23; World Bank, 1993 (a): xi; Jorgensen, 1981: 3). So there was every expectation at independence that the country would continue to perform well in the export sector, sustain food self-sufficiency and expand its nascent industrial base.

In the 1960s, the economy did indeed perform impressively, with GDP growing at an annual rate of 4.5%. In fact, the economy even shifted slightly away from agriculture towards industrial and service related activities; services provided by the government increased from 27% to 31%; export volumes increased and crude death and mortality rates were steadily declining (Edmonds, 1988: 96).

Tea production was second only to Kenya among African producers; cotton export volumes ranked third on the continent; and Uganda was a leading coffee exporter. Other export cash crops, principally tobacco and sugar, were showing strong growth potential. The country also exported copper and textiles. On the whole, then, the country's export earnings not only financed all the major import requirements but also sustained a healthy balance of payments position. Industrial processing of cotton, coffee, tea, sugar and textiles sustained high levels of growth while tourism was the third highest earner of foreign exchange, after coffee and cotton (Walker, 1995: 971-74; World Bank, 1993 (a): xi). Uganda had a variety of export revenues.

Uganda was also entirely self-sufficient in food production. Matoke, cassava, sweet potatoes, finger millet, maize, beans, sorghum, ground nuts and sim sim were easily produced in most regions of the country practically all year round; the many rivers and lakes provided abundant fishing opportunities and served both local and export markets; and the Owen Falls hydro-electric dam, astride the Nile, provided a cheap source of power, some of which was exported to neighbouring Kenya (Walker, 1995: 973), albeit at very low charges.

The transportation system was one of the best in SSA -- a well-developed network of roads, railways, ports as well as air transport. Likewise, social indicators were better than most in the region -- Uganda had an effective low-cost health infrastructure, a vaccination network that reached up to 70% of the population, and an efficient, albeit colonially-oriented, educational system which

was comparable to that of Ghana, Africa's leader at the time (World Bank, 1993 (a): xi; World Bank, 1988: ii).

The fiscal and monetary management were sound; domestic saving averaged 15% of the GDP, providing a solid base for investment (World Bank, 1993 (a): xi). Indeed, when it was invited by the Ugandan government to advise on development strategy, the World Bank simply recommended more of the same, within the Keynesian frame of the time: intensification of primary commodity production and encouragement of the growth of local capitalists. It also created the impression that the country could expect both direct foreign investment and other forms of funding to sustain growth rates. It is therefore not surprising that the first Five-Year Development Plan anticipated that 48% of the funds for its programmes would be external -- both official and private (Mamdani, 1983: 23).

At the political level, a British-type parliamentary democracy was hurriedly put in place, and a series of compromises led to the first post-colonial government made up of the Uganda People's Congress (UPC) and Kabaka Yekka (KY) -- as strange political bed-fellows as they were. For a while, a general mood of euphoria and resurgent national and sub-national pride prevailed. Churchill's claim that Uganda was the "Pearl of Africa" still remained legitimate and deserved. In many ways, Uganda was ahead of Kenya, Tanzania and Zambia.

However, after a brief period of prosperity Uganda sunk into one of the most dramatic political and economic abysses in modern times, signalling an early

warning of what was to come to the rest of the continent. Political institutions and processes collapsed, the constitution was violently overthrown, the embryonic civil society was destroyed, and the economy was in a shambles. Political tensions and ethnic rivalries propelled the army to the political stage; successive civil wars (under Amin and Obote) - characterized by gross abuses of human rights, claimed more than a million lives. Production, social and physical infrastructures collapsed. By the middle of the 1970s, Uganda, now under Amin, had earned the dubious distinction of being a pariah state, a status that has been very hard to reverse.

After a five-year guerrilla war, a new government took control of the state machinery and began the process of attempting to rehabilitate the country's economic, political, social and constitutional structures. Currently, Uganda is engaged in the implementation of structural adjustment programmes consisting of interrelated economic and political liberalisation as well as constitutional engineering. In contrast to its image in the 1970s and early 1980s, Uganda is now perceived by the IFIs as a model of economic recovery -- a description it shares with Ghana. In a curious way, the ebb and flow of the post-independence political and economic trends in the two countries have followed a remarkably similar path -- although Uganda's variant was more violent.

The rest of this chapter will attempt to provide explanations for the dramatic political and economic decline -- an essential backdrop against which efforts at

rehabilitation and reconstruction in the mid-1980s and beyond will be appreciated and evaluated.

#### 5.1 Transition from Colonial Rule to Independence

Although Uganda emerged at independence in October 1962 as a vibrant and potentially prosperous economy, it inherited structural and intractable problems from the colonial era that partly laid the foundation for subsequent post-colonial political and social crises and collapse. It is, however, naive to attribute most of Uganda's post-independence political and economic crises to the colonial era. Many of the crises were home-grown as political factions sought to capture and retain power by all means and at any cost. Yet, British imperialism, which created Uganda as a geographical and political entity, put in place economic, political, constitutional and administrative structures that produced and reproduced uneven and unequal (pre-capitalist and capitalist) development within and between Uganda's regions.

Considerable disparities in the areas of education, physical infrastructures, income and wealth distribution were becoming apparent at the beginning of the 1960s. Many of the inequalities were enshrined in the independence constitution. There were also glaring imbalances in the ethnic composition of the army and the police. All these disparities, inequalities and imbalances soon found conflictual expression in ethnic and religious rivalries, regional tensions and parochialism. Attempts at political centralisation were met with fierce ethnic pluralist forces and

the ruling political coalition collapsed in the wake of ideological and ethnic pressures. The tensions also brought the army into the political process. All these centrifugal forces operated within a context of weak civil society and weak political and administrative structures.

As the colonial personnel retreated, the new crop of post-independence politicians confronted these intractable problems with a minimum of experience, as they had been barred by the colonial logic and laws from participating in public affairs until, quite literally, the eve of independence. This was despite the so-called "indirect rule" which was in place during the colonial period. Instead of concentrating on economic strategies and development, the new leaders were consumed by the long simmering and emotive themes of Buganda's status, the "lost counties" and the "Northern question." These issues, well entrenched by the British, provided more fuel for ethnic and regional tensions and soon exploded into successive civil wars and economic collapse (Barongo, 1989: 65; Kasfir, 1976: 93; Kabwegyere, 1974: 158; Rupesinghe, 1989: 9; Mamdani, 1983: 21; Omara-Otunnu, 1987: 80). Thus, it is pertinent to discuss in some detail the transitional issues and problems before going on to analyze the political and economic crises that confronted the Obote I government from 1962 to 1971. The next section will therefore deal with major problems that were inherited from the colonial period.

### 5.1.1 Political Problems Inherited from the Colonial Period

Uganda, as a political entity, was an artificial creation drawn up at the Berlin Conference of 1894; it did not consolidate into an identifiable unit until the 1920s. As Low (1988:36) has observed, this process of putting together new political entities in Africa has "entailed profound social and political difficulties as many new aggregations have found themselves ensconced in an arbitrary concocted new state." In the case of Uganda, the degree of arbitrariness was very high. Diverse linguistic groups and nationalities were split and their parts bundled together into a new political unit. Uganda was eventually composed of Sudanic, Nilotic and Bantu nationalities which were at different levels of social development with different languages, cultures and political organizations. Amongst the interlacustrine Bantu nationalities alone seventy different political entities existed independently of each other. In any case, all these "pieces" were artificially put together -- all revolving around the kingdom of Buganda as a more than equal centre-piece (Low, 1988: 39; Lwanga-Lunyigo, 1989: 25; Mamdani, 1983: 9; Mittelman, 1975: 56).

To date, the vast majority of Ugandans are still unable to communicate with each other except through English and Swahili; the national radio broadcasts are in more than twenty languages. Lack of linguistic communication is clearly among the obstacles to the creation of a national identity. While British imperialism may claim that the creation of Uganda was an early "gift" towards a larger and more viable state -- a notion that continues to inspire those in favour of eventual

continental political and economic unity -- the costs to many groups in Uganda seem to have by far outweighed the benefits of a larger entity, at least thus far.

By using some of the ethnic groups as mercenaries and "sub-imperialists," British colonial rule created political antagonism and bitterness that have since defined the character of every cycle of violence and conflict in post-independence Uganda. At least three bases of ethnicity stand out in this regard. The Baganda were used by the British to conquer other parts of Uganda and to act as sub-imperialists in western and eastern parts of the country; the Nubians, later the principal supporters of Amin, were used as "mercenaries" to help the British defeat Bunyoro in the early 1890s; and Nubians subsequently got entrenched in the colonial armed forces -- later to be joined by the Acholi, again at the invitation of the British (Lwanga-Lunyigo, 1989: 26). The roles assigned to these groups during the colonial period came to haunt the post-independence era in Uganda as Buganda sought a special place in the new nation and as the military assumed a decisive role in politics. Although some of the post-independence leaders took advantage of the colonial structures to enhance their political fortunes, it must be admitted that the structures had been in place for decades as part of the British imperialist strategy of divide and rule.

Such British colonial policy created and accelerated social, political and economic disparities. The South of the country was, in some instances, forced to grow cash crops and to provide clerical assistants to the colonial administration; by contrast, the North was set up as a reservoir of cheap labour

and a source of recruitment for the military; and the Asian community was facilitated to become merchants by erecting legal obstacles to Africans who sought to participate in trading and commercial activities (Mazrui, 1975: 35; Mamdani, 1983: 10; 1976: 168; Lwanga-Lunyigo, 1989: 28; Mittelman, 1975: 31). This division of labour was later to define lines of ethnic conflict and to provide the excuse that Amin used to expel the Asian community from the country in 1972.

The interface between religion and politics provided an enduring source of conflict. It may be recalled that Uganda became a battle ground for the promoters of Islam, Catholicism and Protestantism at the end of the nineteenth century. In order to hold on to their religious converts, many of these religious groups set up crucial NGO- type organizations in educational and health sectors. With the British firmly in control, the Protestant variant of Christianity was elevated to the status of a state religion. However, as independence drew near, religious-based political organizations emerged to cater to peculiar needs and to fight what was conceived as Protestant hegemony. Prominent among these organisations was the Democratic Party (DP) which was formed by prominent Catholics. (Mutibwa, 1992: 15). Such political formations not only reinforced parochialism and sectarianism but they also stood in the way of genuine national mass political movements (Apter, 1967: 3-28). Furthermore, they produced a warped civil society mobilized along primordial and uncritical imperatives -- a recipe for civil strife, not plural democracy.

The spirit of the initial 1900 Agreement, which had given Buganda a special status and more autonomy than other parts of the country, was reincarnated in the 1962 independence constitution. The new arrangement accorded Buganda a federal status, granted a semi-federal status to the smaller kingdoms and established a fully unitary relationship between the central government and the rest of the country. This arrangement entrenched political inequalities and later mobilized other parts of the country to demand treatment similar to that of Buganda (Kasfir, 1976: 94; Barongo, 1989: 72; Mutibwa, 1992: 24; Mittelman, 1975: 60). Attempts to deal with entrenched constitutional inequalities, inherited from the colonial past, soon led to a series of political crises and military confrontations with increased authoritarianism and repression.

The ethnic, regional and religious permutations and contradictions meant that Uganda, unlike countries such as Zimbabwe, did not have the attributes to create a natural political majority. There was therefore a need to construct a composed majority through electoral alliances. Low (1988: 37) has argued that there were at least five attempts in the early 1960s to compose a governing majority, and that it is a large part of the country's tragedy that none of these expedients worked; instead they led to violence, authoritarianism and terror. The attainment of a stable governing majority -- divorced from ethnic, regional and religious cleavages -- has eluded successive governments since the 1960s. The current government's preference for a broad-based administration within the

framework of a temporary no-party system represents another attempt to construct a stable governing coalition.

Thus, at independence Uganda faced structural inequalities and imbalances that had taken root during the colonial period. It inherited structures and attitudes that reproduced further contradictions and political tensions. As Apter (1967: 18-28) observed, the discriminatory colonial practices, ethnic pluralism, generalised ethnic conflict between the North and South, religious competition and generational conflicts prevented the emergence of political institutions with a national character and appeal; instead they reinforced xenophobia, separatist tendencies and opportunistic and highly volatile political alliances. In any case, the political problems inherited by the country were so intractable that "no other East African Commonwealth leader faced such an unenviable task at independence" (Martin, 1978: 91). The same issues have defined Museveni's challenges since 1986.

#### 5.1.2 Economic Problems Inherited at Independence

Although Uganda's economy appeared vibrant at independence, the sixty eight years of colonial rule had, cumulatively, created major structural problems in the process of integrating into the imperial and global capitalist systems. Uganda was subordinated to a peripheral role in the vertical international division of labour: that of producing a very small range of primary commodities for external markets. This created and reinforced an infrastructure of economic dependence

that still characterizes the underdeveloped nature of SSA countries (Jorgensen, 1981: 214) and which SAPs, so far, have failed to reverse.

While Uganda was an unequal partner at the global level, the peasant producers of the primary commodity exports were subjected to internal exploitation. In order to maximize profits for British industry, peasant producers were severely underpaid. For example, for most of the post-World War II colonial period, Ugandan peasants were paid only 39.8% of the export price of cotton and 39.6% of the export price of coffee (Mamdani, 1983: 11). The rest was appropriated by the colonial state -- and not necessarily used to improve the rural infrastructure. This role would be continued by the post-independence marketing boards, currently the target of privatisation, which de-linked income distribution from production and productivity.

Thus, the peasant producers faced adverse domestic and international terms of trade. The urban-bias neglected both agriculture and rural infrastructure -- creating both inequality and a weak rural market for urban-produced goods and services. The urban-bias that structural adjustment programmes are supposed to reverse by way of rural producer incentives was firmly entrenched by the colonial state and embraced uncritically and selfishly by the post-independence governments. These inequalities have partly defined the African economic crisis; they have also been used by predatory politicians to create tensions and conflicts to serve their own needs.

The agricultural sector was not only exploited by domestic and international price systems but was also neglected by the banking sector. Commercial banks, dominated by British interests, preferred to give loans to commercial and industrial sectors (Mamdani, 1983: 24). While the agricultural sector was providing the foreign exchange to sustain industry and BOP position, it was considered risky by the banking system. This attitude condemned the rural producers to the most elementary forms of production and prevented diversification and agro-based small-scale processing in the rural areas. This is a structural problem that the post-independence governments and Bretton Woods institutions' funding have been trying to address. Inappropriate policy designs, however, have produced very limited successes in this area.

Thus, when Uganda attained independence its economy was narrowly based, structurally dependent on external markets and largely at variance with domestic needs. The country was (in the export sector) producing what it could not consume and was consuming (imports) what it could not produce. Its increasingly backwater position in the East African Community compounded this trend. Additionally, at independence the pattern of income distribution confirmed Campbell's observations elsewhere in Africa: the distribution had little bearing on production and productivity (Campbell, 1993: 108). For the most part, the inequitable economic structures established by the colonial regime were left intact, even strengthened by the new post-independence political leadership. Attempts to address issues of distribution and redistribution increased political tensions and

violence. State control became just about the only route to accumulation and the only means to protect the gains. These were the economic under-currents that erupted in political conflict and violence, beginning with the first decade of independence.

Besides political and structural problems, the new order in Uganda inherited a civil service that espoused colonial life styles, values and attitudes. At independence, the colonial civil service structure and privileges were maintained; higher civil servants were earning salaries twenty times the income of the majority of peasants and workers (Jorgensen, 1981: 240). Thus, the civil service was not only inappropriate for post-independence tasks but it presented another layer of economic inequalities. The present issues relating to retrenchment and civil service reforms are clearly up against resilient attitudes and privileges that have evolved for many generations, but which have been significantly redefined by poor remuneration and impoverishment during the SAP period.

The educational system inherited at independence, though qualitatively higher than in many other independent SSA countries at the time, was largely inappropriate. As Jorgensen observed, "the educational system retained its British colonial orientation, producing paternalistic administrative cadres who lacked technical skills and scorned manual labour" (Jorgensen, 1981: 241). The quality of the civil service was therefore unable to effect the necessary administrative innovations in the post-independence period. But given the political

and economic crises, it is arguable that civil servants' room for administrative reforms was considerably reduced.

Thus, while political parties were engaged in strategies to attain a governing coalition, they paid almost no attention to economic, administrative and educational issues; they did not have a clear vision of a future society. Instead, they more or less embraced a system that was fraught with contradictions, cleavages and inequalities. They then added on their own political survival strategies which simply hastened the arrival of political and economic collapse. The nationalist movement did not provide alternative, critical roles in the resolution of the post-independence political and economic problems.

Uganda's post-independence economic and political problems cannot be fully understood without being located in the regional context. The next section attempts to highlight some of the regional economic, political, diplomatic and population movement factors that have impinged on Uganda's domestic development problematic.

### 5.1.3 Regional Perspectives

Uganda, a landlocked country, is surrounded by five states: Kenya, Rwanda, Sudan, Tanzania and Zaire, (see map), many of which have experienced economic and political turbulence that substantially affected events in the country.

In the areas of manufacturing, trade and commerce, the creation of the East African Common Services Organization (EACSO) and later (1967) the East

African Community (EAC) tended to concentrate economic activities and services in Kenya at the expense of Uganda. It was common knowledge that both direct and indirect benefits of EACSO and EAC were unevenly distributed to Uganda's disadvantage; Kenya continued to accumulate large surpluses in the inter-territorial trade while Uganda's deficit grew from £0.6 million in 1961 to £3.8 million in 1964 (Hazelwood, 1975: 56) leading to the Kampala Agreement of 1964 (popularly known as the Kampala Disagreement) in which Uganda attempted to resist the lopsided distribution of regional industries in Kenya's favour (Doimi di Delupis, 1970: 5). Indeed, Uganda's deficit grew even larger under the Community. Over the years, Uganda gradually lost leadership in manufacturing and trade. While Kenya emerged as the growth point in East Africa, Uganda, along with Tanzania, gradually became the backwater. Even when the Community finally collapsed, Uganda was grossly under-compensated largely because of Kenya's aggressiveness and intransigence as well as inept negotiating skills shown by Uganda's representatives.

With the accelerated economic collapse of Uganda's economy under Amin, Kenya's trade dominance was enhanced further; Uganda was simply incorporated into Kenya's domestic market for all manner of consumption goods right down to toilet paper. In a way, therefore, the Kenyan business community benefitted from the chaos in Uganda and was perfectly happy to see it continue. Numerous border closures by the Kenyan authorities and periodic withholding of Ugandan essential commodities, including oil, exacerbated shortages of commodities,

encouraged smuggling and fuelled inflation. In any event, Uganda is always used as a scape-goat when the Kenyan government is under pressure from its political opposition. Uganda has therefore been held hostage by Kenya in economic and political terms, adding to the former's already intractable domestic problems.

With accelerated economic chaos, Uganda became the centre of smuggling in the region. But the traffic of smuggled goods, including coffee, was to Uganda's disadvantage, always flowing to Kenya, Tanzania, Rwanda and Zaire. Curiously, more recently, the collapse of the neighbouring countries and Uganda's relative stability and economic growth have reversed this trend, giving further momentum to the recovery process.

Uganda since the 1950s has been home to refugees from Rwanda, Sudan and Zaire. This has not only created political tensions with those countries but has resulted in serious domestic economic and political problems within Uganda (Mittelman, 1975: 105). Attempts by Obote and Amin to support one of the Zairean (then Congo) political factions led to the accusation in Parliament that linked both men to the illegal acquisition of funds and gold; events thereafter unfolded dramatically leading to the 1966 crisis: Obote's refusal to help the secessionist Southern Sudan (lest he encourage Buganda to do the same) and Amin's firm support of the Anyanya fighters (with Israeli encouragement) eventually caused a rift between the two, leading to the overthrow of Obote and the emergence of Amin, whose trusted military officers and ministers were in fact non-Ugandans from the Southern Sudan. The inclusion of non-citizens in Amin's

government alienated other groups and intensified abuses of human rights, largely unleashed by the mercenaries from Southern Sudan.

The refugee issue would surface later under Museveni's government. The Rwandan refugees who had settled in Uganda since 1959 were increasingly harassed by Obote II's government while the National Resistance Army (NRA) was waging a guerrilla war against the incumbent regime. For self-preservation, many Rwandan youth joined the NRA in the bush and helped in defeating the Obote and Okello regimes. This prompted many opposition groups to accuse NRM of using non-Ugandans in domestic political struggles. Later, the Rwandan youth in the NRA organised an armed invasion of Rwanda and overthrew the regime there, setting up the present Rwanda Patriotic Front government. This again raised regional tensions as the defeated Rwandan army accused the NRA of masterminding the war; the Kenyan government, fearing the same fate, attempted to destabilize the NRM government. The refugee problem therefore contributed to regional tensions as well as domestic conflicts within Uganda.

The tough stand taken by Nyerere in 1971 when Obote, a fellow Mulungushi Club member, was overthrown, not only led to the final collapse of the EAC but triggered an arms race. Amin armed his military to the teeth in the belief that Tanzania, where Obote sought refuge, would be tempted to invade Uganda and remove him. As it turned out, this in fact occurred in 1979.

In the meantime, Amin's desperate attempts to obtain weapons drove him into the arms of Libya's Khadafi and led to the severing of economic and political

ties with Uganda's traditional trading partners. This association reinforced Uganda's pariah status and pushed the country into splendid isolation, leading to accelerated economic decline and a more ferocious predatory state. During this melee Amin expelled the Asian community, alienating the international community and precipitating even more dramatic economic collapse.

Thus, Uganda both imported and exported political violence; it was used as a theatre for regional conflicts and was exploited by neighbouring countries during the period of civil strife and chaos. However, it is currently benefiting from the accelerated decline of its neighbours -- a double-edged sword position, as history has shown.

## 5.2 Political and Economic Crises Under Obote I, 1962-71

When Uganda gained its independence on 9th October 1962, the triumphant governing coalition was made up of the two most improbable political bed-fellows. The Uganda People's Congress (UPC) led by Obote, was, in relative terms, nationalist, republican and radical in outlook. The other partner, the Kabaka Yekka (KY), was the ultimate depository of conservatism, traditionalism and monarchism; and the latter was exclusively based in Buganda. For practical purposes, the coalition partners shared one negative objective -- to defeat the Catholic-based Democratic Party (DP), which had been formed in the mid-1950s to oppose the Protestant hegemony both in Buganda and at the national level. In every other sense, this was a political marriage of convenience; a partnership

that represented a fragile alliance of two fragile parties without a common stand on political, economic and constitutional issues (Rowe, 1992: 21; Mazrui, 1975: 10-11; Mutibwa, 1992: 15; Mittelman, 1975: 73). As both Obote and Kabaka Mutesa admitted in their subsequent writings and public utterances, each coalition partner was basically using the other for short-term political gains (Martin, 1974: 101; Mutibwa, 1992: 46).

The ascendancy to power of the UPC/KY alliance constituted the first major post-independence political problem. Far from confronting the political and economic legacies left behind by the colonial era, the alliance simply fuelled divisions and rivalries. In any event, Kabaka Mutesa II became the ceremonial President and head of state while Obote became Prime Minister and head of government.

The early years of the coalition were constrained and diverted by controversy over levels of central government expenditure in Buganda and the latter's autonomy as provided by the 1962 independence constitution; this was a period in which all the non-monarchical districts in the country contrived quasi-monarchical structures in order to catch up with the privileged federal status assigned to Buganda and other kingdoms at independence. Thus, constitutional non-hereditary "monarchs" were appointed in each district, creating an array of mini-states within the new republic (Lwanga-Lunyigo, 1989: 40; Mudoola, 1989: 124; Walker, 1995: 967).

Arguably the most serious political problem whose ramifications destroyed the UPC/KY alliance and plunged the country into chaos was the issue of the "Lost Counties." The so-called "Lost Counties" have a long history dating back to the nineteenth century. When British imperialist forces were trying to consolidate their hold on what became Uganda, Buganda cooperated with the invading forces while the neighbouring kingdom of Bunyoro (and long-time rival of Buganda) resisted the British conquest. A British expeditionary force, under Colonel Colvile, declared war on Bunyoro in 1893; in the ensuing confrontation Buganda contributed 20,000 men to help the British defeat Bunyoro. After Bunyoro was subdued, the British transferred part of the kingdom's traditional territory to Buganda as a reward for the latter's military support. This transfer was formalised in the 1900 Uganda Agreement.

Two counties in the disputed territory were populated overwhelmingly by Bunyoro. Thus, according to Bunyoro, these were "lost counties" whose return was later demanded by the government of Bunyoro. These demands produced riots and violence; they also figured prominently when the 1962 constitution was being negotiated just before independence (Mutibwa, 1992: 33; Kasfir, 1976: 136-139; Lwanga-Lunyigo, 1989: 26; Martin, 1974: 107; Mittelman, 1975: 78). Ominously and irresponsibly, the British government decided that the fate of the "lost counties" would be dealt with by the new post-independence government. As it turned out, this issue would provide the immediate cause of violent confrontation for decades to come.

In 1964, Obote's government organized a referendum in the "lost counties." As expected, the two counties overwhelmingly voted to rejoin Bunyoro -- and the decision was implemented even if the President at the time (also the Kabaka of Buganda) declined to sign the transfer instruments. The transfer of the counties caused the immediate collapse of the UPC/KY coalition and set Buganda and Obote's government on a collision course (Mutibwa, 1992: 34). Ethnic and regional wounds were opened and would lead to a full-scale crisis in 1966 that saw the collapse of political institutions and rapid militarization of politics.

Another important event, not fully appreciated at the time, was the army mutiny in 1964. Simultaneous army mutinies occurred in Kenya, (then) Tanganyika and Uganda over wages and promotions. Kenya and Tanzania decided to invite the British to put down their mutinies. Obote's government, on the other hand, acceded to all the mutineers' demands. One of the major beneficiaries of this mutiny was Idi Amin, who was promoted from Major to Colonel and made the Deputy Commander of the army (Martin, 1974: 111; Rowe, 1992: 22; Omara-Otunnu, 1987: 70; Mazrui, 1975: 13).

The gains of the military constituted several landmarks whose implications would unfold later: the army began to assume a more prominent role in politics, abandoning the traditional, if elusive, British notion of neutrality of armed forces; the successful mutiny also severely undermined civilian control and supremacy in the political process. Additionally, the nature of promotion within the army in 1964 opened a dangerous crack in the organization: several army units

complained that the promotions were based on ethnic rather than merit considerations (Omara-Otunnu, 1987: 70; Mudoola, 1989: 121). Uganda's successive political crises are intimately associated with the political role and intra-organisational splits in the proliferating security forces, as subsequent analysis will show.

Suffice it to say that the poor performance of the UPC/KY alliance and its eventual collapse, the bitter acrimony arising out of the "lost counties" (and the attendant alienation of Buganda), and the enhanced role of the military weakened political institutions and processes. Their cumulative impact brought the country to the precipice of the abyss; its descent began in 1966. It is the 1966 political crisis to which the study now turns.

#### 5.2.1 The 1966 Crisis: Descent Into Authoritarianism and Repression

With the collapse of the UPC/KY alliance, the successful transfer of the "lost counties" back to Bunyoro, and the attainment of a two-thirds majority through the "crossing of the floor" by members of the opposition, Obote's UPC government embarked on political consolidation largely through the manipulation and weakening of civil society institutions and the public service. Trade unions were subjected to draconian labour laws that severely circumscribed organised labour's activity; the government organised a rival umbrella trades union structure to sabotage the Uganda Trade Unions Congress (UTUC) which had represented organized labour since the 1950s (Mittelman, 1975: 76); rival youth organisations

were formed by factions within the ruling party; denominational schools, hitherto run by religious-based NGOs, were taken over by the government essentially to reduce Catholic influence, and therefore that of the opposition DP; the government also created a rival Muslim organization that practically split Muslims along Buganda and non-Buganda lines; the civil service and local government affairs were politicised; the Judiciary's independence was compromised; and Obote, as early as 1964, broached the idea of one-party state, clearly having in mind his UPC to fill this role (Jorgensen, 1981: 224-226; Mutibwa, 1992: 30-33). With other parties in disarray and critical elements in civil society weakened, the UPC government, with the backing of the army, practically turned Uganda into a de facto one-party state, a "normal" trend at the time in many SSA countries.

It was, however, the cumulative intrigue within the UPC that provided the main catalyst for the 1966 crisis. As the threat from Buganda appeared to diminish and opposition parties weakened, the UPC itself became the main theatre of ideological and ethnic rivalries and conflicts. The party split into conservative, centralist and radical factions (Walker, 1995: 967; Rowe, 1992: 23, Mittelman, 1975: 81). The conservative faction, which attracted disaffected elements within Buganda, sought to remove Obote, who led the centralist wing, by constitutional, and even other, means. The conservative elements seized the opportunity in 1966 when both Obote and Amin were accused in Parliament of having obtained illegal funds from one of the political factions contending for power in the Congo (now Zaire). In his absence, the UPC parliamentary group

literally passed a vote of no-confidence in Obote and demanded the suspension of Idi Amin from the army.

Obote responded to this challenge in a very dramatic manner: he arrested five cabinet members (while they attended a cabinet meeting) who were thought to have spearheaded the rebellion; suspended the 1962 independence constitution and introduced another one without debate in Parliament; relieved the Kabaka of the Presidency and declared himself an executive President; and subsequently, abolished the federal powers of the kingdoms. When the Buganda leadership attempted to resist Obote's moves, the latter ordered the army, under the command of Idi Amin, to storm the Kabaka's palace. During the ensuing battle, the Kabaka managed to escape. In 1967, a new republican constitution abolished the kingdoms and the federal arrangements altogether. In the later months, several journalists critical of the government were detained; a hurriedly assembled party convention "re-elected" Obote as its leader for another seven years with powers to nominate the entire party executive committee; and elections that were due in 1967 were postponed (Jorgensen, 1981: 229-230; Mazrui, 1975: 13; Walker, 1995: 967; Mutibwa, 1992: 39; Ibingira, 1973: 287; Barongo, 1989: 79). The embryonic civil society was both beleaguered and undermined.

The implications of the crisis were enormous. Obote and his faction survived physically and politically because of the army's backing; in particular Obote was saved by Idi Amin's loyalty and timely support. Not surprisingly, Obote quickly promoted Amin to Major-General and Commander of the army. Amin,

whose regime would later unleash unprecedented atrocities, was inching his way towards political prominence and Uganda politics was, almost irreversibly, militarized; the supremacy of civil institutions was severely eroded; the constitutional order was overturned with apparent impunity and the surviving elements in civil society were intimidated and silenced. In the meantime, the extreme measures taken to resolve the political crisis fuelled ethnic and regional tensions. Evidently, Obote's attempt to achieve national unity by reducing ethnic ties and institutions and enhancing central authority produced more conflict, tension, paralysis, armed repression and state terrorism. The Obote government was at once victorious and beleaguered.

Between 1969 and 1970, Obote's government attempted to redefine its political and economic agenda by promulgating a series of documents which together constituted the "move to the left." It is this phase and the analysis of the purported shift to radicalism to which the next sections now turn.

### 5.3 The "Move to the Left" (or Rhetoric to the Left?)

Faced with a widening legitimacy and credibility gap, slow economic growth, growing unemployment, and escalating popular discontent as well as foreign policy contradictions, Obote's regime sought to obtain a new lease of life through a series of political and economic policy initiatives that together came to be known as the "Move to the Left." The general thrust of the "move", inspired by the African state socialist mainstream, especially the Mulungushi Club, was

towards national unity, consolidation of political power, establishment of economic partnership with foreign monopolies, enhanced commitment to greater economic equity through nationalisation, and reduction of elite privileges (Mamdani, 1983: 30; Mazrui, 1975: 21; Rowe, 1992: 24; Mittelman, 1975: 179). Altogether five documents, authored by Obote, were released in a rapid sequence between October 1969 and August 1970; they in turn were partly reacting to the crises of the late 1960s. It is worthwhile describing the content of each document before their wider implications are considered.

### 5.3.1 The National Service Proposal, October 1969

The document on National Service proposed a two-year compulsory, and non-military oriented, service for every able bodied Ugandan, a watered-down version of the Tanzanian national service. Since the proposal was never implemented beyond the appointment of a minister in charge of the envisioned service, the details of the curriculum and content of the national service were never put in place. The idea, however, was to foster vertical and horizontal national integration by bringing diverse ethnic entities into close communication and cultural exchange (Gingyera-Pinyawa, 1978: 164). The proposal was attacked from all sides: conservatives accused it of "communist tendencies" that were bent on destroying family life; the youth accused Obote of deliberately excluding military service as a component of the proposed National Service curriculum in order to keep a monopoly on the use of guns within his trusted

ethnic group; radicals complained that the proposal did not go far enough; and others indicated that the scheme would disrupt agricultural production (Jorgensen, 1981: 234). The important point is that the proposal caused major splits within the UPC ruling group and set the stage for confrontation later.

### 5.3.2 The Common Man's Charter, December, 1969

The Common Man's Charter, viewed by some as an ideological stepchild of the Arusha Declaration (Mittelman, 1975: 179), provided the framework for the "Move to the Left." The Charter attacked feudalists, neo-feudalists, capitalists, the rich and the educated (very entrenched and powerful groups) who Obote accused of exploiting the majority of Ugandans; the document suggested that the tiny minority, which was economically privileged, had a dangerously firm grip on political power in the country. Furthermore, the document declared policy intentions in the direction of redistribution of wealth and the means of production, collective ownership and equity (Gingyera-Pinycwa, 1978: 197; Jorgensen, 1981: 235). Several analysts have argued that, although the Charter's rhetoric harped on economic equity, it was more of a plea for national unity and an attempt to consolidate power rather than a determined push towards socialism (Mazrui, 1975: 21; Rowe, 1972: 24). In any case, it was quite puzzling how Obote's cabinet, composed of self-declared capitalists, would adopt and implement a socialist agenda.

Whatever its covert and overt agendas, the Charter was roundly criticised by both the Left and the Right: the Left viewed it as half-hearted and timid; the Right was dismayed by what it thought was creeping communism. But to the young intellectuals, who did not possess political clout, the Charter appeared to stimulate excitement and to redefine future development goals in a popular fashion (Gingyera-Pinyowa, 1978: 201).

As it transpired, the Charter was quickly overtaken by events and was never implemented. However, it had a profound impact on the political scene. First, its content and intentions caused further ideological and ethnic splits within the UPC, further isolating Obote. Second, the Charter alarmed key foreign governments who had economic, financial and foreign policy interests in Uganda. These two factors within the context of the Cold War greatly helped Idi Amin to overthrow the civilian government.

Of more immediate dramatic importance, however, was the attempted assassination of Obote on 19th December 1969 as he left the complex in which he had shortly before launched the Charter (Martin, 1974: 24). The failed assassination unleashed army brutality, polarized factions within the army and increased the level of state-inspired repression. Interestingly, several rumours made the rounds in Kampala to the effect that Idi Amin was behind the assassination attempt. These rumours were never substantiated but they correctly reflected the intense splits and tensions that were ripping the army into violently antagonistic factions. In any case, Obote seized the opportunity and

banned opposition parties and imprisoned their leaders. Uganda's one-party status was formalized; what was left of civil society institutions ran underground for safety. Evidently the attempt on his life stiffened Obote's resolve to proceed further with his "Move" -- as evidenced by two more policy documents that were issued in the first half of 1970.

### 5.3.3 Communication from the Chair

The Communication from the Chair constituted announcements aimed at administrative streamlining of remuneration packages in the public sector. The announcements, reminiscent of SAPs in 1980s and 1990s, unified pay scales for employees within the traditional civil service and those of parastatal bodies. More importantly, the directives reduced the prerogatives and financial privileges of state employees. Given that inflationary pressures were beginning to build up, these measures greatly alienated the rank and file within the public sector who were quick to point out that the politicians' benefits remained intact (Jorgensen, 1981: 234; Mittelman, 1975: 122). The move lost the government one more key political constituency. It eroded the regime's bureaucratic coalition and provided further ammunition to Obote's political foes.

### 5.3.4 The Nakivubo (Nationalisation) Pronouncements, 1st May 1970

In an attempt to catch up with other Mulungushi precedents, Obote announced nationalisation measures. The Nakivubo Pronouncements, timed

exquisitely on Labour Day, were at once important and contradictory. They were important because they outlined a major redistribution exercise through the nationalisation of major assets; they addressed issues of public ownership and equity, moves that struck resonant cords with labour unions and workers. In essence, however, the 60% nationalisation (later revised downwards) of eighty major firms was an attempt to establish partnership with foreign monopolies (Mamdani, 1983: 30; Mittelman, 1975: 125). The main contradiction, however, was that the pronouncements also banned labour's industrial action and strike options; Obote advanced the argument that since workers were now the masters of Ugandan industries, they could not strike against themselves! Clearly the ban was contrary to the spirit of the "Move to the Left" whose declared intention was to empower workers and peasants. Additionally, Obote, by way of addressing increased levels of urban unemployment which were further undermining the government's credibility, used the nationalisation occasion to expel thousands of Kenyan workers (Mamdani, 1983: 30; Mittelman, 1975: 135).

Besides being haphazard and inadequately prepared, the nationalisation announcements, like the previous policy statements, satisfied no particular group while they alienated, and even alarmed, many and powerful social groups. As expected, those on the Left condemned the announcements as totally inadequate and derided the banning of strikes and expulsion of foreign workers as retrogressive and anti-people (Gingyera-Pinyawa, 1978: 204; Mamdani, 1983: 30). For those on the right, the Nakivubo declarations were the ultimate nightmare.

Although the actual nationalisation exercise did not go very far, it had important political and economic ramifications: it sparked off capital flight and strengthened further the resolve of Obote's opponents, including many members of his cabinet and the army, to resist his policy initiatives. Western countries, especially Britain, were dismayed by the nationalisation exercise and interpreted it as a repeat of the Arusha Declaration in Tanzania. As it turned out the nationalisation exercise was nipped in the bud as Obote's government was overthrown shortly thereafter. The point, however, is that Obote's political opponents, within government circles, the army and beyond, seized the opportunity to isolate the UPC government and create a propitious political climate for the Amin faction of the army to take over. Like Nkrumah in Ghana, Obote was overthrown while he was intensifying his rhetoric against entrenched domestic and international economic interests.

#### 5.3.5 Election Proposals, July 1970

The fifth and last of the series of the "Move to the Left" documents proposed a very original electoral system intended to diminish ethnicity, parochialism and sub-national rivalries in the choice of members of the legislature. The so-called One Plus Three electoral system proposed that all prospective candidates for Parliament would stand in three regional constituencies in addition to the candidates' home constituency (Jorgensen, 1981: 235). The proposal would certainly have forced the candidates to solicit votes from several ethnic

groups and enhance national integration and unity. However, it was a logistical nightmare. It clearly favoured candidates with substantial financial resources -- many of whom would have been the old guards within the government. The election proposals also sought to shield presidential candidates, essentially Obote, from direct elections.

So, the "Move to the Left" introduced potentially important and progressive policy initiatives. It sought to diminish ethnic and sub-national rivalries by promoting national vertical and horizontal integration; it attempted to redefine national long-term objectives and to tackle issues of ownership, equity, distribution and redistribution. The "move," however, did not resonate with the ranks of the party which itself was undergoing a process of disintegration. Opposition groups and habitual Obote-bashers, including those brutalized by the 1966 crisis, saw the move as a cynical ploy by Obote to consolidate his grip on power. Like structural adjustment programmes in later years, Obote's policy initiatives lacked grassroots and institutional support; they were neither owned by the ruling party nor by the whole of government; they were introduced from above with a minimum of attention to design, detail, sequencing and implementation. Obote himself lacked charisma and remained aloof and isolated.

The policy initiatives lacked a "home" constituency and threatened powerful economic and social groups who had the means to resist. The proposals alienated civil servants, organised labour and owners of capital and further split the UPC which was essentially a loose organization of notables with increasingly

strong capitalist tendencies and aspirations; additionally the "move" alienated the progressive left which saw the policies as timid, inadequate, in part anti-people, and an embrace of monopoly capital. The "move" was also fraught with contradictions: it sought to transfer the means of production to popular classes while at the same time legalising their disempowerment; it sought popular democracy while suppressing the civil society. It also avoided the transformation of the agricultural sector as well as land ownership issues (Mittelman, 1975: 150).

At the end of the day, Obote's political survival was more in the hands of the army and had less to do with the efficacy of the newly promulgated policy initiatives. When inter-service and ethnic rivalries divided the army and Idi Amin withdrew his loyalty from the president, Obote's government collapsed in January 1971. Crucial elements in civil society which had been so profoundly weakened by Obote's regime had neither clout nor inclination to challenge the military take-over.

The 1960s were thus dominated by continuous political crises that tended to overshadow the growing economic malaise that was partly a product of the political turmoil and partly a function of economic mismanagement and a harsh international environment. The next section deals with these economic problems which, together with the political crises already abstracted, defined the stage on which Idi Amin's regime would preside over the accelerated decline of the country in practically all conceivable dimensions.

#### 5.4 Economic Problems Under Obote I

Most literature and analyses on Uganda's first post-independence decade have tended, quite understandably, to concentrate more on the successive political crises leading to Amin's ascendance to power and less on economic trends and problems of the period. Some were also reflective of the analysis of the times which concentrated on political engineering (Apter and Mazrui) with little political economy content and orientation. Part of the explanation, as earlier indicated, was that there was no palpable economic crisis when Uganda gained its independence. Over the years, however, the inherited colonial economic structures, as well as domestic and external factors, slowed down economic growth and exacerbated economic inequalities and unemployment, leading to tensions and violence. By 1969 there was a serious economic crisis characterized by the shortage of foreign exchange, scarcity of commodities, capital flight and sharply escalating crime rates (Mamdani, 1983: 29). The attempts which the "Move to the Left" made to address some of these problems were too little and too late. It is appropriate at this stage, then, to review factors that propelled the economy into a crisis by the end of the 1960s.

##### 5.4.1 Economic Policies Under Obote I

Having inherited a colonial economy in which the country was divided into "productive" zones (which grew cash crops) and "unproductive" zones which provided cheap labour (Lwanga-Lunyigo, 1989: 35), the new government, in a

piece-meal fashion, adopted an economic strategy that was quasi-market oriented, agriculture-based, export-driven and public sector-led, very much along the lines advocated by SAPs in the 1990s. The overly optimistic government expectations assumed that foreign investment and higher export prices would finance the development plan (Jorgensen, 1981: 231). Later it transpired that both assumptions were largely false: the post-independence economic honeymoon would not last far into the late 1960s.

The strategy sought to rely on three facets: use of parastatal bodies to operate infrastructural services and some industries; the pursuit of dirigiste monetary policies after the abandonment of the East African Currency Board; and later, partial nationalisation of major firms.

The first facet, use of parastatal bodies, was intended to achieve both economic diversification and import substitution. The largest and leading parastatal was the Uganda Development Corporation (UDC) which, by 1970, employed 23,981 workers spread over 37 subsidiary and 18 associated companies. Its areas of operation extended to agriculture, textiles, construction materials, foods and beverages, tourism, banking, real estate, mining and metal products (Jorgensen, 1981: 233). Other parastatals, mostly established during the colonial period, controlled electric power, railways, harbours, air transport, posts and telecommunication, and development finance. Obote's regime created more public corporations in housing, insurance, banking, wholesale and retail trade, marketing of agricultural produce, external trade, tourism, dairy farming, cattle

ranching and tea production (Jorgensen, 1981: 232). This form of state capitalism, similar to that of Kenya and some NICs, slowly became a victim of ethnicity, corruption and inefficiency.

The second facet involved the abandonment of the East African Currency Board -- which had led the three East African countries to more or less similar monetary policies. With the establishment of Bank of Uganda in 1966, the government pursued more interventionist and dirigiste policies in its planning process.

The third facet, nationalisation, has already been reviewed under the Move to the Left strategy earlier in the chapter. The proposed nationalisation of the commanding heights of the economy was intended to achieve redistribution, equity and public ownership of the major means of production.

In short, the Obote I regime's economic strategy intensified the involvement of the state in economic management and decision-making. Soon, however, the parastatals were used to create jobs and reward loyal supporters; they also became the driving force behind rapid Africanisation to balance Asian economic control. Over time, internal and external factors reduced the viability of the overall strategy, resulting in slow economic growth and increasing inequalities and alienation.

#### 5.4.2 Internal Causes of the Economic Problems

On the whole, the political crises in the 1960s impacted adversely on the economy. In the main theatre of economic policy and processes, however, three areas were particularly significant: ethnicity and economic policy, the role of the agricultural marketing boards, and the impact of the attempted nationalisation. These areas fundamentally affected productivity, distribution and ownership.

##### (i) Ethnicity and economic policy

Something resembling an ethnic conspiracy has been associated with economic policy choices pursued in the 1960s: Obote's regime deliberately sought to check Buganda's commercial, and ultimately political, expansion by entrusting the commanding heights of the economy to parastatals and striking an alliance with the Asian and white commercial and administrative strata. Jorgensen (1981: 247) has argued the:

Obote regime recognised that an economic policy which sought to shift economic control simply from non-citizens would tend to favour the Buganda bourgeoisie which possessed a head-start in terms of skills, experience, resources and location. The UPC sought to redress the regional-ethnic imbalance of the colonial period by regulating the commercial and political expansion of the Buganda bourgeoisie...Obote regime checked Buganda commercial expansion by two methods. First, the state, rather than individuals, was to control the commanding heights of the economy...second, the UPC regime checked Buganda commercial expansion by striking an alliance with the Asian commercial and administrative strata, allowing members of this politically vulnerable ethnic group to fill the positions which would otherwise be taken over by the Buganda middle class.

Curiously, current economic liberalisation, including privatisation, is shifting economic control to those very groups: Asians and the predominantly Buganda bourgeoisie. Although Obote's government imposed some restrictions on the Asian business community, it is quite accurate to suggest that commerce and big-time trade remained in the hands of that community's sphere of control. In fact, the core of the manufacturing sector revolved around the UDC and large industrial concerns belonging to two Asian families. In turn, the Asian community donated generously to the UPC. Although there are genuine claims that the UPC/Asian community alliance was prompted by politically-inspired motives, it nevertheless facilitated some degree of industrialisation as it had in Kenya. However, it also alienated Buganda traders and capitalist farmers. Furthermore, it mobilized traders from other parts of the country around the banner of nationalism and fuelled xenophobic tendencies.

Later, in 1972, Amin seized on these sentiments and expelled the entire Asian community from Uganda, causing enormous commercial discontinuities and break-down and prompting Uganda's political and economic isolation from a very large section of the world community. The full implications of the Asian expulsion will be dealt with later in this chapter.

(ii) The Role of the Agricultural Marketing Boards

It may be recalled that Obote's government reinforced the colonial strategy of controlling the commanding heights of the economy through parastatal bodies

within the framework of "African socialist ideology." Especially important were marketing boards dealing with the purchase and subsequent export of the country's main cash crops. Arguably, the most powerful of these boards were the Coffee Marketing Board (CMB) and the Lint Marketing Board (LMB) which controlled the marketing of the two largest and most profitable crops. The boards were given the mandate by government to determine what portion of world prices would be passed on to the farmers, the government, the boards themselves and a host of other intermediaries.

As the world prices of both coffee and cotton went down between 1962-1970 -- in comparison to the boom period of 1953-1961 -- the boards, clearly not anticipating post-independence decline, reduced receipts accruing to the cash crop farmers rather than cutting marketing and intermediary costs. Coffee farmers were particularly hard hit by the board's decision: between 1962 and 1970 they received 41% less for robusta coffee compared to the preceding period of 1953-1961 (Jorgensen, 1981: 241). This was a clear vindication of Campbell's thesis: the pattern of income distribution, in this case accruing from the commodity exports, had little to do with production and productivity; selective redistribution was disconnected from the sphere of production (Campbell, 1993: 108).

In essence the national income was redistributed away from the rural areas to the comfort and sustenance of government and CMB bureaucrats and to capitalist farmers, cooperative executives and other speculative intermediaries.

In addition to the expropriation by the marketing boards, multiple rural taxes on exports and imports reduced further the income levels in the rural areas. As Jorgensen (1981: 242) aptly observed:

Under the Obote regime, the national income was redistributed from rural areas to urban centres, from peasant growers, agricultural labourers and rural traders to the urban salariat, the professionals, urban merchants, and the full-time proletariat.

This urban-bias thesis was later re-articulated by the Berg Report but would not capture some of the nuances of the depleted urban wage sector.

The growing inequalities and economic hardships increased the level of violence, armed robbery and assassination attempts; the state security organizations responded with intimidation and repression. These problems, however, did not seem to worry many of the UPC stalwarts. For example, Onama, then the Minister of Defence and Secretary-General of the UPC, urged the peasants to work harder to raise their living standards; for his part, he noted with relish that he was driving a Mercedes-Benz to help the implementation of the Common Man's Charter (Ryan, 1973: 150). His cynical and cruel remarks were singularly similar to those captured by George Orwell in his satirical novel, The Animal Farm. They also revealed the cosmetic attention the government paid to the ideals of the "Move to the Left."

(iii) The Impact of the Attempted Nationalization

In theory, nationalisation is potentially beneficial to a country provided that it is done systematically and effectively. If it is done haphazardly, a country may

in fact nationalise debts rather than sound assets as Tanzania discovered in its long march towards the Ujamaa ideals. In the case of Uganda, the exercise appeared to have been carried out in a haphazard and inconsistent manner and without the benefit of expert advice: entities earmarked for nationalisation excluded some of the largest firms and included those which were practically bankrupt; there was no alternative management to run the nationalised firms, so the government requested that former owners continue running the concerns on contract, giving rise to massive capital flight; there appeared to be no plans to restructure and rationalize the nationalized assets and the government had no idea how they were going to compensate former owners; most importantly, the nationalisation exercise did not appear to address the central issues of dependent development and income inequalities (Jorgensen, 1981: 236). In fact, some owners even welcomed the nationalisation exercise as it did not affect them adversely.

However ineffectual the nationalisation exercise was, it alienated both the left and the right and split the ruling party even further. The Left was expecting a more comprehensive social contract while the Right saw this as the beginning of massive redistribution. In particular, the Asians who saw themselves as exceptionally vulnerable began to shift their resources elsewhere.

Thus, the national strategy was not only shabbily put together but it did not achieve any of the intended objectives. Instead it alienated the powerful and further isolated Obote's regime. As Mittelman (1975: 259) observed:

The Move to the Left proved to be inappropriate for the social structure in Uganda, unsuited to its historical setting, and misconceived in its application. In Uganda, ideology was an escape from praxis. The lesson is that attempts by low income countries to copy outside models are unlikely to serve their interests.

The external factors, to which the study now turns, made the economic situation even more precarious.

#### 5.4.3. External Causes of the Economic Malaise

Over the decade of the 1960s, Uganda experienced steadily deteriorating international terms of trade. Thus, between 1962 and 1969, although coffee production doubled and cotton exports increased by 50%, the price of both crops on the world market went down; indeed all the major export crops fetched much less in foreign exchange than during the previous decade (Mamdani, 1983: 29; Jorgensen, 1981: 241). Coupled with increased capital flight, the country was receiving less money in aid and foreign investment than the out flows. This resulted in a severe shortage of foreign exchange and precarious BOP situation. The acrimonious end of the East African shilling further exacerbated the unstable economic situation.

The Second Five Year Development Plan 1966/67 - 1970/71 was predicated on two assumptions: foreign investment would be the main source of finance; and the funding would be taken care of by higher export prices. Both assumptions proved unrealistic. In fact, only half of the expected foreign funding materialized -- at higher interest rates than expected; the anticipated higher

commodity prices did not materialize either. Faced with a fiscal crisis, the government resorted to borrowing from the central bank (Jorgensen, 1981: 234). This habit of borrowing from the central bank, which Amin would later seriously abuse, hastened the pace of inflation and slowed down economic growth. By 1969, Uganda was experiencing an economic crisis: shortage of foreign exchange, scarcity of commodities, capital flight, high levels of unemployment -- all within the context of political instability, increased political repression as well as adverse international terms of trade.

As the 1960s were coming to an end, Obote's regime was in splendid isolation. The cumulative political crises alienated many interest groups, seriously weakened the ruling party and divided the army. Obote responded by creating more security organs to counter-balance the army. Repressive measures suppressed civil society; the Move to the Left, potentially a sound development trajectory, was received with scepticism and dejection by a large section of the country for different reasons.

With political and economic crises on the boil, Obote's regime could only survive with the army's support. However, ethnic and inter-forces rivalries had broken down its undivided loyalty to Obote. Amin finally overthrew Obote's government in January 1971 to the delight of many that had been alienated by the previous regime.

The military intervention was made possible by the underlying sociopolitical weaknesses, many of which Obote had helped to create:

...lack of viable institutions, a heavy power structure, the lacuna between the official ideology and political behaviour, ethnic fragmentation, economic instability, the obstacles to recruitment facing the younger generation, and corruption and nepotism among the elites (Mittelman, 1975: 176)

Amin inherited intractable political and economic crises, many of which he had helped to fuel and which he was uniquely unqualified to resolve. After a brief honeymoon, Amin unleashed unprecedented terror that resulted in catastrophic political and economic collapse. The next section focuses on the impact of Amin's regime.

#### 5.5 Amin's Regime: Accelerated Political and Economic Collapse, 1971-79

Amin's coup in January 1971 took full advantage of cumulative and widespread popular discontent with Obote's regime. The new regime released high-profile political detainees and broached the idea of restoring the Buganda Kingdom, whose king Amin had earlier driven out of the palace under a hail of bullets. Grippled by temporary political amnesia, Buganda's population welcomed Amin as a hero. Amin's regime also got a warm reception from trade unions, teachers, chambers of commerce, civil servants and others who were disadvantaged by the outgoing regime or disliked the implications of the Move to the Left. Indeed, many celebrated the fall of Obote, regardless of who had succeeded him in office. The paralysed elements of civil society were briefly fed on the illusion that the new regime would open more space for political participation and economic progress. For a few months the new regime enjoyed

a political honeymoon which enabled Amin to consolidate himself in power (Mutibwa, 1992: 81-86; Mamdani, 1983: 37; Jorgensen, 1981: 267-71).

Externally, Amin's regime received enthusiastic support from Britain, Israel, Ethiopia and South Africa -- for different reasons. Britain was uncomfortable with the nationalisation programme and Obote's vitriolic attack on British policy towards the apartheid regime in South Africa. Israel had, over the years, and against Obote's wish (even knowledge) received help from Amin to supply the Anyanya rebellion in Southern Sudan and, therefore, distract the Sudanese army from joining other Arab armies against Israel. It therefore made strategic sense for Israel to support Amin's bid for power in Uganda. Ethiopia, then a feudal state, was dismayed by Obote's anti-feudalist stance and actions; being the headquarters of the Organisation of African Unity (OAU), Ethiopia's swift recognition and support of Amin carried considerable political weight. The South African government was delighted that Obote, who had fiercely opposed the sale of British arms to the apartheid regime -- and was toppled while still haranguing Britain over the issue at the Singapore Commonwealth meeting -- was out of the way. In any case, the much needed external support further strengthened Amin's grip on political power.

Over time, Amin and his utterly undisciplined army, which included thousands of Southern Sudanese mercenaries, systematically destroyed what was left of civil institutions and civil society. The regime responded to real and imaginary opposition with brutal force and unrestrained gross violations of human

rights. By the time the regime was forced out of power in 1979, it is estimated that over 500,000 persons had been murdered by Amin's agents. These included the Chief Justice, the Anglican archbishop, several serving and retired cabinet ministers, the Vice-Chancellor of Makerere University, the Governor of the Bank of Uganda, senior military and public officials, journalists (both local and foreign), professionals, business people, students and many more. Amin also organised the murder of his wives when they fell out of favour. Those who were able left the country and those who stayed constantly walked under the shadow of death.

Amin's pogroms, excessive megalomania, mercurial dictatorship, uncanny sense of the dramatic and perverse populism have been meticulously documented by Kyemba (1977), Melady and Melady (1977) and Martin (1974).

Amin's so-called "economic war" policies handed over the commanding heights of the economy to illiterate soldiers and their cronies who proceeded to plunder at will. The foreign exchange generated by the coffee boom in the mid-1970s was used to sustain the army's long shopping list and upkeep. The oil shocks and the cost of war with Tanzania added more economic misery to the population. By the time Amin was removed from power, the economy, polity, civil society and social fabric had collapsed seemingly beyond redemption. Amin accelerated the logical continuation of economic decline that was gathering speed under Obote. The next section will attempt to provide a review and analysis of the main factors that led to the dramatic political and economic collapse under Amin.

### 5.5.1 The Process of Political Collapse Under Amin

Amin's ascendancy to power was accompanied by ethnic divisions and violence within the army and other security organs. To ensure his survival Amin embarked on a massive "ethnic cleansing" of the military: soldiers known to support Obote, particularly those from Acholi and Lango districts, were rounded up and murdered. The regime also embarked on a large-scale military recruitment of mercenaries from Southern Sudan and Amin's ethnic associates; by 1974 the army had expanded from 7,680 at the time of the coup to 20,000; and the military budget consumed nearly 30% of government revenue (Mamdani, 1983: 43; Jorgensen, 1981: 274).

The army became the supreme organ of the state: it usurped judicial powers through the establishment of military tribunals; it took over local and regional administration through the appointment of regional military governors; detention without trial was re-introduced and the intelligence system personnel had license to kill and did so frequently (Jorgensen, 1981: 284). Political and trade union activities were suspended; and Islam, not Protestantism, was made a semi-state religion. Failed attempts on his life and the unsuccessful Tanzania-backed invasion in 1972 made Amin even more ruthless.

Amin's obsession with creating a large army animated his foreign policy. Immediately after assuming power, he visited Israel and Britain in search of funds and military equipment. When he failed in this bid his foreign policy dramatically shifted to a pro-Arab stance after promises from Libya's Khadafi. Within a few

weeks, Amin expelled all the Israelis from the country and, later, did the same to the British. Uganda was declared a Muslim state and expressed the wish to fight alongside the Arab armies in the Middle East conflict. With the cash hand-outs from Libya, Amin purchased enormous quantities of arms: tanks, APCs, helicopters, MiG 17s and bombs from the Soviets; Mirage jets from France; helicopter parts from the U.S.; and communication equipment from Britain (Mamdani, 1983: 68). These purchases tipped the regional military balance in Amin's favour and triggered an arms race in East Africa. A lot of foreign exchange earned from coffee was sunk into these military projects, and Uganda's external debt started rising sharply.

As the economy began to collapse, Amin was under pressure from his supporters and African traders who wanted a bigger share of the declining economic spoils, trade and commerce. On 7th August, 1972, Amin announced that all Asians, including 23,000 who were Ugandan citizens, would have to leave the country within three months (Jorgensen, 1981: 286). The majority of the Asians held British passports and were, technically, Britain's responsibility.

Thereafter, Amin proceeded to distribute the abandoned Asian property to his friends and ranking officers in the military. Some of the properties were allocated to government departments and parastatal bodies. This is what the Amin regime termed the "economic war" -- a move against British imperialism and its (Asian) local agents; a nationalist attempt to redress the racial imbalance in trade and commerce and create black millionaires (Mamdani, 1983: 39). Amin's

racist arguments generated uncritical popular support, especially among those that stood to benefit from the abandoned properties. His move was a rapid and chaotic implementation of Obote's Move to the Left.

In the very short run, Amin's antics appeared to work and a post-Obote ruling coalition was beginning to emerge. A new stratum of the newly rich (mafutamingi) emerged. However, the aftermath of the Asian expulsion precipitated economic collapse. First, the expulsion outraged the Western world; subsequently, traditional sources of aid and loans were dramatically disrupted, and eventually cut off; additionally direct foreign investment dried up (Mamdani, 1983: 103-106). Second, the new mafutamingi class did not know the nuances of trade and commerce; certainly they did not have foreign connections and credit facilities and the international credit worthiness that the Asian bourgeoisie had cultivated over the years (Mamdani, 1983: 47).

The mafutamingi class indulged in illegal informal trade and vulgar conspicuous consumption and very rarely in productive and investment activities. Coupled with the proliferation of inefficient parastatals and mismanagement, the "economic war" quickly led to scarcity of commodities, high domestic prices, shortages of foreign exchange and galloping inflation. Both political and economic crises gathered far more intensity than at the end of Obote I's administration in the late 1960s.

### 5.5.1 Accelerated Economic Collapse

Landlocked Uganda, even more than other non-oil producing SSA with access to the sea, was severely affected by the first oil crisis of 1973. Its oil bill increased nearly five-fold resulting in a large trade deficit between Uganda and its neighbours (Economist Intelligence Unit (EIU), No. 4, 1974: 3; No. 3, 1976:5). The oil impact, however, was somewhat eclipsed by dramatic and chaotic domestic mismanagement and institutional breakdown, giving the Berg Report analysis more credence.

The cumulative impact of the oil crisis and institutional breakdown led to declines in the production of major cash crops: tobacco production fell from 5000 tonnes in 1970 to 3600 in 1975; tea production dropped from 18,200 tonnes in 1970 to 10,000 in 1978; cotton production plummeted from 76,300 to 11,000 bales in the same period; coffee volumes declined from 175,500 to 122,000 in the same period; and the tourist industry closed down completely (Mamdani, 1983: 48-50). Kenya was the main beneficiary of this chaos.

The industrial sector was similarly affected. Production of sugar, soap, hoes, cement, steel ingots, corrugated iron and gunny bags declined by up to 90% while copper mining and smelting as well as fertilizer production ceased entirely (Jamal, 1988: 679; Jorgensen, 1981: 267); industrial production was operating at less than 30% capacity. As foreign exchange and spare parts became scarce and the transportation system collapsed, more industrial concerns

closed down, leading to rapid and catastrophic de-industrialization; prices of locally manufactured goods sky-rocketed and inflation went into triple digits.

The urban price of matoke (staple food) rose by 412% between 1971 and 1975; the cost of living of low-income workers in Kampala increased by 531% between 1971 and 1977, while the legal minimum wage increased by a mere 41% in the same period; and with more illiterate soldiers brought into the cabinet, economic mismanagement simply gathered momentum, prompting the GDP to fall by 1.1% and 20% in real terms in 1973 and 1974, respectively (EIU, No. 3, 1974: 5; No. 3, 1975:5; Jorgensen, 1981: 298).

Desperate for revenue, the government increased taxes on cash crop growers to the extent that the latter were getting only 15.6% of coffee export receipts, the rest being expropriated by marketing boards and government officials (Jorgensen, 1981: 295). Rationally, many farmers switched from cash to food production and smuggled the bulk of tradable commodities across the porous borders. It has been estimated that between 1976 and 1979 more than 50,000 tonnes of coffee were smuggled from Uganda to Kenya alone; a new term for this massive smuggling operation -- magendo -- was added to the East African economics vocabulary. A new "informal" regionalism centred on Uganda emerged.

By 1975 the economy had practically collapsed. The uncertainty brought about by the severe shortage of foreign exchange prompted foreign firms to demand prepayment for goods destined for Uganda. When Kenya joined the

foray by withdrawing credit for oil supplies, the remaining manufacturing sector, already diminished by shortages of imported inputs, simply crumbled.

Undeterred by the economic crisis, Amin continued to engage in massive expenditure on military equipment from the Soviet Union; the latter was only able to receive payment by periodically withholding spare parts for MiG fighters and tanks (EIU, No. 4, 1976: 7).

By 1978, the hitherto resilient economy was in tatters. Also, more murders were being committed and ethnic rivalries within the army were at an all-time high (Edmonds, 1988: 99; EIU, 2nd Quarter, 1978: 9; Livingstone, 1994: 1).

In order to divert attention away from domestic chaos and to commit his opponents within the army to an external military adventure, Amin, in 1978, invaded parts of Tanzania. The military expedition was as costly as it was bizarre; the expenditure to support it ruined the already bankrupt economy. The economic collapse was so total that the impact of the 1979 oil shock did not clearly register; Ugandans were so preoccupied with daily physical survival that normal economic concerns looked relatively remote and irrelevant.

When Amin was finally driven out of power by a Tanzanian-led military expedition, he left a totally ruined but highly indebted economy; a dismembered and severely weakened civil society; a near-total absence of civil institutions, collapsed social and physical infrastructure; and a humiliated and demoralised hapless population left to tend to its thousands of orphans and widows. All human development indicators had been pushed so low that it was very difficult

to imagine that Uganda could get any worse. As it turned out, the unstable and short-lived post-Amin governments soon gave way to the Obote II regime that would preside over even more violence and mayhem. The next section focuses on the Obote II regime's attempts at structural adjustment of a collapsed economy in the midst of a civil war.

#### 5.6 The Obote II Regime: Attempts at Structural Adjustment of a Collapsed Economy in the Midst of a Civil War

Although Amin's regime left a totally ruined economy which was further damaged by destruction and looting in 1979, its demise (just like its arrival) was greeted with unprecedented relief and great expectations. Basic civil liberties and security were restored, Amin's dreaded military and intelligence structures were dismantled, and Uganda appeared to be on the threshold of an historic opportunity to embark on political, economic and social rehabilitation and reconstruction.

Yusuf Lule, who was chosen by Ugandan exiles meeting in Arusha to take the Presidency, appeared to be suited for the unenviable task: he was fairly well known and respected both within and outside Uganda; he was an efficient administrator who, being a Muganda, also ensured wide-spread Baganda support of the new regime (Furley, 1989: 281; Mudoola, 1988: 280; Mutibwa, 1992: 126). However, the new President quickly discovered that the emerging new army, the Uganda National Liberation Army (UNLA), was largely under the influence of the

remnants of Obote I's officer corps and its rank and file from northern Uganda; it owed its basic allegiance to Obote who, at this time, was still in exile in Tanzania from where he influenced events in Uganda in a subtle manner. Other elements in the army, including a sizeable following for Museveni, then a Minister of Defence, also owed their allegiance to their respective leaders. Tensions and contradictions in the liberation movement continued and even intensified.

In an attempt to break with the past and address the issue of the composition and character of the army, Lule proposed proportional regional representation in military recruitment and staffing, which would have profoundly undermined the northern region's dominance in the military. This implication was not lost on Obote's supporters in the newly hand-picked legislature who, with the support of Obote's faction in the army, removed Lule from the presidency after only sixty eight days in office (Mutibwa, 1992: 126; Furley, 1989: 281).

Godfrey Binaisa, an old ally of Obote and another Muganda, was picked as a compromise replacement to Lule by the legislature, the National Consultative Council (NCC), in June 1979. The new president did not fare much better than his predecessor. His proposal, similar to Museveni's "no party" democracy of the 1990s, that subsequent elections be held under the umbrella of the ruling rainbow coalition -- the Uganda National Liberation Front (UNLF) -- went against the wishes of the old political parties, particularly the UPC which interpreted Binaisa's proposal as a subtle move to block Obote's return to power. Binaisa also alienated crucial political personalities in the UNLF: he demoted Museveni from

the powerful position of Minister of Defence; reshuffled Muwanga, an ardent Obote supporter, to a minor ministry; and attempted to remove Oyite-Ojok, the de facto head of the army and Obote's trusted strong man, from the military to the Ugandan embassy in Algeria.

In May 1980, Obote's allies removed Binaisa from the presidency and replaced him with Muwanga, a staunch supporter of Obote. Muwanga set about arranging the 1980 elections, which were neither free nor fair; as a result, Obote and the UPC were returned back in power in December 1980 (Gingyera-Pinycwa, 1989: 51; Kiapi, 1989: 108; Furley, 1989: 281; EIU, 1st Quarter, 1980: 6). It is important to focus on the 1980 elections as they marked yet another historic missed opportunity for rehabilitation and reconciliation -- and their contested results led to armed confrontation and further economic collapse. The next section deals with the 1980 elections and the ensuing fall outs.

#### 5.6.1. 1980 Elections and the Genesis of Armed Opposition

The 1980 elections were contested by four political parties: the Uganda People's Congress (UPC), Democratic Party (DP), Uganda Patriotic Movement (UPM) and Conservative Party (CP). This was the first time since 1962 that Ugandans were presented with an opportunity to choose their preferred government by popular vote. It was also potentially an historic moment that would have re-established civilian control of the state. Both expectations and stakes were very high.

Interviews, comments and analyses relating to the 1980 elections seem to strongly suggest that the elections, witnessed by external monitors like elsewhere in Africa in the 1980s, were not free and fair; they were massively rigged by Muwanga, Obote and the UPC network (Brett, 1991: 299; Kasfir, 1991: 253 & 263; Kiapi, 1989: 107; Pirouet, 1991: 198; Mutibwa, 1992: 140; Furley, 1989: 283; Museveni, 1992: 133). The use of different ballot boxes, Muwanga's dismissal of the Chief Justice, the dismissal of fourteen district commissioners and their replacement by UPC sympathizers, gerrymandering, obstruction of the nomination process, and Muwanga's usurpation of the electoral commission's mandate all turned the electoral process and results into a farce.

On December 11th Muwanga, against all evidence, declared UPC the winner. Obote and Muwanga, neither of whom even bothered to stand for elections, were declared President and Vice-President, respectively. The cabinet was largely made up of appointees who did not stand for elections, or candidates who lost or were declared winners after conceding defeat in their constituencies (Mutibwa, 1992: 142).

The election rigging that ushered in Obote II's illegitimate regime opened practically all the political wounds that had been inflicted on the society and the body politic since the 1960s. Competing political parties, Buganda, West Nile and many other political groupings were outraged; ethnic, regional and religious conflicts resurfaced with a vengeance. In a sense, Obote and his party triumphed without victory. The only way Obote's regime would survive in power was via the

support of the army, as it had in his first term of office. This, however, was a major miscalculation, as the Uganda of 1980 was remarkably different from that of 1966.

Barely two months into office, Obote's regime was confronted by armed opposition. Museveni and the National Resistance Army (NRA) -- the armed wing of the National Resistance Movement (NRM) -- launched a guerrilla war in early February 1981 with a dramatic attack on the training establishment of the official army. Several other groups in Buganda and West Nile formed their own armed organizations and joined the harassment of Obote's army. What ensued between 1981 and 1985 was a bloody confrontation. In desperation government troops committed indiscriminate massacres that claimed more than 500,000 lives.

The conflict shattered an already weakened economy; it removed legitimate authority from the government to conduct generally recognized political and economic policies; it also escalated military expenditure and material destruction (Collier, 1994: 1). It was within this context of civil war, political instability and economic collapse that the Obote II regime adopted and implemented (and later abandoned) stabilisation and structural adjustment programmes with the support of the Fund and the Bank. The early SAPs were doomed given the context. The next section focuses on the implementation, impact and ultimate failure of reform programmes which commenced in 1981.

### 5.7 Structural Adjustment Programmes Under Obote II, 1981-85

Apart from political instability and increased military challenge from guerrilla forces, the Obote II regime inherited an economy that had virtually collapsed under Amin's mismanagement and plunder as well as the harsh external environment. The new regime inherited an economy with serious macroeconomic disequilibria in goods, money, labour and foreign exchange markets (Ochieng, 1991: 44): per capita income had fallen by 25% between 1977 and 80 -- itself 68.9% of the 1963 level (Edmonds, 1988: 100); export volumes had fallen precipitously between 1973 and 1980, with declines averaging 9.5% per annum (Lateef, 1991: 25); war had shifted expenditure away from investment so that the latter's share in GDP had fallen from 12% in 1971 to 2.9% at the end of the decade; and the economy had shifted toward subsistence, progressively becoming demonetized (Collier, 1994: 8). In the manufacturing sector, only 300 out of 930 enterprises registered in 1971 only 300 remained in operation at the beginning of the 1980s, with an average capacity utilization of just 5%. Out of fifty factories which were functioning in the medium and large scale sector in 1970, only 35 were functioning at 25% utilization capacity by 1981; out of 870 small sector establishments in 1971, only 418 could be identified at all by the beginning of the 1980s, and of the latter, 162 had closed down and 256 were operating intermittently (Livingstone, 1994: 1). Budgeting controls had broken down; cooperatives and marketing boards, which were fledgling at the best of times, had become literally non-functional; public revenue had shrunk to the extent that the

government depended on borrowing from the banking system to sustain basic functions; and physical infrastructure, especially roads, was in an advanced state of decay (Henstridge, 1994: 47). Amin's regime also left a cumulative overall payments deficit of SDR 106 million (EIU, 2nd Quarter, 1980: 9), a parallel economy more resilient than the formal one, and hyper-inflation (Belshaw, 1994: 113).

The ensuing economic and political instability saw, among other things, dramatic increases in food prices, particularly in urban areas. The government's attempt to reduce food prices by political fiat not only failed to contain but reinforced smuggling and pushed annual inflation rates to over 500% (EIU, 1st Quarter, 1981: 6; Edmonds, 1988: 101). Obote, who had on his return from exile in Tanzania in May 1980 ironically condemned foreign aid and argued for the mobilization of domestic resources for development, had practically no choice but to adopt Fund/Bank-funded stabilisation and structural adjustment programmes in 1981.

#### 5.7.1. Stabilisation and Adjustment Programmes

In 1981 the Uganda government entered an agreement with the Fund and adopted a policy package aimed at stabilisation, recovery, greater efficiency and restoration of confidence in the national currency (Edmonds, 1988: 101; Ochieng, 1991: 44). The package included the standard Fund conditionalities:

- (i) Liberalisation of the foreign exchange system: the government introduced a flexible exchange rate and periodic devaluation of the shilling; this was intended to arrest the parallel rate, at the time 10 times the official rate, halt smuggling and increase government revenue;
- (ii) Liberalization of prices: price de-controls, except for major export crops, petroleum products and public utilities' operations, were introduced; and regular increases in the minimum producer prices of traditional exports were put in place. These measures were intended to get rid of market distortions and boost agricultural production by providing incentives to farmers;
- (iii) Fiscal measures: in an attempt to reduce the overall fiscal deficit while increasing revenue, the government adopted measures to improve the tax base as well as tax administration; additionally, it was agreed that there would be a freeze on recruitment in government and parastatal employment; that retrenchment and "exorcising" of ghost workers would follow. Other measures included cuts in social services expenditure, introduction of cost-sharing and commencement of the privatization exercise;
- (iv) Monetary measures: in an attempt to encourage economic growth while dampening inflationary pressures, quantitative ceilings were imposed on total domestic credit and net credit to government; this measure, it was hoped, would progressively reduce the government deficit. Commercial

bank reserve ratio was increased from 10% to 15%, and nominal interest rates were raised substantially to encourage domestic savings. The programme was also predicated on the Fund's insistence that Uganda reduce its external arrears from \$163 million in June 1981 to \$120m in June 1983 (Edmonds, 1988: 104; Ochieng, 1991: 44; Banugire, 1989: 104; Henstridge, 1994: 53).

Apart from its insistence on the aforementioned liberalisation, fiscal and monetary measures, the Fund literally took over the running of the central bank - the Bank of Uganda (BOU). Interviews and records at BOU indicate that between 1981 and 1985 Fund personnel or its consultants headed Bank Supervision, Foreign Exchange, Research, Public Debt Management and Accounting departments at the central bank; the Fund also maintained a resident representative in the country after 1982. At the same time, the Fund provided technical assistance that virtually ran the budgetary and fiscal systems in the Ministry of Finance. In a real sense, therefore, the Fund was proposing, dispensing and funding the stabilisation and adjustment programmes during that period. The emerging Fund controls smacked of a new colonialism of a direct kind.

Beginning in June 1981, the government implemented most of the policy reforms which it had agreed upon with the Fund. The shilling was floated and it instantly nosedived to 5% of its previous value, settling at 78 shillings per US\$1 dollar; the price of petrol was raised by more than 300%; sharp increases were

effected in customs, duties and sales as well as income taxes; producer prices for coffee were raised by 188% and those of cotton by 150%; interest rates were raised and budget cuts effected; and, in an interesting twist of events, the Army Chief of Staff was appointed Chairman of the Coffee Marketing Board, the most important marketing board in the country (EIU, 2nd Quarter, 1981: 8-10; Bank of Uganda Annual Report, 1981/82: 18).

Impressed with the reform measures, the Fund released \$197m to the government under a standby arrangement; the Bank put up \$95m while the EC availed \$112m under Lome II; Canada, the Netherlands and West Germany provided bilateral funding; and the Paris Club rescheduled \$28m (15IU, 2nd Quarter, 1981: 11). With the introduction of the two-year Recovery Programme in 1982, both the government and the Fund began to talk confidently of recovery and turnaround of the economy.

At the macroeconomic level, there were indicators to justify the triumphant mood: the parallel rate of exchange, hitherto 10 times the official rate, was brought down by 50%; tax revenue increased from 1.7 billion shillings in 1980/81 to 30.5 billion in 1983/84; the ratio of deficit to total expenditure fell from 69% (1981/82) to 31% (1983); producer incentives enabled the government to capture coffee sold on the unofficial market, boosting the volume of the marketed product from 97,500 tonnes in 1981 to 138,700 in 1984; the output of cotton increased three-fold (but from a very small base) and that of tea increased from 1,700 tonnes in 1981 to 5,200 in 1984; and annual inflation rates decreased from 100%

in 1982 to 16% in June 1984 (Henstridge, 1994: 53; Edmonds, 1988: 3; Belshaw, 1994: 123; Ochieng, 1991: 44; Banugire, 1989: 104). The Uganda Commercial Bank (UCB), the largest commercial bank (which was also government-owned), declared that the "imaginative policies of the UPC since the budget speech of June 1981 have not only halted the decline but have also led to a revival of production in key sectors. The latest estimates show that the GDP increased by 6.1% in real terms in 1982 over 1981, and the tentative forecasts suggest that the growth during 1983 will be even higher" (UCB, 1982: 16). This gave an illusion that Uganda was on its way to full and sustainable recovery.

This sense of optimism, however, was very short-lived. The temporary positive indicators were more reflective of the large injections of funds that had been pumped into the economy than of actual recovery. The adverse impact of the economic reforms on the urban population, the increased government military expenditure in the face of a rapidly escalating confrontation with the NRA, as well as political calculations relating to the elections slated for 1985 forced the government to abandon the programme (Nabuguzi, 1985: 8). By the beginning of 1984, the government had abandoned most of the performance criteria which had been agreed upon with the Fund: domestic credit ceilings were abandoned; civil servants' salaries were raised by between 250% and 500% and the promised retrenchment in the civil service did not materialize (Nabuguzi, 1994: 11); expenditure overruns and revenue short-falls increased government deficits; and inflation was once again galloping at 141% by 1985.

Owing to severe differences, the government chose not to renew its agreement with the Fund. Without funding from either the Bank or the Fund, the economy collapsed to the levels at which Amin had left it in 1979 (Edward, 1988: 105; IMF Confidential Reports). Although it was political pressure which forced the government to abandon the programme, it is of interest to analyze and evaluate the broad impact of the policy reforms on the economy.

#### 5.7.2 The Impact of Reform Programmes 1981-83

In spite of flamboyant claims made both by the Bretton Woods institutions and Uganda government officials, the policy reforms themselves seem to have been partly responsible for the inability of the economy to recover beyond the initial, if brief, positive steps.

The tough, indiscriminate credit ceilings became counter-productive in several ways: by not discriminating between types of expenditure, the ceilings brought many development projects to a stand-still, rendering long-term recovery very difficult; the ceilings also made it practically impossible to purchase farmers' crops at peak seasons, leading to waste, disincentives and reduced export volumes; additionally, the industrial sector, which urgently required access to credit to replenish its working capital (having been dramatically eaten away by the devaluation exercise), quickly discovered that credit ceilings made their requirements very difficult to meet. As a result, the reform programmes failed to stimulate exports as well as to enhance industrial performance, which remained

at less than 20% capacity utilization for the period during which the reforms were in place. The end result was that the economy was unable to generate foreign exchange to plug the gap which had temporarily been filled by the Fund and Bank funds; when the latter institutions withdrew their funding, the whole programme collapsed, as expected (Edmonds, 1988: 105; Ochieng, 1991: 59).

Another major shortcoming of the recovery programme was its inability to diversify the economy; increasingly the economy came to depend on coffee alone as the main earner of foreign exchange. In spite of several million dollars directed at the supply side, the financial, infrastructural and managerial constraints ensured failure to restart, let alone sustain, cotton, tea and sugar production. By the end of the programme, cotton had "recovered" to only 14% of its 1970 level; tea to 22.5% of 1973 output; and sugar to only 3.2% of 1970 levels (Belshaw, 1994: 118). Given lack of interest in industrialisation in SSA by the Bank, the latter's policy reform success was based on how effectively the agricultural base could be widened. This modest objective was not realised. When coffee production was affected by the civil war and its price on the world market began to tumble, the country's BOP became increasingly untenable.

On the surface it appears as though the reform programmes positively introduced a rural bias as producer prices were increased about fifteen times during the relevant period. However, the consumer index was increasing even faster -- and the increased earnings by farmers were more than neutralized by the high cost of living; in any case, the liberalisation of interest rates disadvantaged

commercial agricultural farmers and favoured merchants and traders -- making it more difficult to increase agricultural production (Banugire, 1989: 107).

While they were not satisfactory to the rural population, the reform programmes clearly hurt the urban population, particularly those with fixed incomes. The ratio of formal wages to basic needs requirements for low income workers shifted from 1:21 in 1983 to 1:80 in 1986 while that of middle income earners shifted from 1:11 in 1984 to 1:24 in 1987 (Banugire, 1989: 98). The reforms not only disadvantaged urban workers but hit the lowest paid hardest, leading to more social and economic inequalities.

Government expenditure cuts put further pressure on already severely diminished social services. The cumulative expenditure cuts so depleted health services that by 1985 they had declined by 91% from their 1971 level (Collier, 1994: 20). Not surprisingly, life expectancy for both women and men in the mid-1980s was shorter than the 1965 level, while infant mortality rates in the 1980s increased to 108 per 1000 -- compared to 90 per 1000 in the 1970s (Banugire, 1989: 102).

The educational sector also suffered as a result of expenditure cuts. New primary and secondary schools that sprung up as a result of political pressure lacked basic facilities, including teachers, buildings and equipment. They were popularly and contemptuously nicknamed "fourth world" schools because of their inferior educational standards. Poor as the standards were, these new schools

depended to a large extent on parents' contributions. This put more pressure on already precarious rural household incomes.

The pressure on educational opportunities also had a gender dimension.

A UNICEF report observed that:

The school committee starts a collection for a building fund...home finances are strained and there are more chores to do; so she leaves school after Primary Three. Her elder brother continues as her parents believe that boys need education more than girls do. (UNICEF, 1989: 2)

Thus, increased parental financial obligations not only put (inferior) education out of reach of many rural children but hit girls first, leading to further gender inequality in the future.

On the whole, the economic reforms lacked local political and management support; they were introduced suddenly without due regard to the collapsed infrastructure and depletion of human resources. These gaps led to serious sequencing problems. In many instances positive supply responses were frustrated by the collapse of physical and marketing infrastructures; in others expensive equipment was purchased only to realise there were no seeds to plant. The standard economic reforms did not take Uganda's peculiarly advanced decay into consideration.

While the policy reforms themselves provided contradictory signals and procedures and reduced recovery possibilities, it would be both inaccurate and naive to argue that they were solely responsible for the failed recovery. There were many other factors at work. The civil war was a critical factor that prevented

the government from adhering to the Fund's performance criteria. The government, under siege from the NRA, increased military expenditure by basically running a huge deficit. Indeed, the budget deficit increased from 22 billion shillings in 1983 to 164 billion in 1985 (Livingstone, 1994: 1). The government deficit was further put out of control by salary increases in 1984 -- a political expedient to appease wage earners in anticipation of general elections that were due in 1985.

The adjustment programmes depended overwhelmingly on external funding; in terms of policy instruments, the Fund and the Bank leaned too heavily on exchange rate management at the expense of other policy instruments (Ochieng, 1991: 48). The government, which clearly lost interest in the economic reforms, failed to realise that political and administrative stability was a crucial pre-condition for economic recovery; and in a wider sense, the IFIs were naive to overlook the context of the civil war.

Like the Zambian case discussed earlier, the Uganda government abandoned economic reforms under political pressure. By 1984, none of the economic reform objectives had been achieved. The economy did not recover; in fact, it was deteriorating fast: production was not revived; the economic base remained dangerously narrow as the revival of tea, cotton and sugar production failed to materialize; foreign investment did not materialize; and the shilling continued to lose value; after a brief recovery, price distortions and parallel markets were even more resilient in 1984/85 than ever before; and fiscal and

monetary indiscipline continued unabated. When Obote's regime collapsed, inflation, money supply and the government deficit were all out of control. Thus even after Amin's reign of terror, cumulative economic decline continued to gather momentum.

### 5.7.3 The Collapse of Obote II Regime

As the economy slipped further into chaos and the NRA offensive gathered momentum, Obote's "government" was more preoccupied by personal survival than economic development and management. The turn of events in 1985 must have brought a vivid sense of déjà vu to many veteran political actors in the arena. Just as in the 1960s, the UPC split under ethnic, regional and military pressures. Obote and Muwanga publicly took independent and contradictory courses of action. More ominously, the army split along tribal lines. The Acholis, already disaffected by Obote's elevation of a fellow Langi to the position of Chief of Staff of the army over more senior officers, complained that they were being disproportionately exposed to the war front line. Under relentless pressure from the NRA, the Acholi faction overthrew Obote's government in July 1985. The new regime, under General Okello, an illiterate septuagenarian, had neither the interest nor the inclination to deal with economic policy matters. Instead, it attempted to negotiate with the NRA for power-sharing.

Okello's regime lasted only six months. The NRA transformed itself into a conventional army and forced a show-down with Okello's forces. Unlike the

1978 Tanzania-led "invasion", an entirely indigenous initiative overthrew the short-lived government and finally took control in 1986. It would not be until 1987 that the new NRM government would adopt and implement SAPs. The next chapter attempts to focus on NRM's efforts at the rehabilitation and reconstruction of the polity and economy, including the implementation of SAPs.

## CHAPTER 6

### NRM's Agenda:

#### From Confrontation with the Bank and Fund to the Adoption of SAPs

The NRM took control of state power in January 1986 when its armed wing, the National Resistance Army (NRA), defeated the Ugandan standing army along with Tito Okello's six month old regime. Whilst the new government was greeted with enormous expectations, it was also confronted with severe challenges on several fronts.

First, the economy was in ruins. Cumulative misrule, government financial indiscipline, the impact of the Civil War and deteriorating international terms of trade had seriously disrupted production and marketing patterns as well as productivity, resulting in shortages of food, services, and foreign exchange. Galloping inflation, way above 100% per annum, was accompanied by widespread parallel market and smuggling activities and an over-dependence on coffee, whose world prices were on the decline; at the same time, low levels of external aid flows and large debt service obligations resulted in severe BOP problems (IDRC, 1987: vi; Lateef, 1991: 20; Ochieng, 1991: 49, IMF Confidential report, 1986). There was, therefore, an urgent need for economic stabilization and rehabilitation.

Second, there was an equally urgent need to restore peace as well as security of persons and property, to halt the massive abuses of human rights and

to end state terrorism and the proliferation of private armies. The new government needed to redefine civil-military relations and at the same time contain the retreating and marauding elements of the defeated army which were fighting a rear-guard action in the northern part of the country (EIU, No. 1, 1986: 10; Regan, 1994: 8; Mamdani, 1988: 1157).

Third, the NRM victory had opened a new chapter of ethnic and regional cleavages, particularly the north-south divide. Owing to historical circumstances, the NRA and NRM had their strongest support in the central, south and south-western parts of Uganda; the composition of the NRA and the NRM's emergent leadership reflected this distinctly southern "hue." Thus the NRM was generally regarded by the north and north-eastern parts of Uganda as a southern government — a potential source of conflict.

Indeed, the old inherited internal colonial division of labour, in which the south provided cash crops and civil servants while the north provided cheap labour and monopolised the armed forces, was thrown out of balance, leading to an impression among northern leaders that their region was completely left out of the emerging power structures (Mamdani, 1988: 1168; confidential interviews). In order to avoid the historical pitfalls that had fuelled cycles of ethnic tensions and confrontation, there was a need to avoid the monopolisation of political power by one region (which had economic power as well) and to deliberately make attempts to form a viable and broad-based united front. The NRM administration was thus confronted with urgent issues of national unity and reconciliation.

Fourth, the NRM regime inherited collapsed state structures and civil society. The comprehensive collapse and decay had substantially eroded popular political participation, accountability, and probity. There was, therefore, a need to address issues of renewed and sustainable democracy as well as the transformation of both state and societal structures. These issues were not only urgent and compelling but were also the *raison d'être* of the guerrilla war that the NRA/NRM had waged since 1981 (Regan, 1994: 10; Mamdani, 1988: 1173; Dicklich, 1994: 4; Museveni: 1992: 21-27).

There seems to be a general consensus amongst the post-NRM regime analysts as well as the NRM's own Ten Point Programme (TPP) that the failure and success (both in short- and long-term perspectives) of NRM's attempts to rehabilitate and reconstruct Uganda were predicated on the regime's performance in four problem areas: i.e. (i) peace and security; (ii) national unity and reconciliation; (iii) introduction and consolidation of democratic structures and processes; and (iv) economic rehabilitation and development (Museveni, 1992: 279-282; Mamdani, 1988: 1156; Mutibwa, 1992: 179-202; Regan: 1994: 9-10).

The analysis in this chapter will focus on the NRM's performance in the four problem areas abstracted above. The adoption and implementation of structural adjustment programmes from 1987 onwards will constitute the core of the fourth problem area; i.e. economic rehabilitation and development, itself a sub-set of what constitutes reconstruction and rehabilitation of the Ugandan political economy. The next section deals with the NRM's immediate responses

to these four problem areas between 1986 and 1987, a period that preceded the adoption of SAPs by the new government.

#### 6.1 NRM's Priorities and Performance, 1986-1987

The NRM's priorities and policy initiatives were enshrined in its Ten Point Programme (TPP). The TPP, which evolved during the five-year guerrilla war, highlighted the core of the regime's priorities: restoration of democracy and security; consolidation of national unity; defence of national independence; building of an independent, integrated, and self-sustaining national economy; improvement of social services; elimination of corruption and misuse of power; and cooperation with other African countries (Museveni, 1992: 279-282). It was through this framework that the NRM hoped to confront the enduring structural problems so succinctly encapsulated in the four problem areas already abstracted: peace and security, national unity, democracy, and economic rehabilitation and development.

#### 6.1.2 Restoration of Peace and Security

Since 1971, endless changes of political regimes in Uganda had evolved a familiar pattern: the incoming administration would promise the restoration of peace and security and then almost immediately transgress those very ideals. In 1971, Amin had ridden the peace and security platform but had immediately thereafter presided over one of the worst human rights records in modern history.

In 1974, the Uganda National Liberation Army (UNLA) — under the wing of the Tanzanian invasion force, had initially been received as a liberation army. Within months, however, elements of UNLA had moved to West Nile Province, Amin's birth place, and committed large-scale revenge massacres and destroyed property. Successive short-lived governments under Lule, Binasisa, and Muwanga had also been unable to restrain the army, let alone restore peace and security.

Obote II's government, after the disputed elections in 1980, likewise had promised restoration of peace and security as well as national reconciliation. Confronted with armed challenges, the regime had not only been unable to restore peace and security but had also indulged in massive human rights abuses and massacres that are reckoned to have claimed even more lives than had Amin's regime, and in a shorter period of time.

Thus, all transitional periods prior to 1986 had seen less rather than more peace and security in the country; they had witnessed the state's inability to provide even minimal physical security to a wide section of the populace. On the contrary, the state had been the main perpetrator of insecurity and terrorism. Thus, when the NRM took over, the restoration of law and order as well as personal security were viewed by all groups and classes as the most fundamental political issues (Gibbon, 1994: 12-14). Indeed, the support rendered to the NRM was largely predicated on the promise that, upon assumption of power, the new regime would restore law and order and enhance peace and security.

How then would the latest regime establish confidence building measures (CBMs) between the state and society, between the military and the civilian population? How would the NRA ensure that its soldiers would not indulge in violations of human rights? How would the government deal with the elements of the defeated national army that were retreating and re-establishing their fighting capabilities under several warlords? How would the NRA have effective control over soldiers it had absorbed within its ranks whose loyalties lay with their respective armed factions? These were challenging issues the solutions to which were the necessary building blocks of enduring peace and stability.

In this particular problem area, the NRM's performance nearly matched popular expectations; even its erstwhile opponents acknowledged the palpable and swift return to normalcy in many parts of Uganda (Mugenyi, 1991: 62). Although armed challenges from the north and north-east and the government's counter-challenges resulted in human rights violations and continued pockets of insecurity, these transgressions were not as systemic as they had been under previous regimes.

This restoration of peace and security in most parts of Uganda was achieved by the NRM through a combination of several initiatives.

First, most of the NRA's soldiers had undergone extensive political training during the guerilla war campaigns; this training focused on the attainment of maximum cooperation between the guerrillas and the population. Thus, when the NRM took control of the state machinery, its soldiers treated the public with

unprecedented civility; those who committed acts contrary to the NRA's code of conduct were severely punished — in fact quite a number were executed after due process. This restrained behaviour on the part of the soldiers improved civil-military cooperation, reduced state terrorism to a minimum and translated into peace and security (Mutibwa, 1992: 188; The New Vision, November 21, 1982 and October 7, 1982.; The Telecast, August 25, 1986).

Second, another critical initiative that facilitated the restoration of peace and security was NRM's incorporation of different fighting groups, including elements of the defeated UNLA, into its own army ranks. Soldiers belonging to private armies such as the Buganda-based Uganda Freedom Movement (UFM), Federal Democratic Movement (FEDEMO) and West-Nile based Uganda National Rescue Front (UNRF) were absorbed in the NRA (EIU, No. 2, 1986: 11; Mamdani, 1986: 1157-1160).

The absorption and incorporation of different fighting groups in the NRA not only brought the armed, and quite often rogue, elements and their weapons under the NRA's control and code of conduct, but also expanded the social, ethnic, and regional character of the new army by incorporating soldiers beyond the southern part of the country. This policy reduced ethnic and regional tensions and pointed in the direction of the establishment of a truly national army (Dicklich, 1994: 10). In the process the initiative enhanced and consolidated peace and security in most parts of the country.

The third, however, and the most challenging aspect of the security and peace problematique was the relationship between the NRM administration and the retreating UNLA splinter groups in the north and north-east. These groups harassed both civilians and NRA military units alike. In the ensuing counter-insurgency responses, the NRM used a combination of "carrots" and "sticks" to resolve insecurity in the northern part of the country: it offered amnesty to those who voluntarily surrendered and went into military action against those who continued to organize insurgency (New Vision, November 14, 1986).

By 1988 many of these groups had either been defeated or had surrendered — with several of their political leaders being incorporated into the government hierarchy, including the cabinet. The entire exercise of pacifying the north and north-east involved substantial violations of human rights by both the NRA and its armed adversaries. The Uganda Human Rights Activists, Amnesty International, Uganda Law Society and church organisations all reported such violations (Mutibwa, 1992: 188).

Although armed rebellion in the north continues to erupt from time to time, in part as a result of the chaos in Southern Sudan, the region has been slowly emerging out of isolation. It took part in the 1994 Constituent Assembly elections and returned candidates that were largely opposed to the NRM; it has also benefited from a \$100 million loan from the World Bank that is specifically targeted to the rehabilitation of the region's economic and physical infrastructures.

Compared to the majority of its neighbours — Rwanda, Sudan, Zaire, and even Kenya, Uganda appears to be an emerging island of relative peace and security. The regional instability, however, poses a serious and continuous threat to Uganda's new-found peace. Massive refugee concentrations and economically deprived communities in the neighbouring countries are an enduring source of insecurity.

#### 6.1.2 National Unity and Reconciliation

Successive civil wars and conflicts, dating back to 1966, intensified ethnic, regional, religious, and sectarian cleavages which severely undermined the tenuous sense of national belonging, integration and unity. The NRM's military victory alienated the north which responded with organised armed resistance; Buganda was once again raising the issue of its status as well as the prospects of restoring its monarchy; the old political parties sought to take advantage of the newly-found freedom of speech to bid for political power; the government and the army looked distinctly southern, rather than national, and the three dominant organised religious groups were raising demands and stakes to enhance their political influence. All the cleavages that had haunted previous regimes and precipitated civil strife were once again in abundance.

Rather than risk the consequences of restricting political power to NRM supporters — largely from the southern half of the country — Museveni's administration opted for a broad-based government of national unity. Having

already incorporated most of the adversarial private armies, the NRM invited most of the major political groupings, including prominent members of the old political parties, to join it in a broad united front. Rather than putting emphasis on a common minimum political and economic programme, the broad-based initiative took the form of office distribution amongst the main political groups. The DP leadership was given five cabinet posts in charge of internal affairs, finance, commerce, justice, and agriculture; the UPC, excluding its top leadership, were also given five cabinet portfolios in charge of lands and surveys, animal resources, planning and economic development, tourism and transport, and communication; and the leader of the Conservative Party was made the Minister of Education (EIU, No. 1, 1986: 11; Mamdani, 1988: 1168; Regan, 1994: 9; Mugenyi, 1991: 62). By the end of 1988, successive reshuffles and further incorporation of former NRM political adversaries had expanded the cabinet to over 70 ministers and deputy ministers, probably one of the largest cabinets anywhere (EIU, No. 1, 1988: 10). Museveni's persistent argument was that it was more cost-effective to finance a large cabinet (even of over 100 ministers) than to finance another civil war.

The broad-based strategy that brought into government representatives of diverse ethnic, religious, regional and political party groups and allegiances fostered a more national "ownership" of the NRM. It enabled the NRM not only to gain widespread legitimacy and wider space for political and economic

experiments but also to seriously undercut political and material support for the regime's armed opposition. It also minimised regional interference.

Although the broad-based government facilitated national unity and reconciliation to a level that had eluded past regimes, it also brought about new problems and challenges. The all-inclusive political rainbow coalition did not have a common minimum agenda. Although the heterogeneity ensured lively and diverse political and economic debates, the end result tended towards vigorous paralysis, particularly in the crucial area of economic policy and management (Mugenyi, 1991: 62).

Attempts at accommodating regional and contradictory horizontal, social, and economic groups created enormous demands as well as dilemmas for the regime. The most dramatic of these demands led to the restoration of three kingdoms in 1993; since then Buganda, sensing an historically opportune moment, has continued to apply relentless pressure for full federal status with an executive Kabaka as its political head. The political fall-out from this debate, to be discussed more fully in Chapter 7, has already threatened NRM-Buganda cooperation and cost several cabinet ministers their jobs, diverting attention away from economic policy and management.

### 6.1.3 Introduction and Consolidation of Democratic Processes

The cumulative impact of civil wars and the militarisation of politics since 1966 had eroded the efficacy of nascent democratic institutions as well as the

vibrancy of civil society. In particular, local-level politics and structures had been supplanted by the central government machinery which was, ironically, increasingly unable to deliver even the most basic services in the countryside. Additionally, the disputed 1980 elections, and the subsequent armed confrontation between the NRA and the government, had given extra momentum and importance to the issue of democracy and its attendant institutions. Indeed, when the NRM/NRA started the guerilla war in 1981, one of the compelling reasons for the struggle was the government's perceived usurpation of democratic procedures — and NRM's appeal and support were largely premised on the eventual delivery of a democratic process. Not surprisingly, the TPP accorded the issue of democracy top priority in its political agenda (Museveni, 1992: 279).

Although the NRM's notion of democracy has evolved in the direction of a "non-party" system, its original conception of the notion had the basic attributes of classic formal "bourgeois" multi-party democracy:

For democracy to be meaningful, and not a mockery, it must contain three elements: parliamentary democracy, popular democracy and a decent living for every Ugandan (NRM Secretariat, 1986: 46; Dicklich, 1994: 2).

On the ground, the NRM's democratisation project appeared to espouse seemingly contradictory objectives. On the one hand, the government was making determined efforts towards grass-roots popular participation and empowerment of ordinary citizens, largely through the establishment of resistance councils (RCs) and the revival of key elements in civil society, including a free

press. On the other, the NRM severely circumscribed the activities of the old political parties — a key feature of civil society.

But this seemingly contradictory stance can be understood within the specific historical circumstances pertaining to the behaviour of the old political parties. Museveni's government argued that the old political parties had been part of the problem, having in many ways contributed to successive crises and civil wars; it was legitimately claimed that the old parties were religion-based, ethnically and regionally polarised, sectarian and opportunistic (Museveni, 1992: 24-25). Furthermore, it was quite demonstrable that the old political parties conspicuously lacked internal democracy within their own ranks (Dicklich, 1994: 4).

Although the political parties were excluded from participating directly in the political process, their influences and structures continued to have an impact, as evidenced by the 1989 and 1994 elections and the fact that some parties continued to publish their newspapers. As indicated earlier, prominent members of these parties were incorporated in the NRM's broad-based administration.

The very restricted space accorded to the old political parties by the NRM was, therefore, not as contradictory as first appears. It was a necessary interim arrangement (to which the old parties appeared to have agreed in 1986) which, it was hoped, would detribalise the political arena; an opportunity that would diminish the old religious, ethnic and sectarian tendencies and redefine political constitutional frameworks within which future constitutional and political structures

and processes would be located and controlled. This is the historic initiative that the Obote II administration had failed to take.

Arguably, the most important step that the NRM took in the direction of popular democracy was the creation of Resistance Councils (RCs) which formed a hierarchy from the village to the national level.

The RC concept was fashioned and operationalised by the NRM/NRA during the "bush" war. The NRM organized an intricate network, strongest at the village level, that provided essential services, including the recruitment of fighters, scouts and informants. Eventually, these village establishments — first established in the Luwero Triangle - were formalised through the creation of popularly elected resistance councils in each village. As the war effort gathered momentum, the RC system attracted more popular interest as a defence mechanism against government forces and a crucial vehicle for the orderly and equitable distribution of scarce consumer commodities (Tidemand, 1994: 27). The RC system also became a crucial mechanism through which mutually supportive civil-military relations began to take shape. Unlike in the past, the village was constituted as a political entity as well as a structure for the maintenance of law and order through popular participation (Gibbon, 1994: 14).

When the NRM took over government in 1986 it set about creating RC structures throughout the country (Kasfir, 1991: 89). RC choice of village leadership involved direct elections on a universal suffrage basis; RC committees at parish sub-county, county and district levels were selected through a series of

RC electoral colleges (Tidemand, 1994: 27). At the lowest level (RC1), the RC system assumed responsibility over criminal and civil matters previously under the jurisdiction of customary law. More importantly, the system effectively replaced the chieftaincy hierarchy that had provided the cornerstone of local level administrative units during the colonial period which had by no means been accountable to the citizens.

Although the RC system was, understandably, initially resisted in the north and north-east, perceived as a NRM trick to consolidate its political power position, the system has gradually been extended to the whole country, and it remains a crucial mechanism for popular participation. Indeed, it is on the basis of the RC system that the 1989 elections, as well as the 1994 Constituent Assembly elections (both to be dealt with in Chapter 7) were held.

While the RC system represents a crucial step towards popular participation and local-level democracy, its content, direction, and future are still matters of lively debate and disagreement.

As the civil war receded, the RC system functioned alongside other state political and administrative organs. Over time, the boundaries between the RC system and that of the NRM as well as the state have become increasingly difficult to define. It is no longer clear whether the RCs are state organs (and therefore, part and parcel of government bureaucracy), organs of a particular political group (the NRM) or organs of the people independent of government and part of the rural civil society (Mamdani, 1994: 1173; Tidemand, 1994: 47). Given

these ambiguities, it is not clear whether post-NRM governments, presumably emerging from multi-party elections, would retain the RC system in either name or content.

As Gibbon (1994: 24) has noted, popular movements, like the RC system, appear to emerge under extreme forms of repression, such as that which obtained in the Luwero Triangle; after the extreme crisis is over these movements have tended to be short-lived and highly vulnerable to absorption and manipulation by the emergent, or even old, political parties and organizations. Throughout much of SSA, there has been a tendency towards political and military demobilization after the completion of liberation struggles. The RC system in Uganda has not been immune to these tendencies.

Be that as it may, the NRM has invested considerable energy and time in the creation of the RC system which, with all its imperfections, has brought about considerable power decentralization, created local-level accountability, and empowered ordinary citizens in the choice of political leaders. They have also been neighbourhood watches, ensuring that undesirable elements in society are quickly identified and dealt with. In a broader sense, therefore, the RC system has not only enhanced the democratic process but has also contributed to the enhancement of peace and security as well national unity and reconciliation — a classic nation-building project.

The democratisation project in Uganda has gone beyond the RC system; elections in 1989 and the recently concluded Constituent Assembly elections

(1994) have added new chapters. Detailed discussion of these elections will be dealt with in Chapter 7.

#### 6.1.4 Economic Rehabilitation and Development

While the NRM's moves towards the restoration of security, reconciliation, unity and democracy were purposeful and effective in the initial period and beyond, its efforts towards economic recovery and rehabilitation were far less coherent and decisive and more problematic than in the other problem areas.

NRM's economic philosophy and policy were contained in the TPP. Evidently informed by the dependency and nationalist perspectives, the new regime aimed at building an independent, integrated and self-sustaining national economy with emphasis on agricultural diversification and import-substitution industrialisation — all within a "mixed-economy" framework (Museveni, 1992: 282).

As the NRM absorbed and incorporated most of the major political groups in its administration — in an attempt to enhance national security and reconciliation — the resultant broad-based government included groups with disparate and divergent economic policy views, ranging from avowed marxists and socialists to participants holding deeply conservative perspectives. The core of the NRM's economic policy began to get lost in the ensuing rainbow coalition ensemble. Consequently, the NRM's economic policy in 1986 and early 1987

lacked coherence and consistency; indeed some of its monetary and fiscal policies appeared to contradict each other (IDRC, 1987: vii).

However, lively economic policy debates and the government-generated critique of the orthodox Bank/Fund — supported development strategies as well as key policy pronouncements began to take shape and direction later in 1986. President Museveni publicly repudiated the Fund's analysis as well as its proposed solution to the Uganda economic crisis. He rejected devaluation, scrapped the foreign exchange auction system (which had been put in place at the Fund's behest) and challenged the merits of unrestricted market mechanisms, particularly in the area of foreign exchange management. Dismissing the role of external loans, a view he would later reverse, he argued that Uganda would be able to solve its long-standing economic problems by increased production, export diversification and import-substitution (EIU, No. 4, 1986: 12; and No. 1, 1987: 16).

Museveni, following the 1986 budget, boldly asserted that:

We have now worked out a budget which also contains elements of our recovery plan. In the budget we opted against the idea of further devaluation of the Uganda currency because that would have rendered very expensive all imported inputs into the economy as well as influencing local input to be expensive (New Vision, October 14, 1986).

The NRM's (and in particular Museveni's) almost adversarial position against the adoption of the orthodox Bank/Fund — supported SAPs in 1986 and early 1987 may have been prompted by several factors.

First, Museveni's economic philosophy and views, which greatly influenced NRM thinking, were largely shaped by the radical Marxist (Dar-es-Salaam)

perspective. Consistent with this perspective, the Bank and the Fund were perceived as agents of imperialism and capitalism, determined to enforce a world order that was inherently contrary to the economic interests of Third World countries. Indeed, it was these sentiments that prompted the NRM to commit itself to the building of an independent, integrated and self-sustaining economy — along the lines earlier enunciated by the Lagos Plan of Action. It was not until fiscal and monetary crisis began to force the economy into a tailspin that the NRM's position began to change palpably towards the neo-liberal paradigm.

Second, the NRM's anti-neo-liberal SAPs position was reinforced, ironically, by the conservative DP component of the broad-based administration led by the then Minister of Finance, whose appointment was inspired by his anti-IMF/Bank position (Mugenyi, 1991: 63). This group argued that SAPs introduced between 1981 and 1983 by the UPC government had failed to resuscitate the economy. The DP's position may have been laced with a tinge of political revenge against the former UPC government under Obote II, but its criticism of SAPs between 1981 and 1983 were persistent and legitimate.

Third, Museveni's government was uncomfortable with the escalating external debt which was principally owed to the Bretton Woods institutions (see Tables 18, 19, and 20). Critical of both the Bank and the Fund, Museveni publicly complained that Uganda was paying more to its creditors than it was receiving in aid and loans; that Uganda's debt repayments to the Fund raised the issue of who was aiding whom. Like Kaunda in Zambia, Museveni announced the

government's intention to pass legislation that would limit the debts incurred by future governments since, as he put it, "much of that debt had gone to useless expenditure during the Second Obote regime" (The New Vision, November 21, 1987). Thus, one of the reasons why the NRM was reluctant to adopt the orthodox SAPs was the fear that the external burden, which was already approximately one billion dollars, would be unmanageable. Indeed, as it turned out, the adjusting period between 1987 and 1992 has seen the exponential growth of the external debt, which is now well over \$3 billion (see Table 18 and 19)

Museveni's analysis and praxis in regard to the country's economic crisis as well as his policy pronouncements were reminiscent of Kaunda's short-lived "growth from our own resources" strategy of 1987, Nyerere's initial nationalist stance against the IMF reform package and Rawlings' brief flirtation with radical populism in the very early 1980s.

As in many other SSA countries, the NRM's public rebuff of the Fund did not exclude constant contact between the two parties. In fact, quiet negotiations between the two commenced in March 1986, less than two months after the NRM had assumed power.

The negotiations ended in a deadlock. The Fund's major emphasis was that:

For the period 1986/1987 to 1990/1991, the broad objective should be to generate overall BOP surpluses that would enable Uganda to make timely repayments of its obligations, including those of the Fund, eliminate existing arrears and prevent the incurrence of new arrears (IMF Confidential Memo, June 1986).

This emphasis prompted critics to accuse the Fund of being primarily motivated by the likelihood of loan repayment rather than by tackling Uganda's enduring economic crisis.

In any case, the IMF suggested that the foregoing objectives would be achieved by the adoption of the familiar procedures: elimination of distortions in the exchange rate system (largely through devaluation), increase of the role of the private sector, rationalization of the parastatal sector, restoration of fiscal balances and discipline, and severe limitation of monetary growth. The Fund was, as usual, seeking to introduce comprehensive demand management.

Additionally, the IMF advised against the abolition of the foreign exchange auction system, which it had helped to establish, and particularly disapproved of the administrative system for allocating foreign exchange that the government had just introduced. The Fund also objected to the government's proposed salary increments, and it was distinctly lukewarm towards the import-substitution industrialization strategy that figured prominently in the NRM's TPP. (IMF Confidential Memo, June, 1986).

The government's negotiating position revolved around its idealistic official policy of building an independent, integrated and self-sustaining economy through export diversification and import-substitution industrialization. It defended its suspension of the auction systems on the grounds that the system created a highly uncertain environment for the business community. The government also declined to adopt wholesale price and market liberalization and promised to

rationalize, rather than privatize, most of the public enterprises (IMF Confidential Memo, June 1986).

While generally agreeable towards selected expenditure restraint, the NRM administration stuck to its intentions of increasing civil servants' salaries. Although the government agreed in principle to reduce security and defence expenditure, this, as will be demonstrated later, was not possible in light of the escalation of armed rebel activities in the north and north east.

The foregoing divergent views between the Fund and the NRM government ended in disagreement. The consultations were suspended and did not resume until a year later. It was not until May 1987, when the NRM, forced by a fiscal crisis, galloping inflation and deteriorating international terms of trade, approached the Fund for stabilization funds.

In the meantime the Uganda government followed the previous Tanzanian option of requesting independent observers to provide an alternative recovery programme. It engaged the services of IDRC, together with local economists and planners, to advise on an economic recovery programme. At about the same time, the NRM produced a budget that was decidedly contrary to IMF orthodoxy in many ways: the dual exchange rate was abolished and replaced by a fixed exchange rate at 1400 shillings per U.S. dollar, effectively revaluing the local currency; price controls were put in place and state enterprise monopoly extended to non-traditional exports; the budget outlays were doubled over the previous year's level; public sector salaries were increased by 50%; selected producer

prices were doubled; interest rates were sharply raised; and the increased deficit was dependent upon the banking sector (Ochieng, 1991: 49; EIU, No. 2, 1986: 14).

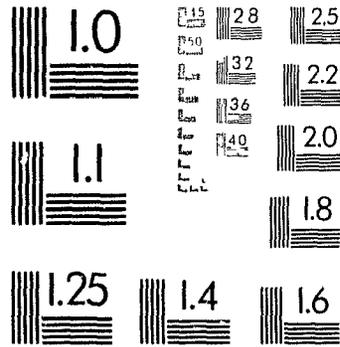
The government's monetary measures, particularly the effective revaluation of the shilling, caused a major rupture with the Bank. The latter immediately suspended a \$42 million IDA loan in October, 1986, putting Uganda in splendid isolation with respect to the Bank and the Fund (EIU, No. 4, 1986: 16).

The government's new economic policies, the hostile international environment and increased domestic pressures combined to throw the economy into a free fall; the precipitous fall of coffee prices on the world market (See Graphs 15, 16, and 18) reduced government revenue while the escalation of the armed insurgency in the north increased government expenditure (See Table 32). Credit to government, total domestic credit and money supply increased by 72.7%, 112.5% and 176.6%, respectively; the sharp rise in liquidity, along with the scarcity of imported goods, led to hyper-inflation which reached 296% per annum by the end of 1986; and the cost of living rose by 481% for the low-income groups (Ochieng, 1991: 50; IMF Confidential Memo, May 1987). At the same time the IMF debts, contracted earlier in the 1980s, were maturing, obliging the government to repay the Fund at a rate of \$12 million per month (EIU, No. 2, 1986: 14).

By the end of 1986 the economic situation was clearly untenable. The price incentives to farmers were more than neutralized by inflationary pressures,



**PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET  
NBS 1010a ANSI/ISO #2 EQUIVALENT**



and the dramatic escalation of the cost of living in urban areas was nearly ten-times the wage increases. The budget was expenditure-driven, rather than income-driven; creditors, including the World Bank, pulled out and bilateral funding was not forthcoming. It was becoming self-evident that the ensuing economic chaos was beginning to erode the NRM's political capital and to nullify its achievements in the security, national unity and democracy arenas. Indeed, there was a real possibility of widespread popular discontent.

Just as the TAG had advised the Tanzanian government previously, the IDRC team, having found no viable development alternative, strongly indicated that the government needed to urgently adopt reforms and other economic CBMs which were essentially similar to those upon which the Fund was insisting. The team recommended that:

if no policy adjustments are made this year both the balance of payments and the budget will become totally out of control. The BOP deficit will be \$111 million or, if the government purchases, suppliers credits, and other items are not part of the planned cash import allocation of a staggering \$198 million. Meanwhile the budget deficit will rise to the 259 billion or over four times its 1985/1986 level. The year after will be even worse. There is, therefore, a need for immediate policy reform (IDRC, 1987: viii).

The escalating fiscal and monetary crisis, the inability to generate local resources, the deteriorating international terms of trade, the tough stand taken by both the Fund and the Bank after the revaluation of the shilling, the advice given by the IDRC team, and increased anxiety that further economic deterioration would foment widespread public discontent forced the NRM to reassess its increasingly constrained economic policy options. After a lively, and quite often

acrimonious, internal debate, the NRM finally abandoned its initial policy directions and sought a rapprochement with the Fund.

Uganda's economic policy dilemmas that eventually led to the adoption of SAPs echo those of the three mini-case studies discussed in Chapter Four. Like Tanzania in 1981, the NRM initially rejected the Fund's familiar policy menu in preference of an alternative development trajectory; the NRM also engaged the services of an independent advisory body, the IDRC, whose Canadian membership overlapped with that of TAG. In both cases, Tanzania and Uganda were urged by their advisors to abandon foot-dragging and inflexibility and adopt the orthodox SAPs before they lost even more recovery opportunities. The experiences of the two cases illustrate the limits of alternative adjustment courses; they also illustrate the ease with which multilateral funding can be withheld by IFIs if the adoption of the neo-liberal economic policy framework is resisted. The IFIs' veto power was clearly demonstrated.

As Uganda was abandoning its go-it-alone economic strategy in 1987, Zambia, under organised political pressure, was abandoning the Bank/Fund-supported SAPs in favour of "the growth from our own resources" strategy as indicated in Chapter Four. By 1989 Zambia's problems were comparable to Uganda's in 1986. Both countries were forced to abandon their home-grown adjustment programmes and seek a rapprochement with the Fund to avoid imminent economic collapse.

Similarly, both Ghana and Uganda, under Rawlings and Museveni respectively, initially embraced populist/nationalist stances. They assumed that fixing the domestic scene would increase productivity and resolve fiscal and monetary crises. Eventually both realised the overwhelming constraints imposed by the international environment and the limited prospects of harnessing domestic resources to fund their preferred development trajectories. To avoid further economic collapse both leaders moved swiftly across the ideological spectrum and adopted very strong adjusting measures.

It would appear that the NRM achieved considerable mileage in the establishment of security and peace, national reconciliation as well as laying the building blocks of the on-going democratisation project. It is difficult to claim that the NRM did as well in the field of economic management. Its idealistic development trajectory was animated by a genuine wish to evolve an internally strong and self-sustaining economy. The vagaries of the international economic system and the enduring systemic weaknesses of the domestic economy eventually shifted the position of the NRM leadership to a more *realpolitik* stance, one that may have permanently blown them off the course towards the attainment of their long-term development objective: an independent, integrated, and self-sustaining national economy.

In any case, the NRM's rapprochement with the Fund culminated in the adoption of cumulatively comprehensive policy reforms in May 1987, which has enabled Uganda to gain access to Bank and Fund resources. Successive

stabilisation and structural adjustment programmes have been adopted and implemented on a rolling basis since that time. The next section attempts to identify the main rolling policy elements as well as the directions of the adjustment process from 1987 to 1994.

## 6.2 Stabilization and Structural Adjustment Programmes Under the NRM, 1987-1994

Faced with a deteriorating economic situation and hardly any viable alternative source of funding, the NRM commenced preparatory meetings with both Bank and Fund representatives in March 1987. In May 1987 the government finally adopted far-reaching policy reforms (IMF Confidential Memo, May 1986; Lateef, 1991: 26; Kasekende, 1994 (a): 7). Before any funds would be released for adjustment policy support, however, the government had to pay all the outstanding arrears to the Fund, which amounted to SDR 17.2 million (IMF Confidential Report, May 1987); the pre-conditions were already stiff enough.

Relations between the government and the Bretton Woods institutions got off to a rocky start. Having agreed to all the conditionalities attached to the reform programmes, the government, in its 1987/1988 budget, announced fiscal and monetary measures that were substantially inconsistent with the agreed policy package. Within days the Fund threatened to withhold its support as the Bank had done previously. After hot exchanges and intensive "consultations", the government was forced to withdraw its budget and announce a new one that was

in line with the Fund's guidelines (Confidential interviews; Mugenyi, 1991: 71). Just as Tanzania had discovered in 1982 and 1983, the NRM administration was confronted with the hard reality; i.e. accessing Fund resources provided very limited room for policy manoeuvre on the part of debtors, and deviations from the standard neo-liberal Fund/Bank framework would not be tolerated.

In fact, after this confrontation Uganda's previously hardnosed negotiating stance mellowed quite considerably. Simultaneously the hitherto lively intra-government debate on SAP's subsided; the government, through a few technocrats in the Ministry of Finance and the central bank, began to deal with the Fund in earnest but outside the political structures, including the Legislature. The power of the Bretton Woods institutions and the donor/creditor community was dramatically demonstrated in March 1992 when the Minister of Finance and his permanent secretary (both known to harbour serious misgivings about SAPs) were removed by the President and replaced by a new pair whose enthusiasm for the neo-liberal Bank/Fund-supported economic reform package was very well-known. Many observers, including highly placed government officials, have suggested very strongly that the fall of these two officials — otherwise considered by many as competent and hard-working — was engineered by the Fund and the Bank as well as by the powerful donor community interests who saw them as ideological stumbling blocks (EIU, No. 2, 1992: 12)

Given that the Fund/Bank consultations with the Uganda government were and still are confined to a narrow band of officials, among whom the Minister of

Finance and his permanent secretary are particularly crucial, the two institutions were more than anxious to have "cooperative" officials in those roles. As it turned out, the fired Minister of Finance was, in 1994, given another cabinet post that was far removed from SAP negotiations and programmes (The New Vision, November 19, 1994). This appears to provide further evidence that his removal from the Finance Ministry was based less on performance and more on strained, if critical, relations with the creditor/donor community. Similar instances have been observed in other adjusting SSA countries.

After the initial attempts to obtain multi-lateral funding while abandoning the policy reforms backfired, the NRM government became more single-minded in its adoption and implementation of economic reform programmes. The government became resigned to the reality that there was no way of opposing IFIs successfully over time. President Museveni's views, which underwent palpable mutation after 1986, were indicative of the government's "conversion" towards the neo-liberal inspired economic reforms. Contrary to his bellicose 1986 attitude towards orthodox SAPs, Museveni's tone and pronouncements on the economy mellowed remarkably. In mid-1989 he was quoted as saying that:

regarding the conditions given by the IMF and other Western institutions, I would like to point out that first of all these institutions are able to come in because we are not self-sufficient. After all, we are the ones who ask them for loans. If we did not ask them for loans, I don't think that they would impose themselves on us (Weekly Topic, July 5, 1989).

Later in 1990 Museveni further argued that:

the problem is not with IMF or the World Bank or foreign investors. It is with the African leaders ... if someone comes to help me, I see if he fits in my priorities and we negotiate on mutually agreed terms... I can work with anybody including IMF, provided the terms are right. Some foreign companies can help us. But what is crucial is terms (The New Vision, January 26, 1990).

By 1991, the NRM political leadership had warmed up to the economic reforms.

Again Museveni's public statements were indicative of this trend:

He (Museveni) said that the IMF macroeconomic stimuli was an alternative angle of economic management which he did not have in mind before. 'I was for physical planning', he said. The President said that it was in this line that the government undertook to execute an economic plan of action in 1987 with the assistance from the IMF, the World Bank and other multi-nationals. The basis of this plan was to redress the then domestic resource mobilization, investment, and the creation of a stable and sustainable economic base for growth (The New Vision, August 16, 1991).

As in many other SSA countries undergoing structural adjustment, the NRM was confronted with tensions between development and growth imperatives. The original development projectory espoused by the NRM in 1986 was more focused on development issues: economic transformation, self-sufficiency and a decent living standard for all Ugandans. The IMF paradigm was more concerned with macroeconomic balances, capacity to repay loans, further integration in the international economic system and a conducive atmosphere for foreign investment and profit making. As the analysis of the impact of SAPs is undertaken later in the Chapter, it will become clear how these tensions are at the heart of the development discourse in Uganda.

Be that as it may, the NRM government has adopted and implemented stabilisation and SAPs on a rolling basis. The next section attempts to analyze

the salient objectives and policies of SAPs from 1987 to 1994 with comparative insights from other periods and cases.

#### 6.2.1 A Profile of Stabilisation and SAPs, 1987-1994

With the introduction of the Economic Recovery Programme (ERP) in May 1987, the NRM government adopted and began implementing the standard neo-liberal economic agenda that was inspired by a market-oriented, agriculture-based, primary commodity export-driven and private sector-led strategy. The ERP had four major objectives: to restore monetary and fiscal discipline, and address macroeconomic imbalances; to deregulate producer prices, exchange rates and markets; to rehabilitate economic, social and institutional infrastructures; and to encourage savings and investment which would, in turn, support and sustain an annual growth rate of at least 5% in real GDP (Kasekende, 1994 (b): 8)

This ambitious programme, supported by the Fund's SAF and, later, ESAF, the World Bank Economic Recovery Credit (ERC) as well as bilateral co-financing, sought simultaneously to introduce policy reforms in the areas of currency, exchange rate, prices, external debt, interest rates, BOP, trade and institutional restructuring (Kasekende, Rweikiza and Katarikawe, 1994: 6). Since 1987, the ERP framework has been refined and expanded, and its general framework has guided subsequent stabilisation and structural adjustment programmes. Owing to the rolling nature of cumulative SAPs, it is proposed to produce a single but cumulative profile of their adoption and implementation.

For ease of reference and analysis, reform policies at the core of SAPs may be considered under five broad policy categories: macroeconomic, sectoral, public enterprises, civil service and military demobilisation policies.

### 6.2.2 Macroeconomic Reform Policies

As in other Fund/Bank — supported SAPs, the centrepiece of macroeconomic reform policies revolved around exchange rate management. It may be recalled how both the Fund and the Bank vigorously opposed the government's decision to effectively revalue the shilling in 1986, arguing that the overvalued local currency would lead to more macroeconomic "distortion". It is not surprising, therefore, that the adoption of SAPs commenced with the devaluation of the shilling.

Between May 1987 and October 1989 a discrete exchange rate movements strategy was adopted. In May 1987 the shilling was devalued by 76.7%; in July 1988 it was once again devalued by 60%; further discrete devaluations followed in December 1988 and March 1989 (Kasekende, et al 1994: 7). In addition to periodic devaluations, the Ugandan shilling was demonetized by a factor of 100. This currency conversion also involved a 30% tax on all cash holdings, deposits and treasury bills, as well as retirement benefits (Ochieng 1991: 53).

In October 1989, the discrete exchange movements were abandoned at the behest of the Fund. Evidently, the sudden and dramatic devaluations, typical of shock therapy, caused major disruptions in both the public and private sectors —

as the Uganda government had predicted in 1986; the dramatic exchange rate movements also eroded the exchange rate in real terms and did not in fact adequately arrest the overvaluation of the shilling (Kasekende et al, 1994: 7).

The discrete movements were replaced by a "crawling peg" strategy which simply adjusted the exchange rate in line with differential inflation between Uganda and its principal trading partners: the United States, United Kingdom and Kenya. This approach not only provided a baseline for the exchange rate policy but was intended to ensure Uganda's competitiveness in external markets (Musinguzi et al, 1994: 10; Kasekende et al, 1994: 8).

However, some of the devaluations effected under the "crawling peg" strategy were anything but crawling. In October 1987, the shilling was devalued by 41%, followed by further depreciation of 8.1% in December of the same year. In order, however, to stabilize the environment for the private sector, special Import Programmes were introduced to bona fide importers who were provided with foreign exchange at the official exchange rate.

In July 1990 the "crawling peg" experiment came to an abrupt end and was replaced by a more market-oriented policy. Under pressure from both the Bank and Fund, the government took an unprecedented move and both legalised and decriminalized the parallel market: it sanctioned the establishment of privately-owned foreign exchange bureaux which were permitted to buy and sell foreign exchange at rates freely determined by market forces (Musinguzi, et al, 1994: 12;

Kasekende, et al 1994: 15). To date, the foreign exchange system remains an integral part of the new and liberalised exchange rate regime.

The introduction of forex bureau, however, did not mean that the entire foreign exchange rate management regime was market-determined. The exchange regime was still composed of a three-tier system: official, import support funds auction and the bureau systems. While the import support fund auctions and bureau transactions were market-determined, official exchange was determined on the basis of a weighted average of the bureau rate for travellers. In any case, the official cash flow was administratively segregated from other foreign exchange channels. This meant that the foreign exchange market was still segregated, eluding the ultimate goal of achieving one rate of exchange throughout the market — and banishing currency speculation (Kasekende, et al 1994: 16).

In order to eliminate the said segments, a unified Inter-Bank market was introduced in November 1993. Under this system the weekly foreign auction of donor funds was abolished; the daily foreign exchange market at the Bank of Uganda was discontinued; and the requirement to surrender coffee export proceeds to the central bank was discarded. Additionally, the central bank ceased setting an official exchange rate. Instead, the inter-bank system — a market-based floating exchange rate system alongside the bureau system - almost entirely liberalised the exchange rate management and displaced the periodic, sharp and disruptive devaluations of the earlier periods.

In addition to the liberalisation of the exchange system, trade and import licensing procedures have been completely revamped and simplified, allowing the market forces to determine prices and allocation of resources.

Far-reaching fiscal reforms were introduced in accordance with the Fund's logic of demand management. The government was forced to operate a monthly cash budget intended to match its total expenditures and receipts. These austerity measures, involving substantial expenditure cuts, were aimed at deficit reduction as well as reducing government indebtedness to the banking system.

The fiscal policy measures also attempted to raise more government revenue. In 1991 the Uganda Revenue Authority (URA) was established to improve both tax administration and collection. To date, URA has raised tax collections to between 8% and 11% of GDP which remains very low, even by SSA standards (Kasekende, 1994 (a): 8).

The government has also agreed to maintain strict expenditure controls, reduced liability on the banking system, and reduced dependence on trade taxes; measures have also been taken to broaden indirect taxation and to rationalize customs duties and tariffs (Ochieng, 1991: 28). Since November 1992, interest rates were deregulated and have since been determined by market forces (Kasakende, 1994 (a) 11). And a value added tax (VAT) is due to be introduced in July 1996 (Ministry of Finance, 1995: 5).

Further financial reforms were undertaken, especially in the banking sector. The Bank of Uganda Act (1993) strengthened the role of the central bank and

increased, albeit marginally, its independence from government control. The central bank has been under phased restructuring, the latest phase being the voluntary retirement of 500 employees (Ministry of Finance, 1995: 7). The Financial Institutions Act, passed by the Legislature in 1993, strengthened the regulatory and supervisory functions of the central bank over commercial banks (Kasekende, 1994 (b) 11). Also, preparations are underway to establish a stock exchange in Kampala.

As per conditionalities agreed with the Bank, the Uganda Commercial Bank (UCB) — the largest commercial bank, which is also government-owned — has undergone extensive restructuring, including considerable down-sizing. UCB has retrenched one-third of its employees, closed down one-fifth of its branches (particularly those in rural areas!) and overhauled its management team. Additionally, to restore UCB's balance sheet solvency, all its non-performing assets have been transferred to a newly established recovery trust (Ministry of Finance, 1995: 8). Although the World Bank has on several occasions pressured the government to privatize UCB, the prospect has generated considerable disagreement and remains in animated suspension. Factors behind this debate will be dealt with when the privatization process is evaluated in Chapter 7.

### 6.2.3 Sectoral Policies

The most important sectoral policies relate to the liberalisation of pricing, trading, marketing, processing and inherited commodity structures in agriculture and industry.

Arguably the most critical agricultural sector reform was the elimination of the Coffee Marketing Board's (CMB) monopoly over the marketing of coffee. Previously, the CMB's top-heavy, high-cost and inefficient bureaucracy not only paid a small percentage of world coffee prices to the farmers but was also suspected of smuggling coffee, mainly to Kenya (Brett, 1994: 72).

The dismantling of the CMB was, as expected, a major tug of war. The parastatal was the highest summit of state control. It was also the most powerful vehicle in the establishment of the pattern of income distribution that bore little relevance to production and productivity — as Campbell observed in the case of Côte d'Ivoire (Campbell, 1993: 108). There were, therefore, many powerful interests that resisted the dismantling of its monopoly. It took several threats by the World Bank for the government to finally licence cooperative unions and private firms to export coffee independent of the CMB (Brett, 1994: 73). By the end of the second quarter of the 1993/1994 financial year, the CMB's share of the total coffee volume exported was only 23% and 13.7% of robusta and arabica, respectively. Since then the average prices paid to coffee farmers have increased considerably (See Graph 14).

In the same vein, the monopolies held by the Lint Marketing Board (LMB) and the Produce Marketing Board (PMB), formerly exclusively in charge of cotton and food crops respectively, have been broken. Although the levels of restructuring in LMB and PMB have yet to reach that of CMB, the Bank's relentless pressure has forced the government to accelerate the full privatisation of the two parastatals (Brett, 1994: 75-77; Kasekende, 1994 (b): 10).

Additionally, crop finance arrangements have been revamped and increasingly shifted to the private sector, and national agricultural research efforts have been strengthened and integrated under the newly formed National Agricultural Research Organization (NARO).

In the industrial sector, a series of reforms were adopted to encourage domestic and direct foreign investment (DFI). An investment code was legislated, providing a number of incentives for potential investors: exemption from income tax and sales taxes on plant, equipment and construction materials; and relief from corporate, withholding and dividend taxes for up to six years. Additionally, the Uganda Investment Authority (UIA) was established to provide a one-stop centre for potential investors; UIA was detailed to cut bureaucratic delays in the issuance of investment licences and incentives as well as registration of technological transfers (Ochieng, 1994:10). The question that arises, to be addressed later in the chapter, is whether such generous tax holidays, almost entirely animated by growth imperatives, would address developmental issues.

In 1988, the government established as part of the IFIs' requirements, the Open General Licence (OGL) scheme to facilitate the growth of the industrial sector by availing foreign exchange to selected and critical manufacturing concerns for purposes of importing raw materials and spares. The OGL system, which was expanded further in 1990, covered manufacturing firms, which (i) contributed to tax revenue to the budget; (ii) produced essential mass consumption goods or inputs for other priority industries; (iii) produced exports; and (iv) produced incentive goods which encourage agricultural production (Kasekende, et al, 1994: 9). With domestic prices freely determined by the market, it was hoped that the industrial sector would become more efficient and competitive. Besides, successive Special Import Programmes (SIPs), in place from 1988 to 1991, ensured that the flow of essential consumer and capital imports remained uninterrupted, helping to stabilise prices and inflation.

#### 6.2.4 Privatisation of Public Enterprises

Successive conditionalities attached to SAPs have required the government to privatise a host of state-owned enterprises and resolve the fate of the Asian property left behind when Amin expelled the Asian community in 1972. The latter conditionality is Uganda-specific.

The Public Enterprises Reform and Divestiture (PERD) was established to oversee the divestiture, privatisation and restructuring of the remaining public enterprises. This programme, estimated to cost \$91.24 million (Tukahebwa,

1994: 10), has been bogged down by a host of centrifugal forces. Interested parties are anxious about the major redistributive impact of the exercise that will create winners and losers. As a result of these pressures, the government has admitted, by way of understatement that:

progress in privatizing state-owned enterprises has been retarded by a cumbersome administrative structure which slowed down decision-making and implementation (Ministry of Finance, 1995: 8).

The most recent information indicates that only four public enterprises had been privatized by the end of 1994 and that the government is hoping to privatize another four by the end of June 1995 (Ministry of Finance, 1995: 9). Uganda's slow rate of privatization is quite similar to cases in other SSA adjusting countries, including Kenya.

Recently the power struggle and intense financial stakes surrounding the privatisation process have claimed one more victim: PERD, hitherto in charge of divestiture and privatisation processes, was dissolved and replaced by a newly created Parastatal Monitoring Unit (PMU) under the direct responsibility of the Minister of Finance (Ministry of Finance, 1995: 9). Thus, apart from the abolition of monopolies of CMB, PMB and CMB in the agricultural sector, privatisation has proceeded relatively slowly as various economic and political interests stake their claims. This is in contrast to the monetary instruments, such as devaluation, that were implemented literally with a stroke of a pen. The analysis of the impact of privatisation will be dealt with more fully in Chapter 7.

### 6.2.5 Civil Service Reforms

As part of the conditionalities attached to successive SAPs, the Ugandan government was required to institute far-reaching civil service reforms. Bretton Woods institutions' conditionalities apart, it must be said that the Ugandan civil service had decayed over the years: it was overstaffed, highly centralised, inefficient, unwieldy, underpaid and very poorly motivated. Indeed, the government's own committee - Public Service Review and Reorganisation Committee (PSRRC) (set up in 1989) - identified key problem areas that needed immediate attention: (i) inadequate pay and benefits; (ii) poor management skills; (iii) dysfunctional civil service organization; (iv) insufficient management and supervisory skills; (v) inadequate facilities and maintenance management; and (vi) inadequate personnel management and training, all of which led to abuse of office and government property, moonlighting, corruption, and massive bureaucratic red tape (Langseth, 1994:4).

The objectives of the reforms included improvement in the responsiveness, efficiency and effectiveness of the civil service and the creation of a smaller and better paid service with fair, simple and consistent rules and procedures that would foster discipline while leaving room for personal initiative (Langseth, 1994: 7). It was also hoped that the restructured service would operate on a quasi production-oriented basis with results-oriented management (The New Vision, June 8, 1993).

The restructuring of the civil service commenced in 1991, when government ministries were reduced from 38 to 21. This institutional down-sizing involved a drastic reduction in the number of civil servants from a record high of 320,000 in 1987 to 145,000 in July 1994 (Langseth, 1994:10). Other accounts indicate that by December 1994 the number of civil servants had been reduced to 150,000 (Ministry of Finance, 1995: 9). Enhanced vigilance removed 42,000 "ghost" workers — staff who did not exist but whose wages were received by the managers who created them — from the payroll (Langseth, 1994:16).

Other restructuring measures included decentralisation, largely through the establishment of district civil service committees, the abolition of group employee scheme and the adoption of a flatter organisational structure. Additionally, successive, but inadequate, salary increments were effected by government: in 1991/1992 salaries and wages were increased by a factor of 43% across the board; an 85% increase of basic pay was later implemented; and there was an overall increase of the wage bill of 37% in the 1993/1994 financial year (Langseth, 1994:18).

The civil service reforms appear to have focused more on retrenchment than on structural streamlining of the service. Given that there are parallel retrenchment exercises in the parastatals and, in some cases, the private sector, the dramatic shrinkage in formal sector employment opportunities cannot be overestimated. The social impact of these reforms will be dealt with in Chapter 7.

### 6.2.6 Military Demobilisation

The retrenchment exercises in the traditional civil service as well as the parastatal sector have been accompanied by wide-scale demobilisation of soldiers. It may be recalled that NRM, as part of its attempt to secure peace, security and reconciliation, absorbed large numbers of soldiers belonging to various fighting groups. As a result, the military establishment expansion consumed more than 30% of the national budget — at one stage more than education and health budgets put together.

As part of a triple conditionality the Uganda government has already demobilized more than 60,000 soldiers and the exercise is continuing; the final phase, involving the demobilisation of another 13,000 soldiers, is due for completion by the end of 1995 (Ministry of Finance, 1995:9).

The costs and benefits of the demobilisation are still unfolding. Tentatively, however, the reduction of the military may have resulted in the reduction of the military budget (see Table 32). The resultant unemployment, however, has led to an escalation of armed robberies; some of the demobilised soldiers are said to have joined anti-government armed rebels while others have been hired as mercenaries in neighbouring countries. Thus, the down-side of the demobilisation effort may be reflected in adverse domestic social and regional consequences.

After the adoption and commencement of the implementation of the reform programmes abstracted above, the government was able to borrow extensively from both the Fund and the Bank. The Fund extended SAF and later ESAF to

Uganda while the Bank extended the relatively concessional IDA facilities. In the process, Uganda's cumulative external borrowings have increased from \$1.411 billion in 1986 to \$3.151 billion by December 1994; and 72.7% of that indebtedness is owed to the Bank and the Fund. In 1992/1993, the total external debt accounted for over 85% of GDP and 82% of export earnings; and the new external borrowings have since exceeded total export earnings by a large margin (See Table 18).

Since their adoption in 1987, SAPs have had differential economic and social impacts on various social groups. The next chapter attempts to analyze these impacts and corresponding responses.

## CHAPTER 7

### The Impact of Structural Adjustment Programmes

Whilst Ghana was considered by the IFIs as the star adjustment country in the late 1980s and early 1990s, Uganda has been dubbed by the same institutions as the most compelling showcase of how comprehensive implementation of orthodox SAPs are able to reverse economic malaise and jump-start economic growth in the SSA region. The impression thus created is that Uganda has strong prospects for sustained recovery and growth.

However, the country's recovery process is fraught with paradoxes and contradictions. To be sure, economic liberalisation has been accompanied by macroeconomic stability and strong economic growth; but it has also been accompanied by deterioration of the quality of life for most Ugandans, diminished employment opportunities, a shrinking economic base, unprecedented levels of external dependency and the doubling of external debt. As in many other adjusting countries in the SSA region, SAPs have laid bare the tensions between growth and development imperatives; the paradox between strong macroeconomic growth and microeconomic deterioration; and the contradictions among the policy reforms as well as between domestic and external environments.

In the case of Uganda, it is also difficult to isolate the impact of reform programmes from the roles that enhanced security, adequate rainfall, collapsing

neighbouring economies and increased external funding have played in the macroeconomic recovery of the country. Much less, it is not certain that the economy has gained sufficient momentum for sustainable development.

Bearing the foregoing caveats in mind, there appears to be ample evidence to suggest that cumulative implementation of SAPs in Uganda has restored macroeconomic stability and growth. The economy, which had registered negative growth in 1984 and 1985 and grew by a lowly annual rate of 0.37% between 1984/85 and 1986/87, picked up strongly in 1987/88: it registered an annual growth of 7.03% up to 1990, decelerated between 1990 and 1992 because of drought, but recovered again at 7.2% per annum in 1992/93. Per capita income also recovered starting from 1988 (Kasekende, 1994 (b):15; See Graphs 10, 11 and 20, and Table 28).

The liberalisation of the exchange rate system not only undermined currency speculation and cross-border smuggling, but it also encouraged remittances from Ugandans living in the diaspora (See Tables 2, 3 and 4).

Macroeconomic stability has reduced inflation from over 230% per annum in 1986/87 to an unprecedented negative rate of -0.6% at the end of 1993 - before the rate surged to 15% in 1994/95, largely because of inadequate rainfall (Kasekende, 1994 (b):16; See Graphs 4, 5, 12 and Table 27). The ensuing price stability has substantially reduced the composite consumer price index (CPI) (See Table 1 and Graphs 3 and 16). Although the CPI averages for low and middle

income groups kept rising well into 1987, they stabilized in 1988 and beyond (See Graph 6).

Price stability has also been a partial function of liquidity and budget management. The government has reduced its borrowing from the banking sector from over 60% of total bank credit in 1987/88 to 0% in 1993/94, a measure that ought to have released more bank credit to the private sector (Kasekende, 1994 (a):11).

The strengthening of government revenue collection by Uganda Revenue Authority (URA) has nearly trebled state revenue; state revenue as a percentage of GDP has recovered from 4.9% in 1986/87 to 9% in 1994 (Kasekende, 1994 (b):16; Mamdani, 1990:435), a commendable achievement which is nevertheless well below the average even amongst developing countries.

The government has cut expenditure and outlays through tight control of monthly expenditures whose release has to be expressly authorized by the Treasury; the resultant tight fiscal control, part of IFI conditionality, led to a 27 billion shillings improvement of the government's net credit position with the banking system at the end of 1994. These measures, which have also reduced the annual growth of money supply, further strengthened macroeconomic stability and stabilized both prices and inflation (Ministry of Finance, 1995:6; See Graph 4).

In the agricultural sector, the dismantling of monopolistic marketing boards and improvements in price incentives have given more nominal incomes to

farmers, particularly coffee producers. This has been particularly evident with the recovery of coffee prices in the international market since April 1994 (See Tables 13 and 14). However, supply side agricultural incentives have failed to translate into higher production of cash crops, including coffee and cotton. In fact, the volume of coffee exports has been declining in the last four years (See Table 11).

In the meantime, one of the major failures of SAPs in Uganda has been their inability to change and diversify the structure of agricultural production as well as exports. The failure to stimulate cotton, tea, and sugar, as well as non-traditional exports, means that Uganda is more dependent on coffee (equivalent to 95% of all exports) than at any other time (See Table 25). This policy failure will be treated more fully in the next section.

There is also evidence that since the introduction of SAPs in 1987 industrial production has recovered, albeit from a very low base. Modest industrial recovery was registered in the areas of food processing, drinks and tobacco, textiles and clothing, timber and paper, chemicals, paint and soap, bricks, cement, as well as steel and steel products (See Tables 14 and 15).

However, several critical manufactured goods have witnessed marked decline during the period of adjustment. These include cotton and rayon, hoes, blankets, foam mattresses and footwear (See Table 17). Additionally, the resources borrowed for economic recovery have only marginally changed the capacity utilisation percentage in the manufacturing sector (See Table 16).

Thus although the period of adjustment was accompanied by deteriorating international terms of trade, in particular those of coffee, (See Graphs 15 and 17) and drought in 1992/93, the stable macroeconomic environment halted the economic free-fall of 1986/87, and reduced and stabilized inflation. Funds from the Bank were also utilized to rehabilitate the physical infrastructure, greatly improving access and marketing of agricultural products.

The relatively stable currency has reversed smuggling patterns in the region in Uganda's favour. Certainly the liberalisation of the exchange rate system has virtually eliminated smuggling of Uganda's cash crops, especially coffee, to Kenya. Additionally, the breakdown of political, economic and financial orders in Rwanda, Sudan and Zaire (all bordering Uganda) has meant that significant portions of these countries' producers now smuggle their agricultural commodities into Uganda and in turn provide a captive market for Uganda's consumer goods. In any case, Uganda supplies most of the emergency food supplies to its neighbours through dollar-denominated transactions with the World Food Programme. Indeed, Uganda's currency serves as "legal" tender in most parts of Rwanda, Southern Sudan and Eastern Zaire (Nabuguzi, 1994:13). Just as Kenya exploited the prevalence of chaos in Uganda to virtually incorporate the latter into its domestic market in the 1970s and 1980s, Uganda's current recovery is partly sustained by the misfortunes of its neighbours who are experiencing advanced political and economic decay. Uganda is gaining from national stability and regional instability!

Uganda's "golden" macroeconomic numbers are quite impressive for whatever reasons. Given the appalling state of the economy in the first half of the 1980s, it is plausible to argue that elements of the cumulative SAPs have strengthened the economy and provided a conducive atmosphere for higher productivity and growth.

The official SAPs literature, however, does not pay sufficient attention to several pertinent questions whose answers are a prerequisite to a fuller understanding of the interrelated social, political and environmental impacts of SAPs. Apart from increased macroeconomic growth, what has been the social impact of SAPs? Who are the winners, the losers and the unaffected? Have SAPs restructured and diversified the production base? Is Uganda's economy better placed to be self-sustaining as a result of SAPs? Is the neo-liberal policy framework working? Is it enabling the NRM to achieve its goal of building an independent, integrated and self-sustaining national economy? Even in areas where positive growth has occurred, what proportion of the recovery is attributable to the economic reforms themselves? Who owns SAPs? And, at what cost has the recovery been achieved? The next section, by way of addressing some of these questions, attempts to evaluate the overall impact of SAPs in Uganda.

### 7.1 Macroeconomic Impact of SAPs

To what extent has the neo-liberal market-oriented, agriculture-based, commodity export-driven and private sector-led strategy worked in Uganda? How

has the strategy, judged by its own standards and expected outcomes, performed? How does it relate to wider development issues raised in the last section?

Arguably the liberalisation of Uganda's economy has led to greater economic freedom, relatively more efficient markets, and a perceptible trend towards increased business confidence in the country. However, the causes, direction, quality, impact and sustainability of Uganda's economic "recovery" remain highly debatable and controversial. The evidence of economic recovery is fraught with paradoxes and contradictions.

Part of the problem inherent in fathoming the depth and extent of Uganda's economic recovery is related to the issue of appropriate measurement criteria of macroeconomic growth. The year 1987 which both the Bank and the Fund have chosen as the base to measure subsequent "dramatic" macro and sectoral growth rates, is very deceptive. That particular year was characterised by major financial imbalances, extremely low levels of production, inflation rates of over 200% and virtually negative macroeconomic growth rates. Thus subsequent growth rates in the late 1980s and 1990s have tended to look more "dramatic" than they actually have been. Uganda's case confirms ECA scepticism towards the Bank's flamboyant claims of Africa's adjustment successes in the late 1980s.

In any case, there are gaping contradictions and paradoxes about the nature and causes of the positive real rates of economic growth that the official literature claim began to register in 1987 (See Table 28). By the World Bank's

own admission, the economy at that time was severely destabilised (World Bank, 1988:20) and therefore not expected by the neo-liberal model to register strong positive growth. At the same time, Uganda was experiencing sharply deteriorating international terms of trade: coffee prices collapsed by 72% between 1986 and 1992; coffee earnings fell by 76%; the overall external earnings fell by 57% (Ochieng 1994:2; see Graphs 15 and 17); export production did not respond to supply side incentives (Jamal, 1991:335); the fiscal deficit did not improve (see Graph 27); there were major policy slippages between 1987 and 1989 (Henstridge, 1994:57); the expected external aid was delayed while the reimposition of the International Coffee Organisation (ICO) created more barriers for coffee, Uganda's single most important export commodity (World Bank, 1988:24-38); and gross domestic savings continued their decline which had begun in 1986 (See Table 27). Yet, in spite of a harsh international environment, policy slippages, and evident policy failures, Uganda's GDP was estimated "to have risen by 3% in 1987, reversing a three-year trend of declining real production" (World Bank, 1988:20). Given the above constraints, what actually caused the economic turnaround?

Confronted with this contradiction, the World Bank had to acknowledge, in 1993, that:

There is considerable uncertainty whether these improvements were entirely a result of adjustments, other extraneous factors, or some combination of the two.... thus, given that peace and security were regained at a time that the structural adjustment programmes were put in place, causes serious difficulties in disentangling the effects generated by the macroeconomic policies per se. The problem is

also compounded by the difficulties in isolating the effects of the price reforms (i.e., changes in exchange rate, interest rates and product pricing) from the impact of the injection of large amounts of foreign exchange support accompanying the reform programme (World Bank, 1993 (a):44-45).

The Bank's conclusion, asserted rather than demonstrated, was that:

Notwithstanding the "peace dividend", had the government not embarked upon the adjustment programme when it did, it is our conclusion that the economic and social climate would have continued to deteriorate, with the gains from peace being eroded by the continued ravages of triple-digit inflation, resulting from irresponsible fiscal policy (World Bank, 1988:55).

In fact, several studies have indicated that the reform policies - high interest rates and obsessive pre-occupation with anti-inflation objectives - stymied investment and overall economic growth, and that factors unrelated to SAPs were responsible for the initial recovery. Lower inflation rates achieved between 1988 and 1990 were a result of a sharp reduction in food prices which, itself, was a function of good rains and harvests which ensured a consistent supply of food (Helleiner, et al 1993:15; Henstridge, 1994:58); i.e. ecology rather than neo-liberalism may have been the critical factor.

Further disaggregation of macroeconomic figures seems to demonstrate that the strong performance of the non-monetary agricultural sector, rather than its monetary counterpart, was the main factor behind the economic recovery; it accounted for at least 47% of GDP (World Bank, 1988:20). In other words, the economic recovery was led by the subsistence agricultural sector, normally associated with economic backwardness and regression. In fact, the strong growth of the subsistence agricultural sector demonstrates the popular response

and survival strategy of the peasantry in the wake of a failed, unstable and frustrating monetary economy.

Thus the causal explanation of the economic recovery in the first two years of the adoption of SAPs in Uganda seems to lie more with extraneous rather than the economic reform programmes: return of peace and security and sufficient rainfall enabled farmers, including those in the previously war-ravaged but fertile Luwero Triangle, to return to normal life and agricultural cycles. In addition, the increased multilateral funding, about \$500 million per annum, was used to improve the road network that enabled peasant farmers to have easy access to markets.

Additionally, the constraints that prevented higher levels of economic growth, particularly in the first years of the SAPs cycle, and which were also largely responsible for policy slippages in 1987/88, were all external in origin: the sharp deterioration of coffee prices on the international market; delayed receipt of external aid; and the barriers imposed by the ICO quota system (Henstridge, 1994:57; World Bank, 1988:38). The other constraints, according to the findings of independent experts in 1993, originated from the economic reforms themselves: monetary restraint through the imposition of high interest rates created disincentives for investment while the excessive devaluation threatened to stymie early economic growth (Helleiner et al 1993:9). These findings, among other things, belie the usual assumption by the Bank and the Fund that external factors constraining development in SSA are of secondary importance; that the inability

to adjust is a function of lack of commitment to SAPs rather than the policy reforms themselves.

In any case, if the economic reforms contributed to the economic recovery, they did so in tandem with numerous other factors that lie beyond the scope of SAPs. The Bank's response to the counterfactual question - i.e., what would have happened if the government did not adopt and implement SAPs in 1987 - is vulnerable to refutation. It can equally be argued in the case of Uganda that without peace, security, and adequate rainfall, economic reforms alone would have achieved very little even at the level of macroeconomic stability alone. The collapse of the economy for such reasons after the adoption of SAPs in 1981-83 provides further proof in this direction.

One other achievement said to have resulted from the adoption of SAPs was fiscal "stability" from 1989 onwards. This stability, however, was almost entirely dependent on foreign financing. Whilst, prior to 1989, the government depended on printing money to finance the budget, there has since been a shift towards foreign financing of the deficit; and both development and recurrent budgets are heavily dependent on foreign loans (Henstridge, 1994:57; Tumusiime - Mutebile, 1991:342). This mode of deficit and budget financing is partly responsible for the enormous external debt that has more than doubled since 1987 (See Table 21 and Graph 22), and whose implications will be dealt with later in this chapter.

Evaluated on their own standards, assumptions, objectives and expectations, the orthodox SAPs have failed in critical areas in Uganda over the last decade.

Arguably the two most important failures relate to SAPs' inability to restructure and diversify Uganda's production base, and incapacity to move from basic issues of stabilisation to those of sustained development.

At the prompting of both Bretton Woods institutions, cash crop producer prices were increased several times, and other supply side incentives were put in place. Yet, all these reforms failed to stimulate the expected response: agricultural production remained more or less stagnant; the attempts to widen the export base by reinvigorating the production of cotton, sugar, and tea failed, and the promotion of non-traditional cash crops yielded minimal results (See Tables 5 and 13). Failure to diversify the export base has meant that Uganda now relies on one single commodity - coffee - whose export volumes and dollar value (until 1994) have been declining steadily (See Tables 11 and 13; Graphs 15 and 17). Coffee constitutes more than 95% of the total composition of Uganda's exports (See Table 25). The overwhelming dependence on coffee makes Uganda especially vulnerable to the external environment. Clearly, the narrow and shrinking agricultural export base has adverse effects on the country's BOP position; the government has therefore had to resort to external borrowing in light of dwindling export volumes and values, resulting, by 1993, in a scheduled debt service that was 100% of the export value (Helleiner, et.al 1993:19).

Part of this failure of agricultural policy reforms is the inability to design programmes that meet the basic production needs of agricultural small-holders, the engine of the agriculture-based economy. The banking system, reminiscent of the colonial era, has been uninterested in extending credit to small-holder farmers, and in particular to rural women producers. Rural farmers have also been poorly served by research and extension agents. Recent studies show that only 12% of rural Ugandan women had ever heard of animal feeds; only 21% of weed killers and insecticides; and only 33% about fertilizers. A mere 5% of the rural women have been visited by agricultural extension officers; and 1% of rural women have received agricultural credit (Mugenyi, 1992:12; Natukunda, 1988:2). As a result of poor technology, minimal information and lack of credit, small-holder farmers' incomes remain very low. This not only constrains production but it also prevents the growth of domestic markets for non-agricultural goods and services. It is partly because this cycle has not been addressed and broken by successive SAPs that mass rural poverty not only remains intact, but has intensified in many communities.

The inability of agricultural reforms to boost and diversify agricultural production is in part a sequential problem. Agricultural price incentives tend to disregard transport and processing infrastructures as well as provision of basic implements, including hand hoes. Indeed, Uganda is not self-sufficient in the production of hand-hoes, the most elementary piece of technology - and evidently the most important to the peasant farmer (See Table 17).

If the agriculture-based part of the overall development strategy has not yielded sufficient dividends during the implementation of SAPs, the commodity export-driven component of the neo-liberal development strategy has been even less successful. In spite of massive devaluation (intended to make Uganda's exports competitive) as well as hefty increases in cash crop prices, export production has not merely stagnated but, in some cases, actually shrunk. Precipitous deterioration of the international terms against many of Uganda's exports have been devastating. Apart from the dramatic collapse of coffee prices, it is estimated that Uganda would have earned almost four times as much from its cotton in real terms in 1914 as it expected in 1991 (Jamal, 1991:335).

Failure of Uganda's export drive provides several lessons of experience: (i) it demonstrates the underestimated adverse effects of external factors blocking economic recovery in Uganda and SSA; (ii) it reinforces the compelling "fallacy of composition" argument, particularly in the case of coffee, and belies the relevance of the NICs' export-driven experience in Uganda and the SSA region; (iii) it puts in doubt the design of supply-side agricultural policies and incentives; and (iv) it calls into serious question the medium and long-term viability of the commodity export-driven strategy - one of the main pillars of orthodox SAPs. Far from being export-driven, Uganda's economy has been external finance-driven; the modest economic recovery is in spite of export collapse and an increasingly harsh international economic environment.

Yet, in spite of repeated commodity strategy failures, the World Bank's advice to Uganda, in 1988, was that "A concerted effort must be made to encourage maintenance and replanting to increase coffee yield and quality" (World Bank, 1988:50). Assuming that the Bank is giving similar advice to other coffee-producing countries in SSA and beyond, it is not difficult to predict the dismal prospects facing such economies in future. Only natural disasters, such as frost in Brazil, or political tensions such as those in Chiapas, Mexico, can be relied upon to enhance coffee prices on the world market. Thus agricultural policies that have presided over the circumstances that have seen the coffee composition of total exports grow from 80% in 1984 to 96.8% in 1988 and beyond (See Table 7) cannot claim to be part of the solution to Uganda's economic crisis.

The industrial sector recovery (See Tables 14, 15 and 17) needs to be located in two sets of backgrounds. First, the sector was so severely hit by the successive economic and political crises in the 1970s and 1980s that by 1986 the output was about one-third that of the 1970-72 period. Second, and related to the first, the "increased" production during the adjustment period has been measured, as in the case of agriculture, against 1987 as the base year (See Tables 14 and 15). As already noted, that year represents one of the lowest points in Uganda's post-colonial industrial production levels. Apparent "dramatic" percentage increases in the post-1987 period, therefore, need to be evaluated accordingly.

Thus although the industrial sector has recovered by an average of 16% per annum since 1987 (EIU, 1992/93:21), this is a very marginal change that only

compares with levels in the 1950s. In any case, the range of manufactured goods has remained very narrow, being dominated by food processing and drinks production (See Table 14). In the case of the latter, the process simply involves dilution and bottling of foreign-prepared concentrates.

With SAP-inspired tight monetary and fiscal policies as well as shortages of foreign exchange, the proportion of investment allocated to the manufacturing sector has been reduced from 23% to 16% between 1991 and 1994 (EIU, 1992/93:21). In fact, the role of the industrial sector has remained stagnant and even declined over the adjustment period; while manufacturing was 9% of GDP in 1970 it shrank to 3% and 4% in 1986 and 1989, respectively (see Table 25). Thus Uganda has been de-industrialising in the 1980s and 1990s; and the prospects of achieving self-sufficiency in consumer goods as well as developing backward and forward linkages between agriculture and industry have receded.

One other indicator of industrial recovery is increased industrial capacity utilization. Trends between 1984 and 1991 indicate that the bulk of manufacturing firms are still operating at less than 20% capacity (See Table 16).

Thus although economic reforms have increased economic choices and freed markets from distortions, management problems, lack of foreign exchange, and a lack of internal and external markets have tended to constrain the expansion of the industrial sector. In any case, with a full-scale liberalisation of markets and prices, local industries have had serious problems with their more established Kenyan counterparts. This is a major contradiction of liberalisation.

One of the presumed positive attributes of SAPs is their expected removal of distortions, clearing the way for higher levels of domestic savings and enhanced domestic as well as direct foreign investment. In deference to the growth imperatives, the government has provided generous tax holidays for investors hoping to reap long-term benefits. As it has turned out, the anticipated levels of savings and investment have not materialised (Helleiner, et al., 1993:43). One the contrary, the gap between available resources and those required for long-term and sustainable economic development is widening, and is unlikely to be filled by the new domestic efforts coupled with the present level of international support. Independent observers have argued that the widening resource gap is being deliberately "massaged" by the IFIs so as to keep the estimated requirements within the bounds of what the donors are currently describing as politically realistic; the official estimates therefore have tended to promote an excessively optimistic picture of Uganda's future growth potential, partly to maintain the illusion of apparent adjustment "success stories" in the SSA region (Helleiner, et al, 1993:18). Just like Ghana's heroic attempt to go back to the future of 1965 by the year 2000, it is estimated that, at the present growth rate levels, Uganda would achieve the same "feat" by the year 2005 (Helleiner, et al, 1993:18) - and this is a very optimistic scenario!

Lack of foreign direct investment and alternative local resources, the narrowing production and export bases, and the reliance of government capital and recurrent budgets on foreign loans have all meant that official development

assistance dominates the Ugandan economy, making the country more externally dependent than at any other post-independence period. Official transfers are larger than total exports; official external finance, excluding debt relief and arrears accumulation, make up more than 16% of GDP (equivalent to twice the recurrent revenue and four times the contribution of the manufacturing sector to GDP) (Helleiner, et al, 1993:19; See Table 25).

Uganda's extreme dependency on external financing has resulted in an enormous external debt (See Tables 18 to 22; Graphs 22 to 25). The Fund transfers more resources from Uganda than it brings in. For example, between 1980 and 1983 the Fund injected \$333.3 million in the Ugandan economy; from 1984 to 1989 its profits and resource outflows totalled \$361 million; between 1990 and 1992, the IMF made available another \$90.6 million and was, in 1993, able to make a net transfer of \$11.5 million from the country. In the meantime, the total stock of debt has more than doubled since 1986 (See Graph 22); the debt service ratio is well over 100% of export value since 1992; and the estimates indicate two-thirds of total domestic savings in Uganda would be swallowed up by the scheduled debt servicing, even if the economy was experiencing a robust rate of growth of more than 5% per annum (Helleiner, et al, 1993:19).

The overwhelming debt burden has not only discouraged would-be investors but has also continued to absorb very scarce resources needed for productive services. Uganda has had to appeal to bilateral external donors for funds with which to service its debt to IFIs.

Uganda's debt burden, then, is unsustainable even in the short run. Yet, because of its existing indebtedness to the IFIs - and its lack of creditworthiness in other financial markets - it will have to continue borrowing from Bank/Fund resources to sustain short-term BOP and import levels. This position not only makes Uganda's recovery unsustainable, but it also points to the vulnerability and the ease with which the current recovery trends can be reversed. Further, it means that the government is almost totally unable to plan its future courses of action beyond two or three years.

With the liberalisation of the exchange rate system and the legalisation of the parallel market, the most-often used monetary policy - devaluation - has run its course and cannot be relied upon to manipulate the macroeconomic variables. Efforts to control inflation, BOP and budget balances as well as moves to boost productivity and production have to look beyond the stroke-of-the-pen monetary instruments. SAPs will have to shift from easy to hard and controversial elements in sequence.

In this regard, the strengthening of the private sector, primarily through the privatisation of public enterprises, has assumed centre stage. The most successful aspect of the privatisation measures to date has been the abolition of the monopolies enjoyed by CMB, PMB, and LMB. In the case of coffee, private exporters have already captured 66.6% and 36.22% of the market of robusta and arabica, respectively (Bank of Uganda sources). The ensuing competition in the sector, coupled with recent coffee price recovery on the world market, has

benefitted coffee farmers (See Graph 14). However, the same impact has not been felt with the restructuring of the other marketing boards. Cotton processing infrastructure has not been resuscitated and price incentives alone have not created a sufficiently positive supply-side response; in the case of PMB - in charge of food crops - adjustment programmes have not emphasized incentives for food crops.

In a wider sense, however, the privatisation process has run into several problems and is unlikely to gather momentum anytime soon. Powerful ethnic, political and economic groups have persistently resisted privatisation of publicly-owned assets which include banks, hotels, the national airline, transport companies, and manufacturing concerns. Several objections have been raised (Suruma, 1993:8-12) to block the exercise:

- (i) Some of the potentially lucrative public enterprises sought after by private interests have been undervalued; they are therefore likely to be sold at no more than their salvage value to benefit a handful of individuals, rather than the public;
- (ii) While privatisation may increase efficiency in production, it may not, as the current trends have shown, necessarily attract new industrial capital into Uganda; the premature withdrawal of government from the industrial sector is likely to leave a gap that the private sector cannot yet fill;
- (iii) Politicians are under pressure to give local entrepreneurs the first opportunity to own the privatised enterprises; while this is likely to yield

less money to the treasury, it would enable Ugandans to acquire business and managerial skills; in any case, the divestiture process has been severely attacked as undemocratic and hasty - all at the behest of external forces, principally the Bank.

Some of the foregoing arguments appear to be swimming against the increasing tide of global production and neo-liberal ideology. Additionally, underlying these objections are real anxieties of the business-cum-middle class elements which hope to benefit from the impending "re-allocation" of major national assets.

The pressures in the way of privatisation have led to the dissolution of PERD, hitherto in charge of divestiture, and the creation of the Parastatal Monitoring Unit (PMU) under the direct responsibility of the Minister of Finance - a signal that privatisation is more political and controversial than previously realised. It is therefore not surprising that only four enterprises out of a total of around 150 were privatised between 1994 and the end of June 1995 (Ministry of Finance, 1995:9; Tukahebwa, 1994:9; Brett, 1994:77).

By most accounts, the privatisation process has not been conducted well. First, it has turned out to be very costly: the administration of the scheme is expected to cost \$65.6 million in borrowed funds and \$25.6 million in locally raised funds (Tukahebwa, 1994:10). It is not clear why such a large sum of money is required nor how it will be recouped. Second, the divestiture committee has appeared to operate without sufficient guidelines and supervision from the

parent Ministry of Finance, giving the impression that it has been relegated to politically insulated technocrats. Third, the committee has appeared to lack information on the public enterprises due for sale. For example, when Pepsi was sold, the new owners discovered that they were liable for nearly \$2 million in outstanding taxes - a fact that the divestiture committee had not seemed to know (Brett, 1994:78). Fourth, the prevailing indecision about privatisation as a whole has meant that several bankrupt public enterprises have continued to receive foreign assistance and more have been kept buoyant by public funds while their nervous managers have continued to "eat" into the assets of those enterprises. To the managers, this is rational behaviour in irrational and tenuous circumstances.

There is a very significant difference between the earlier swift implementation of monetary policies, particularly devaluation, and the slow pace of privatisation. The latter has run into powerful and organised groups which are doing everything possible to frustrate any type of privatisation that is unlikely to serve their economic interests. Indeed, while the earlier policy instruments were applied with a minimum of consultation, the government has had to involve more interests in the divestiture process.

The foregoing analysis of the macroeconomic impact of policy reforms tends to support the view that while SAPs contributed to economic stabilisation and enabled Uganda to access multilateral funding, the market-oriented, agriculture-based, commodity export-driven and private sector-led development

strategy has had limited success. The modest economic recovery has neither been export-driven nor private sector-led; price and market liberalisation have created their own bottlenecks while supply-side agricultural incentives have provoked very little response. Like other cases in SSA, SAPs have led to the re-capture of the informal sector but not the restructuring of the economy.

In essence, Uganda's recovery has been largely foreign assistance-driven as well as peace and security dependent; it has created an unsustainable debt burden that is consuming a large proportion of scarce resources; and it has been more constrained by external factors than IFIs are prepared to admit. The economic recovery itself is far less spectacular than the data based on the 1987 base year tend to show; it remains fragile, short-term, unsustainable and reversible; and it does not appear to resonate with NRM's long-term objective of building an independent, integrated and self-sufficient national economy.

In the meantime, however, the implementation of SAPs has had a profound impact on social and economic groups - many of which have been severely disadvantaged by the process. The next section attempts to analyze the social impact of SAPs.

## 7.2 The Social Impact of SAPs

Earlier in the chapter it was noted that there was considerable uncertainty in establishing causal linkages between policy reforms and economic recovery in Uganda. Similar problems confront attempts at singling out the social impact of

SAPs - as distinct from other impacts such as the cumulative consequences of civil wars, neglect and mismanagement. Analytical problems are compounded further by official statistics - produced by IFIs and the Uganda government - which tend to concentrate more on macroeconomic numbers than on disaggregated social indicators. Attempts to pose qualitative questions are always nipped in the bud by well-rehearsed counterfactual questions. Thus, while there is abundant data on inflation rates, BOP and GDP growth, there is very little information on employment, social welfare and services, equity and indices of the quality of life within and between social strata. While, admittedly, analysis of qualitative indicators is constrained by methodological problems, official data seems to deliberately concentrate on general areas that appear to indicate a favourable impact of the economic reforms. In many SSA countries, including Uganda, areas that are not focused upon in the majority of official studies are the ones which have been adversely affected various social groups. In the case of Uganda, the economic recovery problematique may well fit the description once applied to Brazil in the past: the Ugandan economy is doing very well but Ugandans are doing poorly!

As part of the standard conditionalities attached to IFI funding, Uganda's adoption of SAPs involved substantial cuts in public expenditure, both capital and recurrent; the neo-liberal imperatives and lack of resources have ensured the withdrawal of the state from crucial areas of responsibility, particularly in the social sector, without viable alternatives available to the poor and vulnerable; institutional

downsizing has led to massive unemployment while those lucky enough to remain in public employment remain severely underpaid, demotivated and demoralised. The ensuing policies, at least in the short-run, have marginalised large sections of the population, decimated a large section of the fragile urban middle class, and reduced social incomes while exacerbating social differentiation. Except in a few areas, where farmers have taken advantage of the improved road system to reach markets for their produce, mass rural poverty not only remains but has, in some instances, intensified. In all social categories, the ensuing economic hardships have led to remarkably innovative popular responses and survival strategies. These range from urban agriculture, moonlighting and entry into the informal sector by the public servants to retreat into subsistence agriculture, revival of the use of herbal medicine and witchcraft, religious fanaticism and cattle rustling in the countryside.

Three social policy areas dramatize the impact of public expenditure cuts and other reform-based measures on Uganda's social fabric: education, health, and retrenchment and poor remuneration in the public sector. Each of these areas need expanded comment and analysis.

### 7.2.1 Education

Some of Uganda's most striking post-independence achievements were in the field of education which were reflected in the substantial shares of government expenditure allocated to the sector. In 1968/69, for example, education's shares

of the government's recurrent and development budgets were 23.7% and 6.15%, respectively (Africa South of the Sahara, 1972:866). Even as the country was experiencing war as well as the impact of the second oil shock in 1979, education's share of the government recurrent budget remained a respectable 22.4%, compared to security, which claimed 15.1% (Africa South of the Sahara, 1986:1000). Government funding met the bulk of costs associated with running the school system, including provision of books, equipment, buildings, maintenance and teachers' remuneration.

By the time NRM came to power, the quality of education had been seriously eroded by cumulative neglect and economic crises. Indeed, by the beginning of the 1990s, Uganda's school enrolment ratios at all levels of education were far below those of Kenya and Ghana (See Table 38); the secondary enrolment ratio was only half of the SSA average; and the girls' secondary ratio only 7% (World Bank, 1993 (b):5). The whole system, therefore, needed major injections of recurrent and development funds.

With the introduction of SAPs and their contingent austerity measures, the share of the government's budget allocated to education has been substantially reduced in real terms. Between 1984 and 1993 the average share of the government's recurrent expenditure on education was 13.9% per annum, the lowest (4%) having been reached in 1991/92 financial year. These figures compare unfavourably with both security expenditure which, on the average,

consumed 30% of the government's recurrent expenditure (See Table 32), and with resources that are committed towards debt-servicing.

In essence, the government's reduced education budget has meant that the bulk of responsibility in the sector has been shifted to individuals - supplemented by NGOs and foreign assistance. Parents not only pay official fees but also meet the recurrent and development requirements of schools: teachers' allowances, buildings and maintenance of the physical plant, textbooks and transportation (Mamdani, 1991:355). Conservative estimates indicated that in 1989/90 parents contributed 76% and 50% of the total costs of running primary and secondary schools, respectively (See Table 41); subsequent studies show that primary education would collapse without the parental contributions of 65% - 90% of the total funding of the system (World Bank, 1993 (b):xvii).

In reality, however, private individuals/parents pay even more on an informal basis as inducements to teachers. This is necessary because teachers get only 35% to 40% of average earnings of Ugandan workers. This contrasts with neighbouring Kenya where the salaries of teachers are twice the level of average workers' remuneration in other sectors (World Bank, 1993 (b):27).

As in many other SSA countries, there is a significant disengagement from the national states' formal educational structures; local communities have reorganized to provide basic educational infrastructure outside the framework of the state. These new coping methods have witnessed the proliferation of private schools and universities as private individuals exit from government institutions.

Institutions such as Makerere University that have remained publicly owned and very poorly funded - and which have not yet been able to charge fees either formally or informally - have been hit hardest. Makerere's academic and physical infrastructures have continued to decay over the decades; in some cases subscriptions to major academic journals ceased in the mid-1970s (Kigongo, 1994:29); and poor remuneration has depleted the teaching faculty ranks and forced those who have stayed to moonlight in order to make ends meet. These trends have a profound long-term impact on the educational system.

The state's virtual withdrawal from the education sector has hit the peasants and poor urban workers hardest. Because of a lack of alternative coping methods, the vast majority of rural peasants have had little choice but to keep their children in what remains of the formerly state-run schools. But academic standards at these schools have plummeted, partly because the majority of teachers prepared to stick with the teaching system are untrained (World Bank, 1993 (b):xvii). As a result, school children from rural areas find it more and more difficult to compete with their counterparts in urban schools where the remnants of the middle class are able to raise funds to attract competent teachers. This process is creating structural impediments for the rural youth in future labour market stakes. It may also reinforce the perceived Southern hegemony, as this region is materially better endowed.

These inequalities have not only affected the quality of education but have excluded many children from the educational system altogether. With the primary

school cohort survival rate dropping to as low as 32%, many of the poor urban and peasant parents are simply no longer able to send their children to school; any education at all, let alone quality education, is progressively becoming a "luxury" only the well-to-do can afford. As many civil servants get retrenched, they join the already large numbers of Ugandans unable to provide adequate education to their children. Since education remains a major forum for social and material advancement, the present inequalities that are attendant on the ongoing "privatisation" of the education sector will definitely reproduce themselves for generations to come.

At yet another level, the increasingly poor quality of education has adversely affected capacity building and human resource development. Low educational attainments of future adult populations have obvious adverse implications even in the basic areas of agricultural extension, family planning and nutrition. At more complex levels, lack of formal and technical education will put the Ugandan society at a serious disadvantage in the areas of scientific and technical knowledge and application.

The state's retreat from the educational sector in Uganda is precisely the reverse of what happened in the NICs and what was obtaining in the country in the 1960s. Part of the NICs' success story has been their states' funding of education right from the primary level. This has enabled them to develop a technologically qualitative work force to handle complex production tasks - and to compete with others in the global economic system.

This is one more instance in which the neo-liberal trajectory of limiting the role of the state is probably at its most harmful. Education is a national investment as well as a right; it cannot be adequately provided for by the private sector, as this will create severe inequalities, more under-development and structural violence. The lessons from the Ugandan case clearly illustrate the need for a strong state to spearhead the national educational project. Thus, SAPs that advocate state disengagement from critical social sectors, such as education, are short-sighted, have not benefitted from the experiences developed countries' states have in handling education systems, and need to be resisted. Conversely, there is a need for the Uganda government to spend more resources -both domestic and borrowed - on basic needs; education is one of these basic but important needs.

### 7.2.2 Health

The health sector, like education, saw considerable expansion and improvement in the 1960s; medical health care was free. Several rural hospitals were built shortly after independence and were satisfactorily equipped, stocked and run. Makerere University medical school produced doctors and paramedics to adequately run the health system. Alongside the public health sector were NGO-based hospitals and clinics as well as private clinics which charged minimal fees. The government invested considerable resources in the sector. For example, health received 7.5% and 7.9% of the government's recurrent and

development budgets, respectively in 1968 and 1969 (Africa South of Sahara, 1972:866).

Like other social sectors, the health system has deteriorated markedly during the last two decades. Lack of resources and maintenance has resulted in infrastructural collapse while inadequate remuneration has forced medical personnel to either moonlight or leave the public health sector for greener pastures, mainly outside the country.

By 1984 the ratio of population per physician had risen to 21,900 - compared to 11,100 in 1965 (See Table 39); the ratio has since exceeded 25,000 (World Bank, 1993 (b):xx). There was, therefore, an urgent need to rehabilitate the health sector in the 1980s and 1990s.

With diminishing state revenue and the introduction of SAP-related austerity measures, the government's financial commitments to the health sector have dwindled even further, increasingly shifting the burden to individuals and NGOs. Between 1986 and 1993, for example, an annual average of 3.8% of the government's recurrent expenditure has been spent on the health system - compared to 7.5% and 8.2% in 1968 and 1970, respectively (Africa South of the Sahara, 1972:866; See Table 32).

The extent to which the state has disengaged from the health sector is both enormous and alarming. From providing free medical care in the 1960s and 1970s, the current government contribution to the sector, in local funds, is only 23%; individuals contribute 75%, with the rest being covered by the NGOs;

additionally, the government's total recurrent expenditure on health is heavily dependent on foreign assistance and loans (See Table 42 and Graph 28).

The impact of state withdrawal is palpable. There has been a resurgence of preventable diseases - tuberculosis, malaria, pneumonia and diarrhoea - (World Bank, 1993 (b):xx), and the situation has been made considerably worse by the AIDS epidemic. Infant mortality is nearly 10% higher than the SSA average, and 70% higher than the average for all low-income countries; and a newborn baby has only 80% probability of reaching the age of five (World Bank, 1993 (b):3; See Table 37). Poor health care, collapse of vaccination programmes, repeated infections and household food insecurity have combined to cause stunting among some children in Uganda: the World Health Organisation's survey indicated that some Ugandan children were two standard deviations or more below the average height of WHO's reference population (World Bank, 1993 (b):4).

The collapse of the national medical care system - over and above that of education - and the disengagement of the state from the sector have particularly hit rural and poor urban families. While the urban elite has abandoned the national medical care system for private clinics and expensive private wings of public hospitals, the poor and vulnerable have had their "social" income reduced even further, facing further marginalisation. The Programme to Alleviate Poverty and Social Costs of Adjustment (PAPSCA) has been severely underfunded and remains totally ineffective. Many adversely affected communities have had to improvise unusual coping techniques: there is a resurgence in the use of herbal

medicine and even retreat to witchcraft; some communities have returned to religious fanaticism; rural women have had to work even longer hours to produce extra cash crops for more income (Mugenyi, 1992:23). In the urban areas escalating medical costs have intensified moonlighting in the informal sector by a large section of formal sector employees. In many instances the coping methods have simply been inadequate, resulting in higher mortality rates across all age groups.

For many ordinary Ugandans, escalating medical and educational costs far outweigh any benefits accruing from the economic reform programmes. The vastly increased cash requirements and obligations on the poor partly explain the paradox in which the economy seems to be growing at a robust pace while the majority of Ugandans are, in relative terms, getting poorer.

The gap created by the state withdrawal from education and health is most unlikely to be filled by the private sector; imposition of user fees will exclude the poor from the residual services; and the lessons of the NICs (i.e. state provision of both education and health) are not being learned in Uganda and SSA. The case for a proactive, interventionist but accountable and democratic state in the provision of basic social services cannot be more strongly than in the case of Uganda.

### 7.2.3 Retrenchment and poor remuneration of public servants

Part of the Bank's conditionality has been the restructuring of the public civil service. The objective of bureaucratic restructuring, which has already resulted in the retrenchment of thousands of civil servants, was to create a decentralised, smaller, better paid and equipped service which would concentrate on improved delivery of core services in a culture that rewards performance, probity and a sense of public duty (Langseth, 1994:100). So far, however, the restructuring exercise has largely been confined to retrenchment -and not much else. This was partly prompted by the World Bank's insistence on dramatic personnel cuts before SALs were released. In the meantime, the locus and focus of the civil service restructuring have been seriously flawed and socially devastating.

First, the restructuring lacked logical sequencing and probably put the cart before the horse. Instead of commencing with the identification of the appropriate scope of work for the civil service - on the basis of which reforms would then ensue -the exercise started at the wrong end; i.e. immediate retrenchment. In some cases the layoffs were done in such a haphazard manner that many services could no longer be delivered at all. The Post Office, for example, had to rehire retrenched workers to be able to deliver very basic services.

Second, there is no evidence that the downsizing of the public sector has saved resources; without redefining the new scope of work, savings accruing from

retrenchees whose wages were very meagre will have little positive financial impact on the public service budget.

Third, the massive retrenchment exercise has coincided with hard times, where finding alternative employment is more difficult than at any other time; retrenched civil servants - with meagre severance packages - have practically no means of material survival. In light of increased social services costs, massive layoffs have created tremendous social tensions as they accentuate the already high levels of unemployment. In turn, these pressures have led to further social decay and a rise in crime.

Fourth, the civil servants who survived retrenchment are still enormously underpaid, underequipped and demoralised. Cumulative devaluations, a higher cost of living, and the dramatically increased costs of housing, health and education have devalued wages to absurd levels. By 1988 real urban wages were 7% of their 1972 levels and monthly wages were not even enough to purchase family supplies for a week (Jamal, 1991:326). Yet, both the Fund and the Bank have argued vehemently in favour of wage freezes in order for the government to achieve fiscal balance.

The salariat sector has therefore tended to view adjustment programmes as socially cruel and externally imposed. Far from concentrating on their formal work, many public servants have responded with creative alternative coping methods. Many of them are part-time subsistence farmers and informal sector operators; 36% of households in Kampala participate in urban farming,

contributing up to 20% of the city's food needs (Nabuguzi, 1994:15). Even more are involved in informal sector trading: public employees, apart from depleting government assets for personal gain, run shops, private clinics, taxis and bars.

Without substantial salary increases, the anticipated benefits from the civil service restructuring are most unlikely to materialise; the "new" and smaller service will still be inefficient, ineffective and demoralised. The IFI-inspired civil service restructuring appears to have caused more social deprivation and tensions and less organisational efficiency and human resource capacity building.

The demobilisation of soldiers has had a similar track record. Although some soldiers were happy to leave the army, the vast majority of them had no alternative source of livelihood once they were discharged. Many of them have resorted to armed robbery; others have joined armed anti-government opposition groups; and yet others have become mercenaries in civil conflicts amongst some of Uganda's neighbouring countries. This is a potential source of further conflict, armed confrontation and break-down of peace and security - a price that may not be worth paying by way of implementing SAPs.

The virtual disappearance of the wage-earning class as an independent entity has dramatically shrunk the already-small middle class. In many other countries the expansion and consolidation of the middle class has provided a springboard for accumulation, entrepreneurship, enhanced domestic markets, more savings and tax revenue to government; it has not only sustained economic growth but has also contributed to national integration as diverse and

heterogeneous groups evolve convergent economic and political outlooks. In the case of Uganda, an impoverished and diminished middle class will not rise to this challenge. The continuing informalisation of economic transactions will deny the government revenue that is sorely needed to resuscitate the social services, thus leading to further inequalities, social collapse and lower productivity.

If, as it appears, the majority of the urban middle class and rural farmers have become losers as the structural adjustment process gathers momentum, who are the winners? India provides an unexpected insight into Uganda's dilemma: while liberalisation has led to robust macroeconomic growth, the Indian rural poor have been marginalised even more intensely; as a response to their plight, the rural poor have voted massively against the ruling party, causing major electoral upsets in early 1995. As the NRM implements SAPs, it has to ponder over such possibilities.

So far this chapter has identified some of the major flaws of SAPs at strategic, macroeconomic and social levels. Not only has the neo-liberal framework failed in critical areas, but SAP macroeconomic reform policies seem to be stuck in the narrow stabilisation agenda, unable to shift to sustainable development; their social impact has been devastating to large sections of the Ugandan society. Experiences from those levels lead to other questions: to what extent are SAPs designed and sequenced to relate to the Ugandan political economy's specific circumstances? If so many social groups, including government civil servants, do not support the direction and spirit of adjustment,

who owns and is committed to SAPs? Are SAPs able to be owned, designed, evaluated and adjusted by Ugandans? Is there an attempt to build individual and institutional capacity to this end? The next section attempts to address these questions.

### 7.3 Design, Ownership and Capacity Building

The cumulative adjustment experience in Uganda indicates that the earlier periods in the mid-1980s were dominated by dramatic monetary and fiscal instruments. These instruments, however, have finally run their course and have limited leverage in future manipulation of macroeconomic variables. Certainly, the monetary policy is bereft without the devaluation option since the official and parallel exchange rates have been unified. It is becoming apparent that the fiscal and monetary instrument in Uganda's circumstances (where the financial sector is shallow and the subsistence sector is both large and resilient) may not be nearly as effective as previously assumed. Further economic growth will therefore be predicated on more factors than have so far animated SAPs. Amongst those factors ignored, but increasingly crucial, are the actual internal design of specific policies, the sequencing of their implementation, and the issue of ownership and capacity building.

### 7.3.1 Design and Sequencing of SAPs

Arguably, one of the most important adjustment design faults is the lack of recognition and focus on the singularly crucial role of small-holder rural farmers in the production process. The small-holder farmers have been poorly served by agricultural research organisations; they have been victims of market instability and unpredictability; they lack transport, rural road network infrastructure and basic processing facilities; SAPs have not ensured continuous availability of the most basic farming implements, including hand hoes; until recently, farmers were not paid on time for their produce; more importantly, they have been consistently unable to secure credit from the banking system (Jamal, 1991:334; Helleiner et.al 1993:21).

The neglect of rural infrastructure is most sharply dramatized by the negligible resources the government's austerity budgets have committed to that sector during the adjustment period: between 1986 and 1993, the share of the total government recurrent expenditure spent on rural economic services - including agriculture, commerce, trade and industry - was an annual average of 3.2% (See Table 32). Without an improved rural physical, financial, and marketing infrastructure, as the failed attempt to revive cotton production has vividly demonstrated, agricultural price incentives on their own are a necessary but insufficient condition to provoke a strong supply-side response.

In the case of Uganda, neglect of basic infrastructure and credit facilities has depressed agricultural incomes and rural purchasing power, leading, in turn,

to further de-industrialisation as demand for locally manufactured goods declines. The designs of agricultural incentives, which are almost totally dependent on price liberalisation, have been unable to focus on other structural problems in the production cycle, resulting in stagnant production levels.

Inherent in the design of SAPs has been the "theory of urban bias" which posits that the malevolent state sought to appease the urban labour "aristocracy" and government employees at the expense of the rural population; SAPs have therefore advocated the reduction of economic rents historically enjoyed by the urban groups by restoring economic incentives to the rural areas. This emphasis, one may add, is not so much animated by shifting resources to the rural communities as by ensuring the production of commodity export crops that end up servicing external debts and maintaining urban infrastructures.

Be that as it may, the SAPs' "theory of urban bias" logic has led to the assumption that an urban wage freeze would restore the balance in favour of the country-side.

Whilst, historically, the urban bias theory had a lot of analytical merit, the present social and economic dynamics in Uganda have broken down the once clear-cut rural/urban and wage earner/farmer dichotomies; the wage freezes have been an over-kill without necessarily enhancing resources to the country-side. The weakening of the urban wage earning sector has pushed the latter to adopt survival techniques that undermine the markets previously available to rural populations.

At the end of the day, the current design of SAPs has neither benefitted the rural population nor the urban communities. Instead, it is those groups with capital, land and state connections that have benefitted from SAPs; the other beneficiaries are a small group of business people, including the returning Asians, who have taken advantage of the liberalised exchange rate system to conduct trade and commerce as well as externalise their profits without administrative restraint. As the state withdraws from many sectors, it leaves in its wake opportunities for international corporations and consultants to tap lucrative contracts that target project resources. These groups are the real winners - not the salariat or the majority of peasant farmers. There is a need to reduce the elements in the design of SAPs that emphasize profit maximisation, external loan repayment capability and growth, and enhance attributes that would pay more attention to the qualitative development of the majority of Ugandans.

Several components of the adjustment packages are not only inappropriately designed but have major sequencing bottlenecks. For example, the drive to promote enhanced production of non-traditional export crops ignored storage, cooling, and packaging facilities; it also neglected to gather sufficient marketing information (Ochieng, 1994:4). As a result, a very high percentage of the crops went to waste; many exporters lost their overseas markets and primary producers lost interest in further production.

Similarly, the cotton industry, formerly energized by Asian capital, failed to take off in spite of producer price incentives. The policy framework did not pay

attention to transportation, insecticides, marketing and processing aspects. Many farmers' cotton went uncollected, much of it was spoiled, and farmers retreated to other less risky agricultural activities. The cotton sector failed, almost completely, to gain momentum.

Yet another area that dramatizes design and sequencing problems is the tractorisation programme. Under the mistaken view that rural production would be transformed by large scale utilisation of tractors, the government used borrowed resources and procured hundreds of tractors. Several bottlenecks soon emerged: the delivery system was so disjointed that many farmers received tractors without ploughs; others received ploughs first and the tractors came more than a year later. In spite of this delivery nightmare, loan repayments commenced at once, even before tractors were received; it also became evident that a very high percentage of tractors were bought by politicians and well-connected bureaucrats for speculative purposes; in any case, several tractors remained in urban areas employed on minor errands totally irrelevant to agriculture. Finally, it was discovered that many of the rural land holdings were too small to benefit from tractorisation. In the absence of rural means of transportation many tractors were used as "buses". The whole project was conceived, designed and executed poorly. Almost all the farmers who borrowed funds from commercial banks to purchase tractors defaulted on their loans - whose interest was calculated on a compound basis. As a result of these defaults, the Uganda Commercial Bank, which was the principal intermediary

lender of these loans, began to develop serious balance sheet problems. So the Uganda government, again at the suggestion of Bretton Woods institutions, took yet another loan to restructure UCB; a further loan was provided by the World Bank to create a trust, staffed by expatriates, to collect the bad loans (Bank of Uganda sources)!

Other sequencing problems have already been noted in the privatisation exercise and the civil service reforms. In the former case, public enterprises have been sold with a minimum of information about their operations and indebtedness, resulting in legal and reversal problems; in the latter, the restructuring of the civil service began with massive retrenchment instead of identifying the desired structure first.

In many instances, external funding support for SAPs does not take into account Uganda's limited absorptive capacity. As a result, these funds do not increase capacity output beyond the cost of borrowing (Kasekende, 1994:5). Lack of anticipation of this limited capacity and restrictive conditionalities amongst the donors have intensified sequencing bottlenecks that waste public as well as private resources. There is therefore a need to develop special programmes to establish and sustain domestic capacity to design and implement programmes. This would minimize design and sequencing while enhancing capacity building and local ownership of SAPs.

At any rate, the usual attempt by the Bank and Fund to push adjusting countries to simultaneously implement a host of adjustment programmes in

virtually all the sectors of the economy has tended to produce costly errors, paradoxes and contradictions.

### 7.3.2 Ownership of SAPs

When official and analytic literature refers to negotiations between the Bank/Fund and the Uganda government, the latter essentially boils down to a few technocrats, along with their expatriate advisors, in two institutions: the Ministry of Finance and the Bank of Uganda. The rest of the government structure, including the majority in the Cabinet, the private sector as well as the farming community, are hardly involved (or consulted) about the content, direction, outcomes and impact of SAPs. Amongst the institutions excluded is the legislature, whose only brief encounter with SAPs is on budget days - but most budget items are decisions that take immediate effect and are therefore not intended for protracted political debates or compromises. While the rest of civil society - the media and the academic community - have made their views known, their influence on the outcome of SAP negotiations and processes appears to be very minimal. There is therefore no consensus nor a sense of ownership of SAPs (Helleiner, et al 1993:12). Who then owns the knowledge about SAPs? Who owns the programmes? If SAPs are seen as externally imposed and insensitive to local social, economic and political discourses, to what extent can such programmes be sustainable? These questions are likely to gain currency as the implementation of SAPs begin to affect entrenched social and economic interests.

For now, however, the content, direction and programmes related to SAPs come as quite often unrelated surprises to civil society and Ugandans at large. Issues such as retrenchment, wage freezes, institutional downsizing, state withdrawal from the social sector, demobilisation and palpable adjustment-derived forms of social and economic deprivation are not organically and coherently linked to the adjustment process, especially to the victims. In spite of their enthusiastic reference to political liberalisation, both the Bank and the Fund prefer to remove the structural adjustment processes from political discourse. This behaviour puts severe limitations on the "governance" discourse, which both institutions publicly support.

The Ugandan case seems to suggest that the government, with the encouragement of Bretton Woods institutions, has adopted the use of the so-called "agencies of restraint" as democratic functional equivalents of isolation and delegation (Callaghy, 1994:244). The argument behind this approach is that agencies of restraint "prevent public expenditure from outpacing public revenue ... the typical business of such agencies is to say no to spending requests or to punish the politically well-connected for abuses of power ... for such agencies to function effectively they must be protected from the pressures they are designed to hold in check ... they must therefore be autonomous centres of power" (Callaghy, 1994:244). In other words, SAPs are essentially above the state. Such autonomous, albeit undemocratic and unrepresentative centres, it is argued, are likely to provide solutions to the dynamic inconsistency of policy; i.e., "the

inability of politicians to commit to and implement policies that may be the best for the economy in the long-run, but are politically harmful in the short-run" (Callaghy, 1994:245).

In the case of Uganda, designated "agencies of restraint" are the central bank and politically protected technocrats, and their expatriate advisors, in the Ministry of Finance. But the principal "agencies of restraint" are in fact the Bank and the Fund themselves - with the two local institutions as supporting cast. The criticism that the Bank and the Fund pay lip service to political liberalisation while quietly discouraging political discourse on matters to do with SAPs appears to be justified in the case of Uganda. Their behaviour supports Robert Cox's argument that the democratic project in marginal political economies has been redefined in such a way that key economic decisions are divorced from political discourse and control. This decoupling generates contradictions between the imperatives of economic and political liberalisation.

The criticism about lack of participation and political discourse on SAPs is compelling. But it generates a counterfactual that opens yet another debate; i.e., if civil society and other interested parties participated actively in the negotiation of SAPs, this would raise the degree of public support, consensus and ownership of the adjustment programmes and ensure their eventual success. This, however, may not necessarily be the case. The Zambian case, discussed in Chapter Four, illustrates how enhanced political participation can in fact derail SAPs. The same country's experience also illustrates how inflexible SAPs are even in the face of

determined political intervention. It is therefore doubtful whether increased political discourse in the negotiation of SAPs would ensure different outcomes. Hence the difficulty in attempting to conflate the democratic project and economic reforms in Uganda as well as in the SSA region. The dynamic of the neo-liberal economic reforms seems to have fashioned a trajectory that runs along the lines of growth now, democracy later ... development much later.

### 7.3.3 Capacity building

The cumulative forms of SAPs in Uganda have not paid sufficient attention to the problems of inadequate institutional and human resource capacity and their impact on development efforts. These problems, stretching back to colonial times, have been exacerbated by the systemic collapse of educational and training fora, including schools and universities. Tight budgets have led to even more restricted opportunities to generate new capacities at individual and institutional levels in Uganda - just like several instances in SSA (Jaycox, 1993:1).

The World Bank finally admitted in 1993 that:

the Economic Recovery Credit overestimated the government's capacity to implement and monitor the required action ... the programme depended, for its success, on just a handful of grossly overworked officials... Moreover, the elementary information necessary for sound policy formulation and monitoring did not exist (World Bank Confidential Report, 1993).

The IFIs and the donor community responded to this lack of capacity by extensive use of expatriate resident technical assistance to literally supervise the implementation of SAPs. This has created and reinforced institutional

dependence. In 1988 alone Uganda borrowed \$15 million for technical assistance (basically remuneration and upkeep of expatriates), an amount that was almost equivalent to the total funds spent on rural economic services in the whole country (See Table 32). Yet this was only a borrowing from one credit facility among many for that year which, in SSA, adds up to \$4 billion every year (Jaycox, 1993:7).

The imposition of expatriates tends to undermine local institutional and human capacity building without necessarily solving capacity problems themselves. As the World Bank Vice-President, Africa Region, belatedly realised:

On the donor side, they tend to use expatriate resident assistance to solve all kinds of problems. Not only do these problems not get solved, but I would contend that this is a systematic destructive source which is undermining the development of capacity in Africa. And most of this technical assistance is imposed, it is not welcome and there is no demand for it really except on the donor side. And when I talk about the donors, I include the Bank ... We may design a project and then find a big mismatch between that project design and the local capacity to carry it out. So then we throw money and technical assistance at this, thinking that that will bridge the gap. Well, it hasn't worked and I don't think it will (Jaycox, 1993:2).

The ensuing alienation of local technocrats reduces the level of commitment and ownership of the adjustment process; their meagre remuneration contrasts sharply with expatriates' salaries paid for by borrowed resources. Unless such borrowed resources are used to strengthen local analytical capacity, provide incentives for qualified Ugandans abroad to return home and fill the technical hiatus, and support local research institutions, including universities,

SAPs will tend to be viewed cynically as externally imposed and inspired, and a business to employ Northern expatriates in SSA.

Once again, institutional and human resource capacity building is an activity from which the state cannot simply withdraw and leave to the private sector. Contrary to the current fundamentalist neo-liberal thinking, there is a need for a strong proactive state to provide the direction and foundation of capacity building. Without this, Uganda will remain alienated from the knowledge, content and ownership of SAPs.

There are several lessons of experience to be derived from Uganda's case study that emerge from the implementation of SAPs since 1987. These lessons relate to the shortcomings of the overall neo-liberal strategy, the economic and social impacts of SAPs as well as design and implementation perspectives. However, before these lessons are linked together by way of conclusion, it is noteworthy to recall that economic recovery was one of several items on NRM's agenda towards the rehabilitation and reconstruction of the country in a wider sense; others included peace and security, national reconciliation and unity as well as consolidation of democracy. Many of these items can be subsumed under the genre of political liberalisation - a parallel process to economic reforms in Uganda. It is proposed to discuss major developments in the political liberalisation discourse before addressing final reflections on all major attempts at rehabilitating and reconstructing Uganda's political economy. The next sections attempt to evaluate the main achievements of the political liberalisation exercise.

#### 7.3.4 Evaluation of Political Liberalisation, 1989-1994

Part of Chapter Six dealt with NRM's attempts at political liberalisation, national reconciliation, and consolidation of peace and security. These processes included the establishment of the democratic project, principally through the RC system, a government of national unity and increased observance of human rights. This section will deal with subsequent consolidation of these measures from 1989 and beyond.

"Political liberalisation" has been used as a blanket term to refer to the latest SSA initiatives that include democratisation, "good governance", recognition and observance of human rights, independence of the media, acceptance of the principles of universal suffrage and regular multiparty elections, as well as the general strengthening of civil society.

NRM's pre-occupation with political liberalisation, particularly attempts at democratisation, predates the introduction of economic reforms. Unlike SAPs, the democratic project is viewed by most political groups as home-grown and not imposed by outsiders or intimately linked to IFI conditionalities. The project is therefore more "owned" than its counterpart - the economic reforms.

In addition to the initial dispensations and opening up of the political process between 1986 and 1988, the government has continued to provide more space to civil society and to encourage political participation at all levels. The mass media continue to enjoy freedom of expression and are increasingly controlled by the private sector; there has been continued observance of human

rights and recognition of individual and collective rights, elections and efforts towards the enhancement of transparency and probity in government operations.

Yet, the government's political liberalisation, as noted earlier, continues to clamp down on political party activity - a key element in liberal democracy on which IFIs and the donor community have insisted in other SSA countries.

The NRM's notion of a "no-party" democracy has attracted as much criticism from multiparty adherents as curiosity and interest amongst political analysts and practitioners looking for a possible alternative to the familiar liberal multiparty framework that has not served some SSA countries well.

The government's political project, as Regan (1994:10) has suggested, appears to aim at two levels of transformation: first, the transformation of state structures in the direction of decentralisation, political control of security forces, enhanced accountability, probity and improved administrative performance; and secondly, the transformation of society through the establishment of responsive political structures from the village to the national level - primarily through the RC system - and the creation of enduring and resilient interfaces between society and the state.

The latter form of transformation has animated NRM's democratisation experiment. According to the current leadership, democracy has three critical elements: parliamentary democracy, popular democracy, and a decent level of living for every Ugandan (Kasfir, 1991:253; NRM, Secretariat, 1986:47). While the third element has been addressed, however inadequately, by economic reforms

and adjustment programmes, parliamentary and popular forms of democracy have been the core of the regime's initiatives towards political liberalisation.

The main landmarks of the nascent democratisation project undoubtedly include the consolidation of the RC system, the 1989 elections and the constituent assembly elections in 1994 together with the ensuing constitutional debates currently taking place.

Since 1989 the RC system has been consolidated throughout the country; it has effectively replaced the chieftaincy system established during the colonial period. The system, by most accounts, has enhanced grassroots participation and reduced ethnic and religious cleavages that characterised the old party politics. Even the Northern part of Uganda, which used to view the RC system as a Southern dominated NRM structure, has embraced it and participated in it. But the system has come under new challenges. Viewed alongside other state political and administrative organs, it is no longer clear whether the RC system is an organ of the state, or of the NRM as a particular regime, or indeed an organ of the people. It appears to have characteristics of all three. Many RC officials interviewed consider themselves part of government; others view their role as that of restraining politicians in national government, while others see themselves as independent of government control, and thus serving as watch-dogs of the ordinary people. It is, therefore, not clear whether the RC system would survive the NRM and be embraced by subsequent regimes.

In any case, the relationship between the RC system and civil society may be somewhat paradoxical. On the one hand, the system has enhanced grassroots democracy and popular participation; on the other, the RC system is almost entirely conjoined to the state. It is therefore possible to view the RC system as a device by the NRM to control critical elements of civil society while at the same time giving the impression of the relentless pursuit of democracy.

Notwithstanding the above reservations, the system has increased the level of political participation and has been the basis on which subsequent elections were conducted. It is pertinent to go into some detail on the two most important democratic experiments so far undertaken in Uganda: the 1989 and 1994 (Constituent Assembly) elections.

#### 7.3.5 The 1989 Elections

The 1989 elections were a crucial transition in the democratization process; they were an attempt by the NRM to shift gears from the more general goals of loosening restrictions and expansion of civil liberties within an authoritarian setting to that of representative democracy. As elsewhere, the transition or decision phase of democratisation is particularly treacherous; it is:

a period of political uncertainty, one especially fraught with the risk of reversion. [It is] subject to unforeseen contingencies, unfolding processes and unintended outcomes ... [This] stage is generally regarded as a hybrid regime: institutions of the old regime co-exist with those of the new regime and authoritarians and democrats often share power, whether through conflict or by agreement. As compared with other stages of democratisation, it assumes more varied forms (Shin, 1994:143).

Many of these elements were clearly identifiable in the 1989 elections in Uganda. Yet, those elections were of crucial importance and held out enormous expectations from the populace. Discounting the fraudulent 1980 elections, Uganda had not had genuine elections since 1962; in any case, the NRM, now almost at the end of a self-declared interim period, needed to demonstrate its commitment to popular democracy and further legitimise its control over state power (Kasfir, 1991:258).

NRM faced major political risks in open and free elections. Having gained political power through military means, its political base was merely a matter of speculation; the North and Northeast were still openly hostile to the government; and the NRM was by no means sure that it would triumph over the old political parties who would revive their religious, ethnic and regional affinities in the electoral process. Indeed the core of the NRM vividly recalled the dismal, if promising, performance of the Uganda Patriotic Movement (UPM) in the disputed 1980 elections. Given all these uncertainties, there was no guarantee that the NRM would survive the next round of elections. The decision to hold the 1989 elections was therefore a major calculated risk by Museveni's regime.

Not surprisingly, the 1989 elections were arranged in such way that the NRM would not lose power regardless of the electoral results; the results would also not threaten the political positions of leaders, including the President (Kasfir, 1991:249). Several other factors enhanced the NRM's electoral success at the expense of opposition groups as well as the democratic process itself: elections

were called suddenly, catching the opposition off-guard; voting was carried out in the open by voters queuing behind their preferred candidate, another subtle form of pressure that may have helped NRM; political campaigns were forbidden; political parties were barred from participation, giving NRM more room for manoeuvre; and, apart from the RC level, elections were conducted by small electoral colleges (Kasfir, 1991:249). Besides, the electoral system operated in the absence of registers of voters, relying on the RC's vigilance; and the President was given powers to nominate a sizeable proportion of the national legislature, the National Resistance Council (NRC).

To the extent that the 1989 elections would not result in a transfer of political power, whatever the results, they had a limited democratic content. As a transitional measure, however, they created crucial confidence building measures towards further democratisation: the electoral process itself was seen as fair and transparent; at the grassroots level, direct political participation was a break from the past; the government was not perceived as encouraging systemic rigging of results; indeed several cabinet ministers lost the elections while prominent political party stalwarts, including fierce government opponents, were elected. This was in contrast to 1980 when the UPC's defeated candidates were declared winners. The electoral process itself was remarkably simple and peaceful, with a heavy turn-out.

The 1989 elections had several significant implications. They lent further credence and legitimacy to both the RC system and the NRM government; by

allowing the electoral system to be free and fair, the latter rekindled the long-lost transition to free political choice and widespread political participation. The elections pierced the armour of the old political parties and gave the NRM an opportunity to gauge its popularity. Both UPC and DP were weakened by internal disagreements, to NRM's advantage. Curiously, many groups saw themselves as winners, a significant democratic achievement in its own right: the DP, going by the old criteria of its primordial loyal sources of strength, reckoned it had garnered more supporters at different RC levels than other political groupings; the UPC was triumphant, having defeated candidates that were more closely associated with the NRM in the North; and the NRM itself earned significant political mileage by conducting elections at all; additionally, the election results indicated that the NRM's country-wide political base was growing fast at the expense of the old political parties. In short, the calculated risk paid off.

Undoubtedly, the 1989 elections, in spite of all the imperfections, went a long way toward fulfilling part of NRM's Ten Point Programme. It created a critical transition stage for further democratisation. Together with the continuing broad-based government, the elections also contributed towards a sense of national togetherness; they decriminalised the political process and created the background against which the more comprehensive Constituent Assembly elections would be held in March 1994.

### 7.3.6 The Constituent Assembly Elections, 1994

As the analysis in Chapter Five indicated, Uganda's political and economic crises have always been accompanied by constitutional crises. The 1962 independence constitution was a last-minute compromise that left major political and power distribution problems unresolved; political conflict led to the overthrow of the Constitution in 1966 and imposition of another in 1967; Amin and subsequent regimes suspended the constitution at will and resorted to it only when it was convenient. As a result, transfers and changes of power in Uganda have occurred through the use of force.

Part of the democratisation project has been NRM's attempt to involve the ordinary people in the formulation of a new constitution.

The constitution making exercise has been long and meticulous, beginning way back in 1986 when a Ministry of Constitutional Affairs was created for the sole purpose of advising on the most appropriate constitutional structures for the country (Katorobo, 1994:4).

In 1988, the government set up a 21-member constitutional commission, under the chairmanship of a High Court judge, to hold consultations throughout the country and produce a draft proposed constitution that would be the basis for further constitutional debates in the Constituent Assembly. The commission held public seminars and debates; it visited nearly all the 900 subcounties in the country; sponsored 6,000 entries in essay competitions on the constitution; and

received 16,000 memoranda, 9,500 of which came from the RC system (Regan, 1994:12).

The completion of the commission's work was followed by the enactment of the Constituent Assembly Bill in May 1993 which set in motion the procedures leading to the election of delegates to the Constituent Assembly charged with the responsibility of designing a new constitution.

The stakes of the 1994 CA elections went far beyond the constitutional engineering exercise. They were a major litmus test of the NRM political base vis-a-vis the old political parties - and, virtually, a referendum on the government's performance and proposed future political trends (Kasfir 1994:1); candidates who stood for elections had their political visions trained well beyond the life of the Constituent Assembly. CA electoral successes were seen as very good indicators of a bright political future.

The CA elections were organised differently from those in 1989. They were structured along the lines of conventional Western parliamentary elections: universal suffrage, with a secret ballot for all registered voters. Like the 1989 elections, however, political parties were not permitted to participate and the electoral results would not lead to a change of government. In any case, 214 out of a total of 283 CA positions were directly elected: the rest were presidential nominees (10) and delegates for special groups - women (39), the army (10), youth (4), political parties (4), and trade unions (2) (Katorobo, 1994:11).

The elections attracted a very high voter turn-out with a national average of 87.4% and 90% turn-out at over 80% of those who registered (Kasfir, 1994:7; Regan, 1994:13). The electoral process was viewed as fair and transparent. Although the incumbency factor favoured NRM ministers and government officials, and voter registers showed several shortcomings, most groups, including those against the NRM, were satisfied with the process. Prominent NRM opponents, particularly in the North and Northeast, swept through the polls and nine ministers, ministers of state, and deputy ministers lost.

Regardless of the results, the CA election exercise was a major step in the democratisation project. It was arguably the first genuine popular elections in which free choice was exercised, notwithstanding the exclusion of political parties and the inability of the electoral results to dislodge the NRM from power.

The electoral results indicated that the NRM had a solid political base in the central, south and western parts of Uganda; that the North and Northeast were still largely anti-NRM and pro-multipartyism; and that the NRM had significantly eroded established, bipolar UPC-DP political bases. The Constituent Assembly will have to decide whether the "no-party" movement politics should continue and, if so, for how long; it will also decide whether Uganda should return to multipartyism. Whatever the decision, the NRM appears to be behaving more and more as a political party. In the event of multiparty elections, it would compete favourably against both UPC and DP. This may well constitute a fundamental shift in Uganda's political culture as it would undermine the traditional

linkages between politics, religion and ethnicity, which the two old political parties have tended to epitomise.

NRM's liberalisation and democratisation processes have also deliberately enhanced the participation and empowerment of women. All RCs have a position for women's affairs; each district has a woman representative in the national legislature as well as the Constituent Assembly; there are more women ministers in government than ever before; and, for the first time, Uganda has a female Vice-President. In what remains of the educational sector, there is affirmative action in university entrance in favour of women. This may be NRM's electoral strategy in future elections; it may also be a genuine attempt to empower women in ways that are more commensurate with their economic contribution. However, these efforts are still insufficient and they are more directed at middle class women than at rural agricultural women.

To foster further reconciliation and enhance its political base, the NRM decided, ahead of the Constituent Assembly resolutions, to restore three of the former kingdoms in Southern Uganda. This gesture was primarily intended for Buganda, whose leadership had not accepted what it saw as arbitrary abolition of its kingdom, and was able to deliver the Buganda vote in the CA elections. However, the Buganda leadership, like so many times in the past, has since been pressing for a full 1962-type federal status, to the extreme chagrin of those holding republican sentiments in the country. Recent events have shown that elements in Buganda were prepared to engage in armed confrontation to achieve

a federal status - a possible repeat of the 1960 crisis. This remains one of the gravest threats to peace and security and one that can scatter the level of national unity and reconciliation that has been slowly emerging since 1986.

Whilst the twin processes of economic and political liberalisation have been implemented side by side for almost a decade, there is very little evidence to suggest that there is a causal linkage between the two phenomena. Political liberalisation in general and the democratisation project in particular predated NRM's "conversion" to the neo-liberal economic reform programmes. The adoption and implementation of the latter was confined to the "agencies of restraint" and never integrated in the political discourse. In fact, the vigorous political debates in 1986 and 1987 were against, rather than for, economic liberalisation. Since then, the civil society, political groups, and the national legislature have been largely excluded from the economic reform process. Indeed many economic reform programmes, including privatisation, retrenchment and demobilisation, were carried out with a minimum of consensus and consultation with the emerging democratic structures. Thus, the adoption of economic reforms, far from evolving from a democratic process, were in fact imposed.

The democratisation project itself has had very little direct contact with economic reforms. The RC and CA election issues in 1989 and 1994, respectively, had almost nothing to do with SAPs. It would therefore appear that in the area of economic reforms, the NRM administration exercises authoritarianism while at the same time allowing a higher degree of political

participation in other areas. Clearly economic decisions are divorced from political discourse, confirming Cox's observation that democracy in the peripheral countries has been quietly redefined to decouple political and economic decision-making. It would therefore be far-fetched to conflate economic liberalisation and the democratisation process in Uganda.

Be that as it may, there are indirect connections between the two processes. Political liberalisation in general, and the democratisation project in particular, have contributed towards peace, security and national reconciliation which, in turn, have enabled Ugandans to engage in productive economic activities. This indirect linkage, so demonstrably absent in Rwanda, Southern Sudan and Zaire, and taken for granted in developed countries, is of profound importance and cannot be over-emphasized.

Political liberalisation has also created confidence building measures, allowing Ugandans to rationally plan their savings and investment activities; the same measures have opened the country for potential foreign investment. In any case, the prevailing, if still fragile, peace and political accommodation are partly responsible for the regional reversal of roles in which Uganda continues to benefit economically from political and economic paralysis in the majority of its neighbours.

To the extent that political liberalisation continues to put in place structures and practices about the legitimation of, and limits to, state power, it is enlarging the space occupied by the civil society to challenge the state's levels of public

accountability and probity. This, in turn, is likely to translate into economic benefits through the reduction of statism, waste, corruption, and inefficiency. In any case, enhanced political liberalisation is likely to lead to periodic and regular elections that will force future governments to closely relate their economic policy performance and future electability. This connection, however indirect, is likely to enhance linkages between political and economic liberalisation.

This chapter, while acknowledging the role of the neo-liberal economic reforms in the macroeconomic stabilisation of the Ugandan economy, has demonstrated how factors unrelated to SAPs were more crucial in facilitating economic recovery than is generally recognised; how different elements of SAPs contradicted each other and failed to achieve their own stated objectives; and how SAPs failed to go beyond stabilisation to structural adjustment. It has demonstrated the great and unsustainable extent to which Uganda's economic recovery is driven by borrowed resources rather than the classical neo-liberal strategy, and how the unsustainable external debt is constraining present and future development possibilities. It has also demonstrated the adverse impact of SAPs, particularly in the social sector, and the unlikely prospect of NRM achieving its objective of building an independent, integrated and self-sustaining national economy. Finally, the chapter has demonstrated the lack of direct causal linkages between political liberalisation and economic reforms in their current forms; but it has identified indirect linkages that exist and are likely to grow in importance in future.

NRM has achieved considerable successes in the restoration of peace, security, democracy, national unity and reconciliation. Those are very crucial if overall national rehabilitation and reconstruction are to be maintained and sustained. The government's economic achievements are more controversial. They reflect the constraining global economic parameters within which Uganda has to choose from very limited options towards development. The mixed achievements reflect the tensions between growth and development imperatives; the paradox of robust macroeconomic growth and a deteriorating microeconomic situation and declining of living standards; they reflect the tensions between SAPs elements, and the unsustainable and alarming extent to which Uganda's economic recovery is external funds-driven. Uganda's economic recovery is an example of highly dependent "development" that is both fragile and reversible.

## **CONCLUSIONS**

Empirical analysis of the Ugandan case demonstrates that the country's cumulative economic and political collapse was precipitated by a combination of domestic, regional, and global factors. Its recovery will likely be brought about by positive changes in all those three areas.

First, at the domestic level, the immediate post-independence regime inherited a host of colonial legacies that would later define the nature and character of the crises that have since faced Uganda: ethnic, regional and religious cleavages; an economy, whilst potentially viable, that fostered and reproduced inequalities within and between regions as well as between races; a constitutional order that reinforced ethnic and regional tensions; a military establishment whose composition was ethnically based; and a weak civil society.

The post-independence regimes, principally those of Obote and Amin, took advantage of some of the inherited colonial legacies to consolidate their political power bases; their attempts to address other colonial legacies were seen as cynical, ethnically-biased and inspired by selfish political motives. In time, personal and political expediencies triumphed over economic management, leading to mismanagement, infrastructural neglect, inefficiency and institutional atrophy. Attempts by those regimes to acquire and retain power at all costs took a very heavy toll on the economy, polity and society. They exacerbated the old cleavages and propelled the country into successive civil wars. Inappropriate

economic and political policies and decisions reinforced each other to plunge the country into a seemingly irreversible decline. The predatory, divisive and short-sighted aspects of Uganda's post-independence political leadership are therefore a major factor in explaining the country's exceptional collapse, even by SSA standards, in the 1970s and the early 1980s. It is also the palpable change in the quality of political leadership since 1986 that is primarily responsible for the emerging, if fragile, political and economic renaissance in the country.

Second, at the regional level, Uganda's landlockedness and its participation in the now defunct East African Community have consistently undermined the country's economic interests, let alone its once dominant economic position in East Africa. These benefits gradually shifted to Kenya, leaving Uganda in the backwater. Additionally, the regional informal economy and trade, at least until very recently, thrived at Uganda's expense: political chaos, a weak economy and currency encouraged smuggling that saw a massive net transfer of the country's valuable resources to neighbouring countries. This is part of the explanation of Uganda's accelerated economic decline in the 1970s and early 1980s.

Furthermore, Uganda's political stability has been adversely affected by massive refugee inflows from neighbouring countries - some of whom actually ruled the country under Amin. Presently, Uganda continues to be vulnerable to political uncertainty and conflict in the Sudan, Rwanda, Zaire and Kenya.

Finally, third, at the global level, Uganda's economic crisis was also a function of a hostile, international environment. The successive oil shocks, the

precipitous collapse of the country's main commodity export prices and the Cold war-inspired isolation in the 1970s, when Amin dramatically changed his foreign policy, led to serious BOP problems, escalating external debt; they contributed to the economic collapse.

It is not analytically easy to rank these factors in an order of importance towards the explanation of the Ugandan crises. The issue, however, is to appreciate how factors from different environments linked together to precipitate, intensify and perpetuate the crises; in any case, the impacts of these factors are not immutable; they change in their intensity and direction. For example, Uganda's recovery is partly a function of collapsed neighbouring political economies, the converse of the traditional adverse regional imperatives; currently Uganda is also benefitting, however temporarily, from high coffee prices on the world market; i.e., the international environment is less harsh at this juncture. Causal explanations for Uganda's crises, therefore, have been changing at specific temporal junctures.

In terms of alternative perspectives, the analysis of the Ugandan case would seem to suggest that some of the nuances of the political and economic crises have not been effectively recognised, and addressed, by the neo-liberal paradigm; the paradigm, employed by the Fund and the Bank, has tended to underestimate the crucial role the international environment has played in the successive Uganda crises. The dependency perspectives have also tended to underestimate the impact of domestic factors in explaining the malaise. Both

these leading modes of analysis are inadequate in their explanatory powers. It is the international political economy perspective, adopted in this study, that enables domestic, regional and global economic and political variables and interfaces to be observed and analyzed in a single framework. It also informs the policy directions and development trajectories which follow.

### 8.1 Peace, Security, National Reconciliation and Democracy

Attempts at the rehabilitation and reconstruction of Uganda's political economy have concentrated on four crucial areas: (i) peace and security; (ii) national reconciliation and unity; (iii) democracy; and (iv) economic recovery and development.

In the case of the first three areas, the NRM has instituted important procedural and substantive measures to reverse the hitherto enduring cycle of violence and stabilize both the polity and society. These measures include: the absorption and integration of rival armed factions; the establishment and maintenance of a broad-based government; enhanced vigilance against systematic, and state-inspired, abuse of human rights; the forging of new civil-military relations; the extension of amnesty to armed opposition groups; and the more controversial restoration of the three kingdoms in the southern part of the country. These measures have contributed towards the achievement of peace, security, national reconciliation and unity. They have, however, not been without

their contradictions and limitations; and some of them have not been compatible with SAP reforms.

The establishment of the RC system, the recognition of individual and group rights, the newly-found freedom of the press, the increased space given to civil society and elections in 1989 and 1994, have combined to usher in a new era of increased political choices, freedom and participation. In spite of the limited democratic content of both elections and NRM's decision to bar political parties from direct electoral participation, the democratic project seems to be on course.

Yet there is need to put this 'transition to democracy' in perspective. The democratic project remains decoupled from key economic decisions; it remains more dependent on key political actors, especially Museveni, than on resilient institutions. Like the so-called transition to socialism, the "move to the left" in the case of Uganda, which was aborted in many SSA countries in the 1960s and 1970s, it is important that the transition to democracy in Uganda is not elevated to an unrealistic teleological status. Like other similar projects in SSA and beyond, the democratisation project in Uganda remains an unfinished business as well as tenuous and even reversible. In any case, there is a limit to which democracy, however defined, can be sustained in conditions of mass poverty such as those that obtain in Uganda.

Demonstrably, increased political freedom and participation as well as the shrinkage of state responsibilities have created more space for non-state actors

in civil society. But mere proliferation of non-state actors and civil society institutions does not necessarily mean that civil society is being strengthened. Without the independent means of accumulation and the further penetration and incorporation of rural community structures, many activities in civil society are likely to be limited to elite bargaining - rather than strengthening civil society as a whole. In any case, IFIs, which have been advocating strengthening the civil society, are the same institutions that have resisted the latter from participating in key economic decisions.

Be that as it may, the Ugandan case study illustrates how macroeconomic recovery was dependent on enhanced security, peace and relative political stability after 1986. As Chapter 7 has demonstrated, the initial and even subsequent economic recovery was more a function of peace and stability and less of the impact of structural adjustment programmes themselves. Thus, the establishment of a legitimate political infrastructure, particularly in countries like Uganda which have emerged from civil wars, is more crucial and a more necessary condition for economic recovery than IFIs and the neo-liberal framework have been able to admit. This sequencing is routinely sidelined by IFIs' narrow conceptualisation; getting the price "right" should be preceded by getting the Ugandan crisis right.

## 8.2 SAPs, Economic Recovery and Development

Empirical evidence from the case study suggests, then, that Uganda, like Ghana and Tanzania, benefitted from the implementation of SAPs, but only in a limited sense. SAPs halted the free-fall of the mid-1980s and, through exchange rate management and the injection of substantial foreign funds, contributed towards macroeconomic stabilisation. This stability was also reflected in lower inflation rates, stable prices and currency; the macroeconomic stability also enabled the state to reduce smuggling and speculation, leading to the recapture of a significant portion of the informal economy. This benefitted state coffers, and, to some extent, the export sector, but it disadvantaged large sections of the border communities which had been able to accumulate as a result of the regional informal economy.

SAPs' stabilisation impact also increased national and external confidence in the economy; introduced a measure of financial discipline; and partly led to modest economic recovery and growth. The extent of the economic recovery, however, has been grossly exaggerated by using 1987 as a base year. Like the case of Ghana, Uganda's recovery is much less dramatic than IFIs' claims; and a substantial portion of this recovery was achieved in spite of SAPs themselves.

After fifteen years of adoption and implementation of SAPs, the latter have failed to go beyond stabilisation to structural adjustment and change. The production structure has not been widened and diversified. On the contrary, Uganda's economy has a narrower base than in the 1960s and is far more reliant

on one export crop, coffee, than at any other time. With unpredictable international primary commodity prices, Uganda's recovery prospects have very little domestic push. Additionally, the logic of SAPs continues to facilitate de-industrialisation.

In any case, as Chapter 7 illustrates, several elements within the SAPs framework contradicted each other, pointing to design problems; faulty delivery and infrastructural discontinuities led to slippages and sequential bottlenecks. Contrary to the Bank and Fund position, faulty and inconsistent adjustment policies contributed towards the inability of the Uganda economy to adjust.

External factors were more responsible for the economic malaise in Uganda than has been previously realised. Apart from internal mismanagement, the economy was fundamentally affected by deteriorating international terms of trade. Since 1987, the collapse of coffee prices, the ICO restrictions and delayed external disbursements led to structural bottlenecks, preventing a more robust recovery. It would appear, therefore, that the Bretton Woods institutions have persistently understated the role of external factors in the African crisis.

Uganda's modest recovery has been overwhelmingly dependent on external funding, without which the process would certainly have collapsed: this dependent "development" has resulted in an unsustainable debt burden that is greater than the country's total export earnings. The debt burden consumes scarce resources badly needed for development; it prevents the government from pursuing more long-term development; and it makes the country totally beholden

to the Fund/Bank policies. In the long run, adjustment without debt relief will compound, rather than alleviate, the Ugandan economic crisis.

Uganda, like Ghana, faces agonizing paradoxes and contradictions regarding external funding. As an "exemplary" adjusting country, Uganda is likely, at least for now, to secure unusually large loans from the Bank and Fund to keep the "success" story afloat; it appears rational that, in the short run, Uganda should borrow as much of the multilateral resources as its current status permits. In the process, and depending on how these resources are used, Uganda will be more indebted than many other SSA countries. On the whole, the "star" adjusting countries in SSA will end up being the most indebted - and most constrained in their long-term development options. It is, therefore, very important that countries such as Uganda carefully evaluate the use to which external funds are put, otherwise the price of "success" will be a major future burden. This is an area where a strengthened civil society would contribute substantially; it is also a top research area that has so far attracted very little attention.

Yet, while a burgeoning external debt is a major constraint, Uganda's case, like the mini-case studies dealt with in the thesis, illustrates the limits to which small marginal countries can rely on domestic resources to adjust their economies. Uganda's initial go-it-alone strategy collapsed quickly and it became evident that the country had virtually no alternative sources of funding except those of the Bretton Woods institutions and their attendant conditionalities. Furthermore, the case study illustrates the limits of successful negotiation with the

Fund and Bank beyond the standard adjustment package. Once Uganda started accessing Bank/Fund resources, and its external debt exploded, it had no choice but to borrow again and again. In time the situation has made the Bretton Woods institutions overwhelmingly dominant in all Ugandan financial and economic matters and decisions.

On the whole, the neo-liberal market-oriented, agriculture-based, commodity export-driven and private sector-led strategy has registered major failures. Globally, the market mechanisms have, for the most part, meant precipitous falls in the price of Uganda's commodity exports. Locally, the mechanisms have created their own bottlenecks; devaluation, the mainstay of exchange rate management, has not resulted in the promotion of exports. On the contrary, the commodity export strategy has failed spectacularly, reinforcing the "fallacy of composition" argument; SALs, contrary to expectations, have not led to increases in direct foreign investment. SAPs have switched resources away from social investment and resulted in huge external debts that will restrict the development prospects of several generations of Ugandans. To be sure, SAPs have ensured debt servicing; they have intensified Uganda's incorporation in global markets while local markets remain underdeveloped and in some cases strangled. The agricultural base has shrunk and the privatisation initiative has slowed down substantially. In short, the neo-liberal strategy has not worked in the way which the Bank and Fund have flamboyantly claimed it has.

Considering that Uganda has submitted to virtually the entire adjustment menu without structurally adjusting its economy, part of the problem must lie with the neo-liberal strategy itself. There is therefore need to revamp the assumptions, analyses and praxis of the current orthodox thinking. This is related to a further need to re-think the functions, capacity, operations and methodology of Bretton Woods institutions, as they celebrate fifty years of existence, and the way in which they relate to Ugandan and other SSA economic crises. There is also a need to re-examine the assumptions and operations of global markets in which Uganda and other peripheral primary commodity export producers have been persistently disadvantaged. The agenda and directions which the G-7 group adopts will be very critical in this regard.

While the strategy and policies underlying SAPs have registered major failures at the macro level, they have had even more adverse impacts on many social groups at the micro level. Budget austerity measures have led to the state's further withdrawal from the social sector, leaving individuals and communities to fend for themselves. Vulnerable and poor groups have been particularly devastated by this withdrawal, especially in educational and health sectors; retrenchment and inadequate remuneration in the public sector have depleted the already small middle class and practically destroyed the wage-earning class. In turn, this has led to a weak public sector, diminished institutional capacity and a hostile attitude towards SAPs. The latter are viewed by many as externally imposed and socially draconian. There is, as a result, a

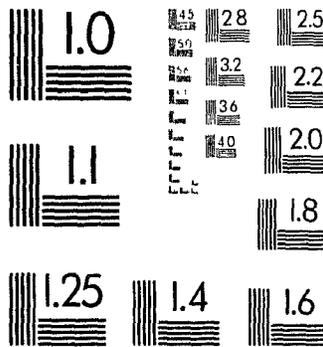
conspicuous lack of "ownership" of SAPs among many groups in civil society and the public sector. The retreat of the state has left a vacuum that neither the weak private sector nor the weak civil society can fill. There is therefore a need to revitalize the state and make it a prime mover in critical areas, particularly the social sector.

While SAPs in Uganda have paid enormous homage to the enterprise of the market and the rigor of competition, they have adversely affected the already dismal quality of public services. It is fundamentally important that social services, essential to the common good, are run by the state in an accountable manner. This will require a strong, democratic, proactive, transparent and interventionist state, contrary to the neo-liberal thesis. This is, however, not a clarion call for the re-introduction of the African socialist state which failed in the 1960s and 1970s.

Yet, in spite of SAPs shortcomings, structural adjustment, in light of domestic and international imperatives, is unavoidable in Uganda. The changes in the global economic and political systems; the need to adjust to shifting markets; the compelling objective of adjusting expenditure to available resources; the fiscal and production crises and increased reliance on foreign loans; the subsequent unmanageable external debt; the tensions between development and growth imperatives, and between competing political, security and economic priorities; all point to the need for the Ugandan economy to undergo structural adjustment. But they also point to paradoxes and contradictions inherent in the

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adoption and implementation of SAPs. Central among these is that structural adjustment is necessary but it does not work; that if it works, it cannot have a human face. In the case of Uganda, SAPs are most unlikely to lead to an independent, integrated and self-sustaining economy. On the contrary, they are leading to a dependent, foreign finance-driven, internally-disarticulated and narrowly-based economy. Additionally, the implementation of SAPs will not lead to this study's normative development trajectory which envisions Uganda's (and other SSA countries) long-term strategic goal as that of establishing an equitable and sustainable economic, political and social transformation.

### 8.3 Knowledge, Policy Analysis and the Development Problematique

If "ownership" of SAPs in Uganda remains tenuous and doubtful, ownership of knowledge relating to the analysis and resolution of the economic crisis is even more deficient and may be diminishing. Cumulative underfunding of universities, schools and research institutions and the public service, brain drain and crisis-ridden "fire brigade" type of economic management have seriously reduced the stock of knowledge, information and capability to deal with complex analytic, critical and persuasive discourses which are crucial in public policy-making. As a result, policy knowledge about Uganda is socially constructed by IFIs. These constructs have, by and large, rationalised neo-liberal dominant views and values and promulgated them into hegemonic policies. These policies, which have taken a narrow, equilibrium-oriented and technocratic approach to policy choices and

design, have diminished the role of politics in policy-making. Because of diminished capacity to gather and critically examine data, evidence, alternative policy prescriptions and rival hypotheses, the restricted Ugandan policy community is not strong enough to challenge the doubtful theoretical basis of neo-liberal economic reforms, SAPs' design flaws, their failure to anticipate unintended consequences and implementation failures themselves.

SAP-inspired austerity programmes will continue to diminish Uganda's capacity to independently acquire and internalize knowledge about its development problematique. In the long run, this increasing lack of ownership of knowledge will make Uganda more dependent on external aid, loans, knowledge, experts and solutions. This will further compound the crisis. Uganda, like most SSA countries, has been increasingly marginalised by the emergent neo-liberal hegemony. This marginalisation is exacerbated further by a radically escalating epistemological gap between marginal political economies and the industrialised world.

Julius Nyerere once remarked that while other countries were aiming at the moon, Tanzania was aiming at the village. As it turned out, fiscal crises, austerity budgets and the state's continued withdrawal from the social sector have prevented many states in Africa, including Uganda, from accomplishing this seemingly achievable objective. Indeed, while other countries have gone to the moon and beyond, Uganda's government has yet to "reach" the village.

Diminished "ownership" of knowledge of this problematique will compound the crisis even further.

#### 8.4 Future Prospects for Uganda

Given the cumulative and seemingly irreversible collapse in virtually all aspects of its political economy since the 1970s, the efforts towards rehabilitation and reconstruction in Uganda since 1986 have been quite remarkable. In contrast to most of its neighbours, Uganda appears to have reasonable prospects for enhanced peace, security, democracy and, to some extent, economic prosperity. All these prospects, however, are circumscribed by domestic, regional and global factors.

Maintenance of peace and security as well as relentless pursuit of democracy are fundamental building blocks without which economic growth and development cannot be pursued and sustained. As events in Liberia, Somalia and Rwanda have so dramatically demonstrated, economic achievements and prospects can easily be swept away if fundamental political questions remain unresolved. NRM's investment in this process is therefore not misplaced.

However, peace, security and democracy cannot be sustained without economic growth and development; they cannot be sustained without enhanced quality of life for most Ugandans. In this circular argument lies part of the central dilemma at the heart of rehabilitation and reconstruction. Uganda's dependent, heavily indebted, growth (rather than development) oriented "development"

projectory may itself threaten peace, security, and democracy in the country. The logic of SAPs is likely to threaten the livelihood of many Ugandans, certainly in the short run, and so reduce the fragile national cohesion now emerging.

Yet Uganda has no choice but to adjust its economy in light of domestic and external changes; it has virtually no choice but to keep borrowing from IFIs. It cannot walk away from the neo-liberal framework. For the foreseeable future, Uganda will have to operate within this currently dominant framework. It has very little room for manoeuvre.

It is what happens in this little room for manoeuvre that may make the whole difference in Uganda's future.

Domestically, there is compelling need to strengthen the state through enhanced capacity and institutional building. This is both a political and economic project. The political dimension has to involve further democratisation to achieve higher levels of accountability, probity, sensitivity, and transparency. This in itself will yield economic dividends: scarce resources will be utilized optimally. The economic dimension has to involve the use of local as well as borrowed resources to strengthen the state's capacity in analytic and critical discourses. Through an effective, well motivated public sector, the state is likely to enhance its intellectual commitment to the analysis and praxis of the economic crisis. Resources will have to be switched from technical assistance (which benefits experts from developed countries) to capacity building amongst Ugandans and support for the return of technically qualified Ugandans from the diaspora.

With enhanced analytical and political capacity, the state may be in a position to argue for the redesign of SAPs, to the extent possible, so that due attention is given to the small-holder farmers who are the engine of development. The withdrawal of the state from the social sector will need re-definition and re-direction, given scarcity of resources and the devastating impact of the withdrawal on the social fabric.

Uganda has limited possibilities to enhance its industrialisation and export potential. However, there is room for small scale agro-based, value-added rural industrialisation with a potential to tap regional as well as international markets. There is considerable room for such value-added agricultural products as instant coffee, canned fruits, fuel from maize and sugar, textiles, vegetable and leather products. As in the case of some NICs, Uganda may find a little niche on the lower rungs in the international division of labour that may provide the critical mass towards sustained economic development. These activities would raise the standard of living, and purchasing power, of rural communities, and energize the fragile private sector.

Provided that peace and security are maintained, Uganda has potential for ecotourism. It is a home for rare, endangered species, such as the mountain gorillas. As neighbouring countries continue to collapse, Uganda could fill this gap and revive its tourism.

Given the level of indebtedness and the real temptation to continue to borrow additional resources to finance both recurrent and development budgets,

Uganda needs to use borrowed funds very carefully indeed. Borrowing may be an inevitable imperative for states and individuals, but the use to which borrowed funds are put is the critical issue. In Uganda, this assessment has not been done. It should therefore be a major research and government priority.

#### 8.4 Prospects for SSA region

Uganda's case study demonstrates some of the constraints and prospects facing many SSA countries. But Uganda, unlike in the past, represents one of the best and optimistic scenarios. Elsewhere - Rwanda, Somalia, Liberia, Zaire and, shortly, Burundi - the region is characterized by disintegration and collapse, prompting renewed Afro-pessimism by analysts such as Kaplan (1994:46) and Homer-Dixon (Laver, 1994:18).

Many SSA countries have implemented SAPs with limited success; the region as a whole has been left out of the main global trading blocks and faces an uncertain and harsh international environment. Time has come for the region to integrate markets amongst its own constituent members and sub-regions into an African Economic Community along the lines of the European Union. There is an urgent need for SSA to confront and negotiate with other blocks as a united front. This will benefit the region and its constituent parts. It may also address security concerns in the region and release resources from military to productive enterprises. Regional economic cooperation, however, is not easy to achieve. Past failures and differential capacities amongst the economies in the region may

present serious obstacles. But failure to formalise regional and continental markets will only reinforce informal, inter-society, not inter-state, economic cooperation.

The SSA region may have reached a point where the hitherto unthinkable, political union, may be gaining urgency and currency. Many SSA countries are too small, too weak and too fragmented to stand on their own. With increased impoverishment, political union, perhaps beginning on regional bases, is no longer entirely out of the question. Political union may come as a necessity or by force. Whatever the method, this may be one of the few ways out of the current impasse.

#### 8.6 Future Prospects for IFIs and the Global Context

Ugandan and SSA efforts towards economic recovery and renaissance will have limited impact without far-reaching changes in the international economic system and the functions, direction and operations of IFIs, particularly the IMF and the World Bank.

Economic decisions on interest rates, portfolio investment and trading practices made in the industrialised world, principally by the G-7 countries, profoundly affect the economic well-being of peripheral economies. This system needs to be reformed to protect small economies from an increasingly harsh international environment.

This study has gone into considerable theoretical and experiential details to demonstrate the inappropriate strategies, policy reforms and designs pursued by the World Bank and the IMF in SSA; the economic, political and social impacts of such policies have been analyzed. Ironically, Uganda and other SSA countries need the services of these institutions more than ever before. Lack of domestic resources and credibility in other financial and capital markets mean that the Bretton Woods institutions are virtually the only source of external funding. The issue therefore is not whether the two institutions should cease to exist, as some radical analysts on both sides of the ideological spectrum have suggested. The issue is how to reform them: to make them effective, accountable and flexible; to make them more democratic and sensitive to the political and social concerns of the adjusting countries; and to re-orient them from unreconstructed market fetishism and rugged neo-liberalism. There is a need to strengthen the institutions so that they are able to deal effectively with both creditor and debtor countries.

An improved international environment and increased SSA regional cooperation will greatly enhance Uganda's prospects for economic prosperity. They will provide a wider enabling framework within which Uganda's domestic initiatives on the peace, security, democracy and economic management fronts can be further reinforced and sustained into the twenty-first century.

**Table 1**  
**Composite Consumer Price Index**  
**Base: September 1989 = 100**

Month	Food	Beverages & Tobacco	Clothing & Footwear	Rent, Fuel & Utilities	H. hold & Personal Goods	Transport & Communic	Other Goods & Services	All Items Index	Monthly Percent Change	Annual Percent Change
Weights	50.06	9.97	6.55	10.82	10.71	4.30	7.58	100.00	Items Index	
<b>1991 Jan</b>	<b>123.0</b>	<b>150.3</b>	<b>147.7</b>	<b>202.1</b>	<b>133.0</b>	<b>167.9</b>	<b>154.0</b>	<b>141.3</b>	<b>5.9</b>	<b>18.1</b>
Feb	122.7	151.2	161.2	188.1	135.8	168.1	175.7	142.6	0.9	19.5
Mar	129.3	150.3	165.1	185.1	136.9	169.3	177.6	146.1	2.4	22.5
Apr	139.1	153.1	164.8	181.9	141.2	169.0	176.0	151.2	3.5	26.8
May	138.2	153.6	173.0	184.8	142.0	168.7	179.8	152.0	0.5	29.7
Jun	134.9	148.5	178.8	202.2	144.1	169.4	187.5	153.1	0.7	32.3
Jul	133.1	157.3	184.5	209.7	146.6	192.8	190.7	155.9	1.8	35.1
Aug	133.2	163.7	185.1	228.7	149.4	194.6	195.4	159.2	2.1	33.4
Sep	132.9	162.3	182.3	241.2	156.1	194.4	208.1	161.7	1.6	29.4
Oct	137.7	167.4	177.8	238.4	162.4	199.1	210.1	165.1	2.1	25.5
Nov	145.3	169.5	182.8	234.1	175.3	201.4	215.4	170.8	3.5	28.3
Dec	152.5	171.2	186.7	243.5	181.9	204.1	220.2	176.8	3.5	32.5
<b>1992 Jan</b>	<b>160.0</b>	<b>190.6</b>	<b>208.0</b>	<b>257.1</b>	<b>195.2</b>	<b>220.4</b>	<b>230.9</b>	<b>188.2</b>	<b>6.4</b>	<b>33.2</b>
Feb	168.5	196.9	212.3	263.9	207.1	243.3	259.6	198.6	5.5	39.3
Mar	195.8	219.2	220.6	264.7	218.2	245.9	266.3	216.8	9.2	48.4
Apr	232.4	231.2	224.2	270.1	226.7	261.9	280.2	239.7	10.6	58.5
May	246.6	237.2	225.8	288.2	227.6	263.2	296.9	251.3	4.8	65.3
Jun	251.3	233.8	224.0	299.5	224.9	267.2	300.7	254.5	1.3	66.3
Jul	245.4	267.5	232.2	316.6	225.0	293.6	305.9	259.0	1.7	66.2
Aug	238.7	276.7	230.1	314.0	226.2	295.0	309.3	256.3	-1.0	61.0
Sep	234.6	282.1	233.9	309.2	226.6	294.6	332.1	256.3	0.0	58.5
Oct	239.3	288.6	233.1	312.8	227.6	294.7	338.1	260.4	1.6	57.7
Nov	237.6	288.2	229.8	318.2	224.7	294.8	338.9	259.6	-0.3	52.0
Dec	233.5	269.0	240.6	321.7	223.8	295.1	341.8	256.9	-1.0	45.4
<b>1993 Jan</b>	<b>224.4</b>	<b>269.4</b>	<b>242.6</b>	<b>323.0</b>	<b>226.4</b>	<b>291.1</b>	<b>340.9</b>	<b>252.6</b>	<b>-1.7</b>	<b>34.2</b>
Feb	210.7	268.1	244.8	334.0	226.0	287.8	360.9	248.1	-1.8	24.9
Mar	207.6	259.2	246.4	326.2	225.8	285.5	361.7	244.9	-1.3	13.0
Apr	213.3	258.1	245.7	324.4	227.4	284.3	361.3	247.5	1.0	3.2
May	215.8	258.5	247.1	322.7	229.2	284.8	362.4	249.0	0.6	-0.9
Jun	209.2	255.2	247.3	337.2	230.3	288.5	379.4	248.5	-0.2	-2.4
Jul	207.3	311.2	236.2	351.1	238.0	288.3	379.1	254.5	2.4	-1.7
Aug	200.1	309.6	230.3	354.9	240.1	289.0	380.2	251.1	-1.3	-2.0
Sep	210.9	317.7	230.9	352.8	241.0	288.6	392.0	258.2	2.8	0.7
Oct	218.5	313.0	230.2	349.3	240.3	287.3	393.1	261.2	1.2	0.3
Nov	223.8	310.6	228.4	347.3	240.0	292.4	392.5	263.6	0.9	1.5
Dec	235.8	292.4	228.4	344.2	237.7	293.0	398.6	267.6	1.6	4.1
<b>1994 Jan</b>	<b>237.8</b>	<b>296.5</b>	<b>230.9</b>	<b>360.4</b>	<b>238.7</b>	<b>290.4</b>	<b>414.3</b>	<b>272.1</b>	<b>1.6</b>	<b>7.7</b>
Feb	240.4	297.8	228.9	358.0	238.4	290.3	415.6	273.0	0.4	10.0
Mar	245.3	298.7	229.1	353.5	237.9	287.6	412.8	274.8	0.6	12.2
Apr	259.5	297.7	228.6	371.6	237.9	291.9	414.7	283.9	3.3	14.7
May	267.3	296.4	230.0	366.0	239.1	312.4	431.6	289.4	1.9	16.2
Jun	263.6	298.3	229.2	372.9	236.9	315.2	431.9	288.4	-0.4	16.0

Source: Ministry of Finance and Economic Development

Table 2

## Nominal and Real Effective Rates, 1987-93

	Official Rates		Parallel Rates		Premium %
	Nominal Shs/\$	Real Effective May '87 = 100	Nominal Shs/\$	Real Effective May '87 = 100	
<b>Jan-1987</b>	<b>14</b>	<b>34.3</b>	<b>117</b>	<b>190.9</b>	<b>735.7</b>
Feb	14	33.2	153	241.8	992.9
Mar	14	32.9	152	237.8	985.7
Apr	14	28.2	144	193.5	928.6
May	60	100.0	90	100.0	50.0
Jun	60	118.2	106	139.2	76.7
Jul	60	107.4	106	126.4	76.7
Aug	60	106.6	156	184.8	160.0
Sep	60	85.1	189	178.6	215.0
Oct	60	84.1	205	191.5	241.7
Nov	60	75.8	234	197.0	290.0
Dec	60	65.8	258	188.7	330.0
<b>Jan-1988</b>	60	<b>59.4</b>	<b>280</b>	<b>184.7</b>	<b>366.7</b>
Feb	60	50.1	337	187.7	461.7
Mar	60	51.8	390	225.5	550.0
Apr	60	49.6	390	214.8	550.0
May	60	41.9	429	199.6	615.0
Jun	60	34.9	451	175.1	651.7
Jul	150	76.8	480	163.8	220.0
Aug	150	78.0	416	144.3	177.3
Sep	150	76.7	445	151.7	196.7
Oct	150	76.4	447	151.9	198.0
Nov	150	77.3	456	156.6	204.0
Dec	165	79.9	447	145.5	170.9
<b>Jan-1989</b>	165	<b>75.9</b>	<b>396</b>	<b>121.4</b>	<b>140.0</b>
Feb	165	72.1	406	118.3	146.1
Mar	200	77.9	460	124.7	130.0
Apr	200	75.6	520	131.1	160.0
May	200	68.0	566	128.4	183.0
Jun	200	63.9	612	130.4	206.0
Jul	200	64.6	613	131.9	206.5
Aug	200	62.8	592	123.8	196.0
Sep	200	59.1	610	120.2	205.0
Oct	340	68.8	633	121.0	163.8
Nov	340	97.9	715	135.1	110.3
Dec	375	106.4	751	144.0	100.3

<b>Jan-1990</b>	<b>375</b>	<b>102.0</b>	<b>763</b>	<b>138.7</b>	<b>103.5</b>
Feb	379	103.6	716	130.8	89.3
Mar	379	102.0	642	115.1	69.4
Apr	379	103.5	644	117.3	69.9
May	383	104.1	650	117.9	69.8
Jun	397	110.7	657	122.2	65.7
Jul	440	126.5	637	122.1	44.8
Aug	442	125.1	697	131.5	57.6
Sep	465	124.2	731	130.2	57.2
Oct	480	125.1	725	126.0	51.0
Nov	509	135.0	749	132.5	47.3
Dec	531	139.1	769	134.4	44.9
<b>Jan-1991</b>	<b>563</b>	<b>138.9</b>	<b>778</b>	<b>128.0</b>	<b>38.1</b>
Feb	585	145.3	800	132.5	36.8
Mar	608	139.7	815	124.8	34.0
Apr	635	135.5	847	120.5	33.3
May	665	140.7	888	125.3	33.5
Jun	688	137.3	939	125.0	36.5
Jul	731	141.2	957	123.4	31.0
Aug	800	153.9	973	124.8	21.7
Sep	847	163.2	981	126.0	15.8
Oct	856	163.8	1001	127.8	17.0
Nov	915	173.6	1070	135.3	16.9
Dec	915	172.3	1184	148.6	29.4
<b>Jan-1992</b>	<b>966</b>	<b>175.7</b>	<b>1240</b>	<b>150.3</b>	<b>28.3</b>
Feb	982	166.9	1260	142.7	28.3
Mar	1031	160.1	1250	129.4	21.2
Apr	1156	169.3	1208	117.9	4.5
May	1165	164.8	1216	114.7	4.4
Jun	1166	172.2	1225	120.5	5.0
Jul	1178	173.5	1248	122.6	6.0
Aug	1185	177.9	1256	125.7	6.0
Sep	1185	177.7	1233	123.3	4.0
Oct	1181	166.3	1222	114.7	3.5
Nov	1196	161.3	1241	111.6	3.8
Dec	1214	167.3	1248	114.7	2.8
<b>Jan-1993</b>	<b>1217</b>	<b>167.8</b>	<b>1235</b>	<b>113.5</b>	<b>1.4</b>
Feb	1217	165.2	1238	112.1	1.7
Mar	1218	161.8	1251	110.8	2.7
Apr	1213	159.1	1254	109.2	3.4
May	1199	153.1	1245	104.8	3.8

Source: Bank of Uganda

**Table 3**  
**Foreign Exchange Rates**  
**(Uganda Shillings per US \$)**

Year/ Month	Bureau Weighted Average		Bureau	Official	Average Auction	Bureau Rate	Bureau Rate
	Buying Rate	Selling Rate	Middle Rate	Middle Rate	Clearing Rate	Premium Percentage	Spread Percentage
	1	2	3	4	5	6	7
<b>Jan 1992</b>	<b>1,211.76</b>	<b>1,268.69</b>	<b>1,240.23</b>	<b>970.00</b>	<b>970.00</b>	<b>27.86</b>	<b>4.70</b>
Feb	1,231.44	1,288.71	1,260.08	985.45	991.25	27.86	4.65
Mar	1,224.89	1,274.70	1,249.80	1,160.08	1,000.00	24.98	4.07
Apr	1,175.20	1,240.41	1,207.81	1,158.91	1,000.25	20.75	5.55
May	1,990.13	1,242.22	1,216.18	1,164.94	1,008.80	20.56	4.38
Jun	1,202.18	1,247.19	1,224.69	1,166.06	1,017.25	20.39	3.74
Jul	1,226.20	1,270.50	1,248.35	1,177.86	1,021.60	22.20	3.61
Aug	1,235.99	1,276.18	1,256.09	1,185.29	1,025.00	22.54	3.25
Sep	1,212.05	1,254.08	1,233.07	1,185.15	1,029.00	19.83	3.47
Oct	1,205.54	1,238.87	1,222.21	1,181.07	1,031.60	18.48	2.76
Nov	1,228.82	1,253.69	1,241.25	1,196.34	1,034.25	20.01	2.02
Dec	1,233.24	1,263.75	1,248.50	1,213.93	1,035.75	20.54	2.47
<b>Jan 1993</b>	<b>1,215.60</b>	<b>1,253.83</b>	<b>1,234.72</b>	<b>1,217.12</b>	<b>1,040.00</b>	<b>18.72</b>	<b>3.14</b>
Feb	1,221.05	1,255.19	1,238.12	1,217.09	1,040.50	18.99	2.80
Mar	1,240.49	1,262.14	1,251.32	1,217.52	1,042.00	20.09	1.75
Apr	1,243.38	1,266.44	1,254.91	1,218.09	1,043.40	20.27	1.85
May	1,228.69	1,261.81	1,245.25	1,213.27	1,046.26	19.02	2.70
Jun	1,192.81	1,237.80	1,215.31	1,199.09	1,047.50	16.02	3.77
Jul	1,189.87	1,226.94	1,208.41	1,197.57	1,049.00	15.20	3.12
Aug	1,192.64	1,223.81	1,208.23	1,196.65	1,050.00	15.07	2.61
Sep	1,185.06	1,216.69	1,200.08	1,181.99	1,053.00	14.04	2.67
Oct	1,161.47	1,195.02	1,178.28	1,170.84	1,112.40	5.92	2.89
Nov	1,171.31	1,198.10	1,184.71	1,165.01	-	1.69	2.29
Dec	1,173.58	1,198.42	1,186.00	1,146.00	-	3.49	2.12
<b>Jan 1994</b>	<b>1,141.28</b>	<b>1,177.92</b>	<b>1,159.60</b>	<b>1,112.71</b>	-	<b>4.21</b>	<b>3.21</b>
Feb	1,046.70	1,117.19	1,081.95	1,047.22	-	3.32	6.73
Mar	1,092.54	1,121.06	1,106.80	1,079.22	-	2.56	2.61
Apr	1,047.18	1,085.14	1,066.16	1,007.03	-	5.87	3.62
May	994.52	1,026.95	1,010.74	965.71	-	4.66	3.26
Jun	952.37	994.27	973.32	962.59	-	1.11	4.40

**Notes:**

- Note that in the past, the official rate reported has been the rate as at the end of period. To improve comparability with the weighted average bureaux rate, we are now reporting the average official rate for each month. Similarly, the auction rate reported is the period average.
- The premium is the difference of the bureau rate over the official from July 1990 to February 1992. From March 1992, with the change in policy, the premium is the mark up of the average bureaux rate over the auction rate.
- The bureaux rate spread is the spread between the average selling and buying rates.
- Beginning November 1993, the weighted average inter-bank mid-rate is the official mid-rate.

**Source: Bank of Uganda**

**Table 4****Average Exchange Rate  
(NUSh per \$)\***

<b>1983</b>	<b>1984</b>	<b>1985.0</b>	<b>1986.0</b>	<b>1987.0</b>	<b>1988.0</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
1.5	3.6	6.7	14.0	42.8	106.1	223.1	428.9	734

\*The NUSh was created in May 1987 and was equivalent to 100 old shillings. For the sake of comparability, all exchange rates in the table are shown in terms of the new currency.

**Sources: IMF, International Statistics, 1991  
EIU, Country Profile, 1992-93**

**Table 5****Agricultural Production of Major Cash Crops, 1985-9  
(tons) (% change from previous year)**

	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>
Coffee	11.8	-7.6	11.9	-6.7
Cotton Lint	33.6	-72.4	-40.0	-37.9
Tobacco	-20.0	-44.8	44.4	92.3
Tea	7.7	-42.9	9.4	-5.7
Sugar	-66.7	-100.0	-	-
Maize	22.1	-18.4	17.9	54.3
Soya beans	-11.2	25.0	-30.0	75.0
Beans mixed	0.8	0.0	1.9	17.7
Groundnuts	-28.8	40.5	-33.9	107.1
Sim-sim	-15.4	6.1	-5.8	36.0

**Source: Bank of Uganda, QER, October - December 1988  
Vol. 10, Appendix XV**

Table 6

**Production of Manufactured Commodities, 1985-8  
(% from Previous Year)**

	1985	1986	1987	1988
Beer	-44.4	-17.9	144.9	27.2
Uganda waragi	382.1	-24.2	36.5	-1.3
Cigarettes	46.6	0.3	1.0	14.1
Textiles	-0.1	-6.3	10.3	21.8
Hoes	124.3	24.3	23.1	19.0
Blankets	-69.5	60.7	263.0	-60.7
Soap	-20.0	312.5	378.8	14.5
Matches	-	166.7	-50.0	1.9
Steel ingots	78.6	-64.0	-	21.5
Corrugated iron sheets	20.0	-54.2	-45.5	12.6
Cement	-53.0	533.0	-79.2	-10.3
Points	9.8	-50.6	-21.3	-4.8
Edible oil	0.0	-50.0	-	-
Footwear	-48.7	-6.2	21.4	-38.2
Fishnets	-53.0	17.3	43.4	10.6
Bicycle tyres & tubes	-15.8	-20.6	-63.6	97.3

Source: MPED, Background to the Budget, 1989/90, July 1989

Table 7

**Composition of Exports (FOB) 1984-88  
% of Total**

	1984	1985	1986	1987	1988
Coffee	88.8	93.4	97.5	95.0	96.8
Cotton	3.0	4.1	1.3	1.3	1.1
Tea	0.8	0.3	0.8	0.6	0.3
Tobacco	0.4	0.1	-	-	0.2
Maize & beans	2.5	0.8	0.3	-	0.1
Others	5.3	1.3	0.1	3.1	1.1
	100.0	100.0	100.0	100.0	100.0

Source: MPED, Background to the Budget, 1989/90, July, 1989

Table 8

## Balance of Payments, 1983-88 (Million US\$)

	1982	1983	1984	1985	1986	1987	1988
Current account	-69.9	-72.3	107.1	77.0	6.9	-196.9	-194.0
Trade balance	-74.9	-60.4	65.7	114.9	-69.5	300.8	353.0
Exports	347.1	367.7	407.9	379.0	407.5	333.7	272.9
Imports	-422.0	-428.1	-342.2	-264.1	-476.1	-634.5	-626.1
Capital account	14.6	27.7	-88.3	-27.4	75.6	142.3	59.5
Net change in arrears	22.4	8.3	-77.3	17.3	44.3	19.1	142.1
Overall balance	-32.9	-36.2	-58.5	66.9	127.1	-8.5	7.6
Financing	32.9	36.2	58.5	-66.9	-127.1	8.5	7.6
Change in cross reserves	34.2	-28.2	56.2	29.6	0.8	-19.0	-1.6
IMF (Net)	82.3	85.4	-10.2	-89.5	-108.4	-6.8	5.5
Others (Net)	-15.1	-20.9	12.2	-7.2	-19.5	34.3	-11.5

Source: Bank of Uganda, QER, October - December 1988, Vol. 10, Appendix SV

Table 9

## Main Exports (\$mn)

	1986	1987	1988	1989	1990	1991
Coffee	394.2	307.5	265.3	262.8	140.4	120.8
Cotton	5.1	4.1	3.0	4.0	5.8	11.7
Tea	3.1	1.9	3.1	3.2	3.6	6.8

Source: EIU Country Profile, 1992-93

Table 10

Main Trading Partners  
(% of Total Value)

Exports to:	1985	1990	Imports from:	1985	1990
Netherlands	4.1	22.1	Kenya	32.2	20.2
France	7.0	13.2	UK	19.7	16
UK	15.1	10.7	Italy	6.3	10.5
USA	28.3	8.0	West Germany	6.5	10

Source: EIU Country Profile, 1992-93

**Table 11****Coffee Exports: Volume, Value and Price, 1986-93**

Year	Volume		Value		Price	
	'000t	% Change from previous year	Million US\$	% Change from previous year	\$/Kg	% Change from previous year
1986	140.8	-	394.0	-	2.8	-
1987	148.2	5.3	308.0	-21.8	2.1	-25.0
1988	144.3	-2.7	265.0	-14.0	1.8	-14.3
1989	176.5	22.3	263.0	-0.8	1.5	-16.7
1990	142.4	-19.3	140.0	-46.2	1.0	-33.3
1991	127.3	-10.6	121.0	-13.6	0.9	-10.0
1992	119.0	-6.5	95.4	-21.5	0.8	-11.1
1993	114.1	-4.2	106.7	11.6	0.9	12.5

Source: Ministry of Finance and Economic Planning (MFEP), Background to the Budget, 1992/93

**Table 12****Output of Selected Crops**

	1986	1987	1988	1989	1990	1991
Cotton (lint)	4	3	2	3	4	8
Tea	3	4	4	5	7	9
Tobacco	1	1	3	4	3	5
Sugar	-	-	8	16	-	-
Plantains	6,565	7,039	7,293	7,469	7,843	8,080
Cereals	1,058	1,220	1,398	1,619	1,580	1,523
Root crops	4,863	4,960	5,117	5,474	5,255	1,629

Source: EIU Country Profile, 1992-93

Table 13

## Agriculture: Production of Major Cash Crops (in '000 tonnes)

Item	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<b>Export Crops</b>										
Coffee	145.97	144.00	159.88	167.07	151.16	169.04	128.75	147.37	110.29	141.08
Robusta	136.67	133.85	151.25	158.00	141.72	161.15	116.81	133.47	95.17	119.30
Arabica	9.30	10.15	8.63	9.07	9.44	7.89	11.94	13.90	15.12	21.80
Cotton (lint)	12.20	3.07	4.80	2.75	1.84	3.21	4.25	8.21	6.82	
Tobacco	1.97	1.61	0.95	1.21	2.64	3.46	3.32	5.14	6.69	5.20
Tea	5.21	5.76	3.34	3.51	3.51	4.66	6.70	8.88	9.50	12.30
Sugar (raw)	2.40	0.80	-	-	7.53	15.86	28.91	42.46	53.54	49.30
Cocoa	0.30	0.20	0.10	0.10	0.20	0.50	1.40	0.49	0.50	
<b>Food Crops</b>										
Plantains (Bananas)	6,250.00	6,468.00	6,565.00	7,039.00	7,293.00	7,469.00	7,842.00	8,080.00	7,806.00	8,229.00
Cereals	944.00	1,171.00	1,058.00	1,220.00	1,398.00	1,637.00	1,580.00	1,576.00	1,743.00	1,881.00
Maize	338.00	354.00	322.00	357.00	440.00	624.00	602.00	567.00	657.00	805.00
Finger millet	332.00	480.00	427.00	518.00	578.00	610.00	560.00	576.00	634.00	610.00
Sorghum	247.00	310.00	280.00	315.00	344.00	347.00	360.00	363.00	375.00	383.00
Rice	20.00	19.00	21.00	20.00	23.00	45.00	54.00	61.00	68.00	74.00
Wheat	7.00	8.00	8.00	10.00	13.00	11.00	4.00	9.00	9.00	9.00
Root Crops	4,731.00	4,532.00	4,863.00	4,960.00	5,177.00	5,474.00	5,337.00	5,268.00	5,069.00	5,435.00
Sweet potatoes	1,630.00	1,664.00	1,865.00	1,674.00	1,716.00	1,658.00	1,693.00	1,785.00	1,905.00	1,978.00
Irish potatoes	132.00	168.00	98.00	185.00	190.00	248.00	224.00	254.00	268.00	320.00
Cassava	2,969.00	2,700.00	2,900.00	3,101.00	3,271.00	3,568.00	3,420.00	3,229.00	2,896.00	3,137.00
Oil Seeds	149.00	134.00	163.00	163.00	184.00	206.00	257.00	264.00	272.00	290.00
Sim-sim	39.00	33.00	35.00	33.00	36.00	45.00	62.00	61.00	72.00	75.00
Groundnuts	102.00	93.00	118.00	122.00	134.00	145.00	158.00	144.00	147.00	150.00
Soyabean	8.00	8.00	10.00	8.00	14.00	16.00	37.00	59.00	53.00	65.00
Pulses	372.00	338.00	346.00	374.00	430.00	485.00	498.00	488.00	509.00	547.00
Beans (mixed)	295.00	267.00	267.00	299.00	338.00	389.00	396.00	383.00	402.00	442.00
Field peas	13.00	8.00	10.00	11.00	12.00	12.00	12.00	15.00	15.00	16.00
Pigeon peas	25.00	28.00	30.00	27.00	42.00	46.00	51.00	50.00	51.00	53.00
Cow peas	39.00	35.00	39.00	37.00	38.00	38.00	39.00	40.00	41.00	36.00

Source: Ministry of Agriculture, Animal Industry and Fisheries

**Table 14**

**Index of Industrial Production**  
(Annual average, 1987=100)

	<b>Weight (%)</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
Food processing	20.7	85.3	100.0	128.0	153.9	174.9	228.1
Drinks & tobacco	26.1	82.2	100.0	139.6	143.7	155.2	176.1
Textiles & clothing	16.3	92.9	100.0	121.8	132.7	116.3	110.9
Leather & footwear	2.3	90.0	100.0	62.0	54.3	75.3	60.1
Timber, paper, etc	9.0	72.0	100.0	135.1	169.4	183.6	198.2
Chemicals, paint & soap	12.3	58.8	100.0	111.2	164.7	183.5	191.2
Bricks & cement	4.3	120.6	100.0	94.4	108.9	154.2	163.8
Steel & steel products	5.3	105.9	100.0	87.2	95.8	107.7	149.3
Miscellaneous	3.7	141.0	100.0	134.0	204.2	181.0	251.2
<b>Total all items</b>	<b>100.0</b>	<b>86.1</b>	<b>100.0</b>	<b>123.8</b>	<b>145.2</b>	<b>155.5</b>	<b>178.2</b>

Source: EIU Country Profile, 1992-93

**Table 15**  
**Index of Industrial Production**  
**Monthly Summary of Index Groups (Base 1987 = 100)**

	Food Process- ing	Drinks & Tobacco	Textiles & Clothing	Leather & Footwear	Timber Paper Etc.	Chemical Paint & Soap	Bricks & Cement	Steel & Steel Products	Miscella- neous	All Items Index
No. of Estabs.	54	12	13	8	23	23	14	19	21	187
Weight	20.7	26.1	16.3	2.3	9.0	12.3	4.3	5.3	3.7	100.0
<b>Jan 1991</b>	<b>219.7</b>	<b>170.8</b>	<b>37.7</b>	<b>41.8</b>	<b>179.7</b>	<b>150.6</b>	<b>166.1</b>	<b>117.1</b>	<b>168.5</b>	<b>151.4</b>
Feb	217.2	156.6	62.1	42.8	173.2	189.7	166.7	124.0	248.8	158.8
Mar	196.6	173.5	112.9	34.1	161.3	197.2	221.8	156.5	264.9	171.6
Apr	151.7	157.1	111.2	60.0	177.3	203.0	103.5	107.1	283.5	153.5
May	169.5	165.0	124.6	78.2	219.7	165.7	146.8	125.2	306.2	164.7
Jun	189.3	161.8	125.6	71.8	193.9	155.8	178.9	171.6	315.0	168.6
Jul	221.4	166.5	158.1	69.6	213.6	118.7	130.4	167.3	308.4	176.4
Aug	304.9	177.5	144.5	42.0	214.0	184.9	178.5	172.3	265.5	202.6
Sep	258.0	178.1	132.2	53.7	220.5	248.1	102.5	192.1	166.5	193.8
Oct	274.5	185.7	145.5	80.0	214.0	231.0	143.9	151.7	228.4	201.2
Nov	264.0	188.4	114.9	69.5	215.3	226.8	273.6	175.1	252.5	201.8
Dec	261.5	231.4	61.2	77.1	195.8	242.7	138.9	132.1	206.8	194.4
<b>Jan 1992</b>	<b>260.2</b>	<b>165.2</b>	<b>69.5</b>	<b>94.3</b>	<b>177.4</b>	<b>264.4</b>	<b>180.0</b>	<b>193.1</b>	<b>282.1</b>	<b>187.4</b>
Feb	197.1	154.1	121.0	78.1	211.0	234.4	191.3	152.3	295.1	177.6
Mar	255.4	185.0	145.2	48.0	191.3	278.3	170.7	154.2	324.0	204.9
Apr	232.9	165.5	132.7	110.5	178.0	230.4	190.3	188.4	301.2	189.2
May	256.4	157.2	138.8	74.1	239.9	292.6	226.3	171.5	349.7	207.8
Jun	231.6	148.9	109.1	81.8	255.8	206.9	108.0	203.0	290.3	181.1
Jul	245.4	138.2	134.1	112.4	248.9	189.3	265.4	208.0	241.6	188.4
Aug	258.6	131.1	118.9	72.4	228.2	239.6	191.0	200.1	194.8	184.8
Sep	237.8	142.6	147.4	45.1	206.9	252.5	173.7	241.4	216.6	189.5
Oct	262.2	144.8	112.4	67.9	258.1	257.7	205.6	171.1	256.5	194.3
Nov	256.7	153.0	64.9	131.1	232.6	277.5	234.3	213.7	263.1	192.9
Dec	252.5	177.0	48.8	37.9	217.8	300.5	300.6	191.3	252.1	196.2
<b>Jan 1993</b>	<b>302.1</b>	<b>179.1</b>	<b>41.1</b>	<b>47.9</b>	<b>162.0</b>	<b>378.5</b>	<b>191.3</b>	<b>202.8</b>	<b>231.1</b>	<b>205.7</b>
Feb	284.8	178.4	53.8	70.7	208.9	351.4	286.8	193.6	242.3	209.5
Mar	276.2	188.9	119.6	100.8	255.7	323.0	257.1	298.7	281.8	228.3
Apr	233.5	200.8	123.1	126.3	236.1	323.7	256.8	264.0	329.3	222.0
May	128.4	166.7	127.4	66.0	239.3	330.0	218.1	257.6	360.9	190.9
Jun	110.2	172.0	118.2	39.6	229.4	340.4	310.1	259.4	460.0	194.5
Jul	178.5	143.0	138.0	62.9	290.7	330.5	355.3	273.3	436.9	211.0
Aug	231.9	141.0	122.7	52.3	269.1	294.6	171.5	281.7	447.9	205.3
Sep	223.5	143.5	110.1	80.3	203.4	319.2	344.5	271.1	530.4	212.6
Oct	316.7	157.9	86.3	77.3	246.5	394.0	234.8	285.5	423.8	234.2
Nov	328.8	157.5	40.5	47.3	256.6	329.4	303.6	314.6	419.9	225.7
Dec	335.2	221.4	41.0	49.1	226.2	355.5	234.7	200.2	288.3	230.4
<b>Jan 1994</b>	<b>370.8</b>	<b>192.4</b>	<b>41.7</b>	<b>59.6</b>	<b>238.5</b>	<b>397.3</b>	<b>313.4</b>	<b>295.0</b>	<b>312.7</b>	<b>246.2</b>
Feb	371.3	150.6	42.8	28.6	216.9	355.7	241.3	314.0	343.9	226.8
Mar	332.3	179.4	86.9	50.7	247.7	304.7	258.9	372.7	312.2	233.1

Source: Bank of Uganda

**Table 16**  
**Percentage Capacity Utilisation in Manufacturing**  
**Establishments 1984-91**

Percentage Capacity Utilisation	No. of Manufactured Products	
	1984	1991
0.0	7	4
0.1-	28	21
10.0-	6	9
20.0-	5	4
30.0-	2	4
40.0-	1	2
50.0-	2	4
60.0-	-	1
70.0-	-	1
80.0-	-	3
90.0-100.0	-	1
<b>Total</b>	<b>51</b>	<b>54</b>

**Source: Statistics Department, MFEP,  
 Livingstone, Development Industry in Uganda in the 1990s, p.3**

**Table 17**  
**Production of Selected Manufactured Commodities**

Item	Unit	1987	1988	1989	1990	1991	1992	1993
Beer	(million litres)	16.9	21.5	19.5	19.4	19.5	18.7	23.9
Uganda waragi	(000 litres)	158.6	157.0	364.0	376.0	369.0	331.0	280.0
Soft drinks	(million litres)	7.9	15.7	17.9	24.3	26.0	21.8	26.9
Cigarettes	(million sticks)	1,434.8	1,637.6	1,585.9	1,289.7	1,688.2	1,575.0	1,412.5
Cotton & rayon	(mill. sq. mtres)	10.2	11.5	11.8	8.2	8.9	9.6	7.5
Hoes	(000 pieces)	632.9	519.0	532.0	803.0	784.0	813.0	150.0
Blankets	(000 pieces)	147.0	49.0	87.0	69.0	38.0	50.0	81.0
Foam mattresses	(tonnes)	240.0	630.0	905.0	849.0	695.0	719.0	640.0
Sugar	(000 tonnes)	-	7.5	15.9	28.9	42.5	53.5	49.3
Soap	(000 tonnes)	15.8	18.5	27.1	30.6	33.3	38.7	47.6
Matches (small size)	(000 cartons)	-	0.1	0.4	-	-	-	2.0
Matches (large size)	(000 cartons)	0.4	0.4	0.2	0.1	-	-	-
Plywood	(000 cu. mtrs)	0.8	1.0	0.5	0.5	1.0	0.6	-
Steel ingots	(000 tonnes)	0.9	1.1	-	-	-	-	-
Corr. iron sheets	(000 tonnes)	0.6	0.7	1.4	1.3	2.3	5.8	14.3
Cement	(000 tonnes)	15.9	15.0	17.4	26.9	27.1	37.9	52.0
Paints	(000 litres)	169.6	176.0	315.0	148.0	331.0	923.0	1,221.0
Edible oil and fat	(tonnes)	26.0	56.0	92.0	79.0	47.0	628.0	1,654.0
Animal feeds	(000 tonnes)	12.2	11.0	17.0	15.0	21.5	20.0	18.2
Footwear	(000 pairs)	664.0	363.0	359.0	319.0	221.0	418.0	326.0
Fishnets	(000 pieces)	46.6	52.0	55.0	62.0	35.0	63.0	106.0
Bicycle tyres & tubes	(000 pieces)	37.0	110.0	2.0	18.0	46.0	-	-
Motor batteries	(000 pieces)	4.7	5.5	12.7	19.4	27.3	33.1	43.9
Meat	(tonnes)	189.0	861.0	436.0	444.0	91.0	212.0	144.0
Processed milk	(million litres)	16.9	20.9	17.1	17.3	21.2	22.7	25.9
Wheat flour	(000 tonnes)	9.4	12.2	13.9	12.9	11.2	12.2	10.1
Electricity	(million Kwh)	618.1	565.9	660.0	736.5	782.5	986.3	974.7

Note: n.a. means not available

Source: Ministry of Finance and Economic Planning

**Table 18**  
**Debt Outstanding (in Millions of US Dollars)**

	1991	1992	1993	1994	1994
				Jun	Dec
<b>Total</b>	<b>2591</b>	<b>2648</b>	<b>2643.25</b>	<b>2999.26</b>	<b>3151.878</b>
Multilateral institutions	1644	1755	1843.40	2155.92	2291.640
AXDB	91	59	49.63	28.09	27.980
AXDF	18	139	142.07	196.66	196.653
BADEA	18	18	18.09	15.40	13.930
EIB	16	19	16.61	20.70	24.324
IBRD	28	24	22.16	17.67	16.175
IDA	957	1043	1152.00	1418.00	1532.817
IDB	19	21	16.08	15.65	12.431
IFAD	30	33	38.03	44.36	46.136
IMF	282	330	343.53	367.14	391.483
Other	185	69	45.20	32.25	29.711
Bilateral Paris Club	285	274	281.77	332.09	341.401
Pre-cutoff		161	171.39	175.70	187.012
Post-cutoff		113	110.38	156.39	154.389
Bilateral Non Paris Club	526	379	380.88	398.43	403.484
China	48	61	58.54	65.13	63.662
India	62	61	53.84	51.34	53.871
Libya	84	87	89.91	97.98	100.842
Tanzania	131	71	67.50	67.50	67.500
Korea, D.P.R. of	38	34	34.10	34.47	34.763
Other	163	65	76.99	82.01	82.846
Commercial Banks	40	15	14.13	1.25	1.329
Commercial Non Banks	96	225	60.86	38.21	38.089
Other loan			62.21	73.36	75.935
Adjustment					
	(In percent of total debt stock)				
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multilateral institutions	63.5	66.3	69.7	71.9	72.7
Bilateral Paris Club	11.0	10.3	10.7	11.1	10.8
Pre-cutoff		6.1	6.5	5.9	5.9
Post-cutoff		4.3	4.2	5.2	4.9
Bilateral Non Paris Club	20.3	14.3	14.4	13.3	12.8
Commercial Banks	1.5	0.6	0.5	0.0	0.0
Commercial Non Banks	3.7	8.5	2.3	1.3	1.2
Other loan			2.4	2.4	2.4
			<b>1992/3</b>	<b>1993/4</b>	<b>1994/5</b>
GDP at factor cost in US\$			3081.28	3770.08	5080.00
Memorandum items					
Debt/GDP Ratio			85.78	79.55	62.04

Source: Bank of Uganda

**Table 19**  
**Outstanding Debt 30/6/93**  
**(US\$)**

Multilateral	1,843,381,918.12	69.70%
Non-OECD Bilateral	380,878,355.61	14.40%
Commercial Bank	14,128,712.71	0.50%
Commercial Non Bank	60,863,003.69	2.30%
Paris Club-pre	171,390,514.71	6.50%
Paris Club-post	110,380,371.89	4.20%
Other	62,207,741.54	2.40%
<b>Total</b>	<b>2,643,230,618.27</b>	<b>100.00%</b>

**Source: Bank of Uganda**

**Table 20**  
**Arrears Outstanding (in Millions of US Dollars)**

	1991	1992	1993	1994	1994
				Jun-est	Dec-est
<b>Total</b>	<b>377.1</b>	<b>583.095</b>	<b>297.28</b>	<b>251.087</b>	<b>280.574</b>
Multilateral institutions	52.0	86.275	20.300	1.250	2.068
AXDB	-	-	-	-	-
AXDF	-	-	-	-	-
BADEA	-	-	1.354	0.221	2.068
EIB	2.2	1.500	1.144	-	-
IBRD	-	-	-	-	-
IDA	-	-	-	-	-
IDB	0.4	8.900	0.316	1.029	-
IFAD	-	0.256	-	-	-
IMF	-	-	-	-	-
Other	49.4	75.619	17.486	-	-
Bilateral Paris Club	65.2	80.840	53.740	28.986	42.851
Pre-cutoff		35.209	23.132	28.570	42.851
Post-cutoff		45.631	30.608	0.416	-
Bilateral Non Paris Club	122.1	194.589	135.40	143.360	152.434
China	11.9	28.740	4.29	3.279	4.413
India	50.0	52.210	-	-	0.030
Libya	3.2	8.738	14.51	25.287	30.841
Tanzania	0.1	71.152	67.50	67.500	67.5
Korea, D.P.R. of	0.4	4.435	5.77	-	-
Yugoslavia	9.0	14.273	25.18	28.999	31.052
Other	47.5	15.041	18.15	18.295	18.598
Commercial Banks		14.996	13.90	1.252	1.329
Commercial Non Banks	138.4	206.395	36.60	28.274	29.656
Other loan			37.34	47.965	52.236
Adjustment					
	(In percent of total arrears stock)				
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multilateral institutions	13.8	14.8	6.8	0.5	0.7
Bilateral Paris Club	17.3	13.9	18.1	11.5	15.3
Pre-cutoff	-	6.0	7.8	11.4	15.3
Post-cutoff	-	7.8	10.3	0.2	-
Bilateral Non Paris Club	32.2	33.4	45.5	57.1	54.3
Commercial Banks	-	2.6	4.7	0.5	0.5
Commercial Non Banks	36.6	35.4	12.3	11.3	10.6
Other loan			12.6	7.3	18.6

**Source: Bank of Uganda**

**Table 21****Stock of External Debt**

<b>Year</b>	<b>Stock of Debt (Millions of US\$)</b>
1970	152.00
1971	172.00
1972	173.00
1973	177.00
1974	203.00
1975	208.00
1976	242.00
1977	299.00
1978	421.00
1979	540.00
1980	641.00
1981	596.60
1982	645.00
1983	722.50
1984	871.00
1985	1,064.50
1986	1,411.50
1987	1,672.00
1988	1,835.00
1989	2,138.00
1990	2,477.00
1991	2,648.00
1992	2,609.00
1993	2,643.00
1994	2,615.00

**Source: Bank of Uganda**

**Table 22**

**Prices of Petroleum Products**  
**US \$ per cubic metre (cif Kampala)**

	<b>1989</b>	<b>1990</b>	<b>1991</b>
Premium (MPS)	235.2	280.1	268.5
Kerosene (BIK)	263.0	292.9	272.8
Diesel (AGO)	256.2	270.7	211.6

Source: Bank of Uganda

**Table 23**

**Sugar Prices**  
**US \$ per tonne (cif)**

<b>Country of Origin</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
United Kingdom	400	525	487
Germany	492	-	526
Saudi Arabia	-	500	-
Korea	-	-	470
Kenya	-	443	-
Simple Average	446	489	494

Source: Bank of Uganda

**Table 24**

**Cement Prices**  
**US \$ per tonne (cif)**

<b>Country of Origin</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
Kenya	115	117	119
Tanzania	102	130	130
United Arab Emirates	112	120	-
United Kingdom	-	-	151
Turkey	100	-	-
Simple Average	107	122	133

Source: Bank of Uganda

Table 25

## Structural Change in the Economy, 1970-89

	1970	1986	1989
Total GDP (Index: 1970=100)	100.0	93.9	107.3
GDP per capita (1970=100)	100.0	57.5	60.3
GDP Growth (%)	5.7	0.3	6.6
Agriculture in GDP (US\$ '66 prices)	3852.0	3252.0	3841.0
Industry in GDP	728.0	309.0	508.0
Agriculture as % of GDP	49.0	71.0	66.0
Manufacturing as % of GDP	9.0	3.0	4.0
Non-monetary GDP as % GDP	30.0	47.0	43.0
Total Value Exports ('86 US\$m.)	609.0	407.0	217.0
Volume of Exports: ('000 tonnes)	191.2	140.8	176.3
Coffee	78.1	4.9	2.3
Cotton	14.9	2.8	3.1
Tea			
Composition of Exports (%)			
Coffee	58.0	97.0	95.0
Cotton	20.0	1.0	1.0
Unwrought Copper	9.0	-	-
Tea	5.0	1.0	1.0
Animal Feedstuffs	3.0	-	-
Hides and Skins	2.0	-	-
Other	3.0	1.0	3.0
	<b>1969/70</b>	<b>1986/87</b>	<b>1989/90</b>
Recurrent revenue as % GDP	14.6	4.5	7.0
Total Expenditure as % GDP	20.2	10.1	15.0
Deficit as % GDP	-5.3	-4.9	-5.1
	<b>Jun 1970</b>	<b>Jun 1987</b>	<b>Jun 1990</b>
Cash as % of Broad Money	34	47	41
Broad Money as % GDP	17	5	9
Claims on Govt as % Total Domestic Credit	23	56	-3
% Change in Broad Money	21	96	57
Inflation	14	193	26

Sources: MPED Statistical Abstract 1971; Background to the Budget, 1991/92; Van Der Greest, (ed), Negotiating Structural Adjustment in Africa, p. 65

**Table 26**

**Selected Economic Data, 1980-88**

	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP (at 1966 prices million Shs)	6115	6,351.0	6,873 0	7,171 0	6,787.0	6,715.0	6,532.0	6,827 0	
CPI (low-incoms group 1981=100)	97	100.0	155.0	152.0	213.0	787 0	4,576.0	10,342 0	24,434 0
CPI (middle-income group 1981=100)			201 0	249 0		1,093.0	4,691.0	12,338 0	27,004.0
Government deficit as % of total expenditure	75	35.0	23 0	19.0	27.0	34 0	49.0	28 0	
<b>Money and Credit (billions of Shs)</b>									
Domestic credit	21.0	43.0	58.0	80.0	132 0	257.0	545 0	1176.0	2704 0
Claims on government	15.0	32.0	37.0	57.0	86.0	143.0	247.0	351.0	1168.0
Broad Money (M2)	19.0	35.0	39.0	54.0	116.0	262.0	724.0	1854.0	3944 0
<b>Balance of Payments (millions of US\$)</b>									
Total exports	336.0	246.0	347.0	368.0	408 0	379.0	408.0	334.0	273 0
Total imports	564.0	-415.0	-428.0	-422.0	-342.0	-264.0	-476.0	-635.0	-626 0
Trade balance	-228.0	-169.0	-75.0	-60.0	66 0	115.0	-68.0	-301.0	-353 0
Current a/c balance	-7.0	-171.0	-70.0	-70.0	107 0	77.0	8 0	-170.0	-194.0
Overall balance	-288.0	-187.0	-33.0	-36.0	-59 0	67.0	127 0	-9.0	-9 0
<b>Annual % Changes</b>									
GDP	-9.7	3.9	8.2	4.3	-5.4	1.1	-2.7	4.5	7.2
CPI (low income)		3.1	15.0	32.2	40.2	1690.0	153.0	198.2	197.6
Domestic credit	61.0	96.0	36.0	37.0	60 0	114.0	112 0	115 0	130 0
Claim on government		109.0	17.0	41.0	64 0	115.0	73.0	42.0	113 0
Broad money (M2)	32.0	77.0	25.0	41.0	114.0	192.0	177.0	156.0	113 0

**Source: MPEC, Background to the Budget, 1981-2 and 1986-7;  
Hansen and Twaddle (eds), 1991, Changing Uganda, p. 45**

**Table 27**  
**Key Financial Indicators**

End of Fiscal Year	1985	1986	1987	1988	1989	1990	1991	1992	1993
<b>Monetary Ratios (%)</b>									
M2/GDP	11.30	11.40	7.40	7.2	7.10	7.40	8.30	8.50	8.70
Deposits/GDP	7.10	6.40	3.90	3.4	3.70	4.40	4.90	5.10	5.80
Cash/M2	36.50	43.80	47.30	53.5	48.50	40.90	40.60	39.70	33.30
Deposits, constant 1987 shillings	9.67	8.46	4.65	3.43	5.02	7.20	7.65	7.61	12.05
<b>Real Interest Rates</b>									
Treasury bill	-52.30	-46.70	-59.50	-64.6	-16.20	13.90	-5.50	-11.30	23.10
Savings deposits	-53.80	-49.40	-61.60	-67.4	-22.10	5.90	-7.70	-13.80	14.70
Max lending rates	-50.70	-43.90	-61.00	-64.1	-12.10	19.50	0.20	-8.10	n.a.
<b>Memorandum Items</b>									
Current Acc/GDP*	1.20	1.30	-2.10	-5.8	-10.20	-10.00	-14.80	-13.00	-12.30
Prices, Jun '87=100	11.90	30.00	100.00	362.1	617.80	775.70	1075.70	1685.20	1675.70
Inflation	155.50	153.10	233.20	262.1	70.60	25.60	38.70	56.70	-0.60
GDP (Shs billions)	16.15	39.50	119.27	370.07	847.26	1281.26	1676.59	2497.97	3476.07
Official Exchange Rate	6.00	14.00	60.00	60	200.00	440.00	700.00	1168.00	1199.00
Market Exchange Rate Premium (%)	149.50	288.10	77.00**	652	206.00	66.00	35.20	21.10	15.90
Fiscal Deficit/GDP (%)	-3.70	-4.10	-4.70	-1.5	-1.70	-4.50	-4.70	-7.90	-4.60
External Finance/Fiscal Deficit (%)						171.30	272.40	176.30	304.60
Economic Growth	-3.30	0.20	4.20	8.8	6.70	5.60	3.80	2.20	7.20
Gross Domestic Investment	7.80	7.50	8.90	9.9	10.30	12.20	15.30	15.50	15.30
Gross Domestic Savings	5.40	3.70	-3.00	-1.8	-0.10	0.50	-1.50	-2.10	-2.50

**Notes:**

\* Excludes official transfers

\*\* The premium was sharply reduced by the currency reform of May 1987 from 929% in April

The premium shown in 1992 and 1993 is the market rate over the auction rate. The official rate was unified with the market rate in March 1992.

**Source: Bank of Uganda**

Table 28

## Real Growth of Sectoral Value Added (in percentages)

Sectors	1981	1982	1983	1984	1985	1986	1987
<b>GDP - Monetary Sector</b>	<b>0.00</b>	<b>9.08</b>	<b>2.61</b>	<b>-1.15</b>	<b>2.57</b>	<b>-0.55</b>	<b>3.34</b>
Agriculture & livestock	-1.05	14.74	1.07	-7.63	6.42	-9.45	3.92
Forestry & fishing	1.00	2.97	1.92	20.75	-20.86	23.69	3.65
Mining	0.00	16.67	0.00	0.00	-14.29	-10.00	11.11
Ginning, curing and sugar	-27.91	38.71	-4.65	0.00	0.82	0.95	1.79
Food manufacture	11.11	60.00	6.25	5.88	11.13	-23.59	-3.96
Other manufacturing	-1.44	8.25	4.04	3.88	-14.54	-13.71	7.67
Electricity	23.08	-6.25	-10.00	14.81	-15.62	20.80	37.82
Construction	0.00	12.00	14.29	6.25	15.29	9.18	14.95
Commerce	-3.35	10.59	5.89	-7.30	7.43	-3.74	4.50
Transport & communication	8.33	9.89	5.50	0.47	1.60	32.73	-13.01
General government	0.91	1.12	1.00	1.54	1.00	0.98	0.97
Miscellaneous services	0.72	13.93	7.52	7.87	7.68	6.17	5.13
Rents	0.35	4.24	4.41	4.22	4.36	4.18	4.30
<b>GDP - Non-monetary Sector</b>	<b>10.29</b>	<b>6.92</b>	<b>6.99</b>	<b>-11.58</b>	<b>-7.00</b>	<b>-2.08</b>	<b>2.16</b>
Agriculture	13.15	8.72	8.25	-15.24	-9.94	-3.83	1.93
Forestry & fishing	3.35	0.00	1.39	3.20	2.10	3.16	2.72
Construction	8.33	15.38	0.00	6.67	1.85	2.80	2.80
Owner occupied dwellings	0.00	0.59	2.94	2.57	2.89	2.80	2.80
<b>Total GDP at Factor Cost</b>	<b>3.86</b>	<b>8.22</b>	<b>4.34</b>	<b>-5.35</b>	<b>-1.03</b>	<b>-1.09</b>	<b>2.93</b>

Source: World Bank, 1988 Uganda: Towards Stabilization and Economic Recovery, p. 89.

Table 29

## Revenue Collections, 1988-1994

Fiscal Year	Customs Duty on Petroleum (Shs min.)	Customs Duty on Other (Shs min.)	Sales Tax On Imports (Shs min.)	Total Revenue (Shs min.)	Petroleum (%)	Others (%)	Sales Tax (%)
1988/89	3,111	4,679	5,303	44,659	9.97	10.48	10.87
1989/90	15,902	9,183	9,784	89,556	17.76	10.25	10.93
1990/91	36,137	13,445	16,456	133,365	27.10	10.08	12.34
1991/92	54,785	21,803	20,613	180,328	30.38	12.09	11.43
1992/93	84,655	40,647	37,210	284,725	29.73	14.28	13.07
1993/94	92,843	59,732	53,590	382,949	24.24	15.59	13.99

Source: Bank of Uganda

Table 30

**Government Budgetary Operation FY 93/94**  
(in billions of Shs) - Provisional

	Budget 1993/94	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	1993/94 Out-turn
<b>Revenue &amp; Grants</b>	<b>460.1</b>	<b>105.5</b>	<b>106.6</b>	<b>134.4</b>	<b>118.1</b>	<b>464.6</b>
Total Revenue	384.7	86.2	92.7	92.2	103.7	374.8
Tax Revenue	377.6	84.9	90.6	91.2	97.3	363.9
Nontax Revenue	7.1	1.3	2.1	1.1	6.4	10.9
Grants	75.4	19.3	13.9	42.2	14.4	89.8
Import Support	75.4	19.3	13.9	42.2	14.4	89.8
<b>Expenditure</b>	<b>436.3</b>	<b>76.6</b>	<b>103.1</b>	<b>100.8</b>	<b>156.4</b>	<b>436.8</b>
<b>Recurrent</b>	<b>381.1</b>	<b>70.8</b>	<b>92.8</b>	<b>90.8</b>	<b>131.4</b>	<b>385.8</b>
Statutory	16.3	2.8	5.5	4.2	16.8	29.3
Wage Bill	89.0	13.4	20.9	20.3	25.3	80.0
Interest	67.6	13.9	12.0	11.0	9.5	46.4
Other	194.0	37.0	50.8	51.7	76.1	215.7
<b>Development Expenditure</b>	<b>52.2</b>	<b>5.8</b>	<b>10.3</b>	<b>8.9</b>	<b>23.2</b>	<b>48.2</b>
External	-	-	-	-	-	-
Domestic	52.2	5.8	10.3	8.9	23.2	48.2
<b>(Deficit)/Surplus</b>	<b>23.7</b>	<b>28.9</b>	<b>3.5</b>	<b>33.6</b>	<b>38.2</b>	<b>27.8</b>
Change in Arrears	(61.4)	(17.8)	(14.9)	(15.1)	(36.1)	(83.9)
Domestic	(22.0)	(0.5)	(2.0)	(4.1)	(19.5)	(26.2)
External	(39.4)	(17.3)	(12.9)	(10.9)	(16.6)	(57.7)
<b>Overall (Deficit)/Surplus</b>	<b>(37.7)</b>	<b>11.1</b>	<b>(11.3)</b>	<b>18.6</b>	<b>(74.3)</b>	<b>(56.1)</b>
Financing	37.7	(11.1)	11.3	(18.6)	74.3	56.1
External	51.4	11.9	15.6	2.4	20.8	50.8
Domestic	(13.4)	(64.8)	5.4	(21.3)	38.9	(41.8)
Residual	0.0	41.9	(9.7)	(0.3)	(14.6)	47.1

Source: Bank of Uganda

Table 31

**State Revenue and Expenditure as a % of GDP**

	Revenue	Expenditure
1966/7	13.3	14.3
1967/8	16.7	18.0
1982/3	10.9	14.3
1983/4	8.9	10.9
1984/5	8.7	11.9
1985/6	7.7	11.6
1986/7	4.9	9.6

Source: Mamdani, "Uganda: Contradictions of the IMF Programme and Perspective," 1990, p. 435

Table 32

**Government Recurrent Expenditure  
(Millions of Uganda Shs)**

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
<b>Administration</b>	<b>7,173.6</b>	<b>25,255.4</b>	<b>53,651.8</b>	<b>83,346.9</b>	<b>98,769.0</b>	<b>152,237.0</b>	<b>203,889.3</b>
General Public Service 2/	2,995.4	11,317.8	20,836.6	20,077.9	20,644.0	73,061.0	60,905.7
Security 3/	2,691.4	7,607.7	19,266.7	40,023.4	46,088.0	42,875.0	76,860.5
Education 4/	887.8	4,716.9	9,209.7	14,634.9	21,490.0	13,157.0	45,763.1
Health 5/	221.5	838.8	2,418.3	4,502.2	6,907.0	4,586.0	16,492.5
Other Social Services 6/	377.5	774.2	1,920.5	4,108.5	3,640.0	18,558.0	3,867.5
<b>Economic Services</b>	<b>853.2</b>	<b>1,948.8</b>	<b>4,698.9</b>	<b>7,831.5</b>	<b>10,600.0</b>	<b>58,558.0</b>	<b>20,586.1</b>
Rural Areas 7/	355.6	846.9	2,259.4	2,932.4	4,216.0	7,389.0	8,104.1
Others 8/	497.6	1,101.9	2,439.5	4,899.1	6,384.0	51,169.0	12,482.0
Unallocated Items	-	-	-	3,491.6	710.0	22,137.0	11,727.0
Interest Payments (Net)	-	-	-	8,566.0	12,969.0	90,093.0	69,415.0
<b>Total</b>	<b>8,026.8</b>	<b>27,204.2</b>	<b>58,350.7</b>	<b>103,236.0</b>	<b>123,048.0</b>	<b>323,025.0</b>	<b>305,617.4</b>

- Notes: 1. For 1988/89-1991/92, based on cash releases and includes expenditure on statutory items. 1992/93 is based on cheques printed
2. Comprises President's Office, State House, Vice President, Prime Minister's Office, Public Service, Foreign Affairs, Justice, Finance and Economic Planning, Judiciary, National Assembly, Audit, Local Government, Public Service Commission and Law Reform Commission.
3. Comprises Defence, Internal Affairs, Police and Prisons.
4. Comprises Education and Sports and Makerere University.
5. Ministry of Health and Mulago Hospital.
6. Information and Broadcasting, Labour, Women in Development, Karamoja Development Agency, Mass Mobilisation and Inspectorate of Government.
7. Agriculture, Commerce and Trade and Industry.
8. Lands, Works, Transport and Communications, Tourism and Energy.

Source: Ministry of Finance and Economic Planning

Table 33

**Government Budget (as % of Total GDP)**

	1986/87	1987/88	1988/89	1989/90
Revenue	5.21	8.38	8.22	8.35
o/w recurrent	4.45	6.69	6.69	6.48
Recurrent Exp.	7.13	8.17	7.85	7.91
Development Exp.*	1.99	2.81	1.62	1.61
Development Projects				3.48
'unallocated'	-1.02	0.95	-0.69	0.31
<b>Deficit/Surplus</b>	<b>-4.94</b>	<b>-1.65</b>	<b>-1.94</b>	<b>-4.34</b>
<b>Financing:</b>	<b>4.94</b>	<b>1.65</b>	<b>1.94</b>	<b>4.34</b>
Net Foreign	1.21	0.17	1.74	5.57
Domestic	3.73	1.48	0.20	-1.23
o/w bank	1.94	1.35	0.13	-1.45
o/w non-bank	1.79	0.14	0.07	0.22

\* 'Development Exp.' refers to domestically financed capital expenditure. Development Projects which are reflected in the budget. Therefore, the deficit figure for 1989/90 not including foreign financed projects would be -0.86% of GDP.

Source: Van Der Geest (ed), *Negotiating Structural Adjustment In Africa*, p. 67

**Table 34**  
**Problems Cited by Small Scale Manufacturing**  
**Establishments in Eight Survey Districts**

Problem	Proportion of Times Cited (%)		
	Kampala	Other Districts*	Total
Capital, finance	19.3	22.8	21.2
Machinery, equipment, tools	12.4	13.3	12.9
Premises, space	11.3	8.7	9.9
Power availability and reliability	8.6	8.1	8.3
Transport	5.4	10.1	8.0
Price of Materials	13.1	5.4	8.8
Scarcity, seasonality, unreliability of materials supply	0.0	9.9	5.5
Spare parts	3.6	6.0	4.9
Skills, training assistance	3.6	4.9	4.3
Markets, marketing	2.8	3.7	3.3
Taxes	5.1	1.5	3.1
Others	14.8	5.7	9.7
Total	100.0	100.0	100.0
(No. of establishments covered)	(3,904)	(4,834)	(8,738)

\* Includes Jinja, Masaka, Mbarara, Mukono, Kabarole, Rukungiri and Lira

Source: Livingstone, *Developing Industry in Uganda*, p. 19

Table 35

## 1991 Population and Housing Census Results

Region & District	Total	Male	Female	Urban	Rural	Percentage	Percentage	Percentage
						Male	Female	Urban
<b>Central Kalangala</b>	<b>16,371</b>	<b>9,929</b>	<b>6,442</b>	<b>1,376</b>	<b>14,995</b>	<b>60.6</b>	<b>39.4</b>	<b>8.4</b>
Kampala	774,241	377,225	397,016	774,241	0	48.7	51.3	100.0
Kiboga	141,607	72,538	69,069	5,277	136,330	51.2	48.8	3.7
Luwero	449,691	224,399	225,292	36,531	413,160	49.9	50.1	8.1
Masaka	838,736	415,552	423,184	77,196	761,540	49.5	50.5	9.2
Mpigi	913,867	455,703	458,164	137,126	776,741	49.9	50.1	15.0
Mubende	500,976	254,081	246,895	34,541	466,435	50.7	49.3	6.9
Mukono	824,604	413,580	411,024	98,735	725,869	50.2	49.8	12.0
Rakai	383,501	189,082	194,419	14,869	368,632	49.3	50.7	3.9
<b>Total</b>	<b>4,843,594</b>	<b>2,412,089</b>	<b>2,431,505</b>	<b>1,179,892</b>	<b>3,663,702</b>	<b>49.8</b>	<b>50.2</b>	<b>24.4</b>
<b>Eastern Iganga</b>	<b>945,783</b>	<b>461,079</b>	<b>484,704</b>	<b>44,002</b>	<b>901,781</b>	<b>48.8</b>	<b>51.2</b>	<b>4.7</b>
Jinja	289,476	143,336	146,140	80,893	208,583	49.5	50.5	27.9
Kamuli	485,214	237,513	247,701	8,262	476,952	49.0	51.0	1.7
Kapchorwa	116,702	58,577	58,125	4,604	112,098	50.2	49.8	3.9
Kumi	236,694	112,719	123,975	11,749	224,945	47.6	52.4	5.0
Mbale	710,980	355,803	355,177	60,298	650,682	50.0	50.0	8.5
Palissa	357,656	173,836	183,820	2,927	354,729	48.6	51.4	0.8
Soroti	430,390	209,530	220,860	46,274	384,116	48.7	51.3	10.8
Tororo	555,574	273,220	282,354	63,657	491,917	49.2	50.8	11.5
<b>Total</b>	<b>4,128,469</b>	<b>2,025,613</b>	<b>2,102,856</b>	<b>322,666</b>	<b>3,805,803</b>	<b>49.1</b>	<b>50.9</b>	<b>7.8</b>
<b>Northern Apach</b>	<b>454,504</b>	<b>222,854</b>	<b>231,650</b>	<b>5,783</b>	<b>448,721</b>	<b>49.0</b>	<b>51.0</b>	<b>1.3</b>
Aura	637,941	307,679	330,262	26,712	611,229	48.2	51.8	4.2
Gulu	338,427	166,318	172,109	38,297	300,130	49.1	50.9	11.3
Kitgum	357,184	172,640	184,544	15,327	341,857	48.3	51.7	4.3
Kotido	196,006	92,481	103,525	9,702	186,304	47.2	52.8	4.9
Lira	500,965	247,607	253,358	27,568	473,397	49.4	50.6	5.5
Moroto	174,417	80,061	94,356	12,981	161,436	45.9	54.1	7.4
Moyo	175,645	85,054	90,591	8,787	166,858	48.4	51.6	5.0
Nebbi	316,866	152,093	164,773	23,943	292,923	48.0	52.0	7.6
<b>Total</b>	<b>3,151,955</b>	<b>1,526,787</b>	<b>1,625,168</b>	<b>169,100</b>	<b>2,982,855</b>	<b>48.4</b>	<b>51.6</b>	<b>5.4</b>
<b>Western Bundibugyo</b>	<b>116,566</b>	<b>57,816</b>	<b>58,750</b>	<b>9,215</b>	<b>107,351</b>	<b>49.6</b>	<b>50.4</b>	<b>7.9</b>
Bushenyi	736,361	354,470	381,891	14,195	722,166	48.1	51.9	1.9
Hoima	197,851	99,547	98,304	4,616	193,235	50.3	49.7	2.3
Kabale	417,218	197,695	219,523	29,246	387,972	47.4	52.6	7.0
Kabarole	746,800	369,818	376,982	36,954	709,846	49.5	50.5	4.9
Kasese	343,601	167,672	175,929	39,892	303,709	48.8	51.2	11.6
Kibale	220,261	109,756	110,505	2,408	217,853	49.8	50.2	1.1
Kisoro	186,681	86,406	100,275	7,485	179,196	46.3	53.7	4.0
Masindi	260,796	131,936	128,860	14,352	246,444	50.6	49.4	5.5
Mbarara	930,772	458,257	472,515	46,616	884,156	49.2	50.8	5.0
Rukungiri	390,780	187,885	202,895	12,985	377,795	48.1	51.9	3.3
<b>Total</b>	<b>4,547,687</b>	<b>2,221,258</b>	<b>2,326,429</b>	<b>217,964</b>	<b>4,329,723</b>	<b>48.8</b>	<b>51.2</b>	<b>4.8</b>
<b>Overall Total</b>	<b>16,671,705</b>	<b>8,185,747</b>	<b>8,485,958</b>	<b>1,889,622</b>	<b>14,782,083</b>	<b>49.1</b>	<b>50.9</b>	<b>11.3</b>

Source: Ministry of Finance and Economic Planning

Table 36

## Estimated Numbers of Vehicles on the Road

Year	Heavy Comm.	Pick-up Vans	Buses	Mini Buses	Cars	Motor-cycles	Others	Total
1971	6,795	4,988	903	665	23,771	6,161	1,227	44,510
1972	6,617	5,320	996	709	24,054	6,235	1,331	45,262
1973	5,978	4,836	915	645	21,732	5,654	1,220	40,980
1974	5,535	4,542	902	611	20,025	5,381	1,260	38,256
1975	7,210	5,087	971	593	18,994	5,132	1,365	39,352
1976	6,185	4,393	846	514	16,523	5,399	1,298	35,158
1977	5,755	4,475	777	614	15,734	4,562	1,965	33,682
1978	5,812	5,101	839	779	15,757	4,754	2,252	35,294
1979	3,216	3,336	553	533	11,279	4,459	1,914	25,290
1980	3,519	3,672	608	605	11,644	4,726	2,157	26,931
1981	3,507	3,689	875	620	10,656	4,217	2,174	25,738
1982	3,529	3,426	593	699	9,821	3,926	2,080	24,074
1983	3,364	3,749	626	1,225	10,061	4,308	2,600	25,933
1984	3,232	4,169	609	1,670	10,430	4,420	2,624	27,154
1985	3,093	4,521	552	1,732	10,825	4,403	2,606	27,732
1986	3,041	5,153	548	1,875	11,616	4,303	2,858	29,394
1987	3,235	5,933	553	1,980	12,342	4,187	3,077	31,307
1988	3,360	6,616	578	2,078	12,739	4,157	3,385	32,913
1989	3,700	7,410	564	2,384	12,964	4,240	3,676	34,938
1990	3,649	7,967	524	2,762	12,284	4,620	3,686	35,492
1991	3,775	9,014	528	3,391	12,865	5,855	3,670	39,098
1992	7,397	13,791	382	5,283	18,998	6,213	2,203	54,267
1993	7,554	15,035	401	6,489	20,464	7,646	2,411	60,000

Source: Ministry of Works, Transport & Communications

Table 37

## Infant Mortality Rates, 1965 and 1990 (per thousand)

	1965	1990	Percentage Decrease
Uganda	119	117	2%
Kenya	112	67	40%
Zimbabwe	103	49	52%
Ghana	120	85	29%
All SSA Countries	157	107	32%
All Low-income Countries	124	69	44%

Source: World Bank World Development Report, 1992, p. 272

**Table 38**

**Enrolment Ratios, 1990  
(percent of Age Group)**

	Uganda	Kenya	Ghana	All Sub-Saharan Africa	All Low-income
Primary - total	71	94	75	69	105
Female	63	92	67	61	96
Secondary - total	13	23	39	18	38
Female	7	19	30	14	31
Tertiary	1	2	2	2	3

Source: World Bank (1993) Uganda: Social Sectors, p.5

**Table 39**

**Health and Nutrition 1965, 1984 and 1986**

	Uganda	Low-income SSA (a)	All Small Low-income countries (b)	Uganda	Low-income SSA (a)	All Small Low-income countries (b)	Uganda	Low-income SSA (a)	All Small Low-income countries (b)
	1965			1984			1986		
	<b>Health &amp; Nutrition</b>								
Population per physician	1,110	37,430	28,190	21,900	32,340	13,550	-	-	-
Population per nurse	3,130	5,520	10,170	2,060	2,760	3,130	-	-	-
Daily calorie supply per capita	2,360	2,045	1,976	2,151	2,087	2,166	2,344	2,052	2,227

Source: Sub-Saharan Africa - From Crisis to Sustainable Growth, World Bank, 1989.

(a) Low-income sub-Saharan African countries excluding Nigeria.

(b) Low-income developing countries other than China and India.

Source: Hansen, and Twaddle, (eds), 1991, Changing Uganda, p. 24

**Table 40**  
**Central Government Expenditure by Sector**  
**(as % of GDP)**

	1989/90		1990/91		1991/92		1992/93	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Locally-controlled Expend	8.91	8.47	8.75	9.49	9.62	7.34		
Social Sectors	1.84	2.06	1.81	2.48	2.21	2.45		
Education	1.39	1.41	1.31	1.71	1.74	1.61		
Health	0.45	0.65	0.51	0.76	0.47	0.84		
Defence	3.77	1.93	2.97	1.95	2.32	1.53		
Other	3.31	4.48	3.96	5.06	5.09	3.36		
Donor Disbursements	3.10	4.18	4.28	5.95	7.56	8.94		
Social Sectors	1.08	0.52	1.87	1.73	1.73	1.47		
Education	0.20	0.07	0.48	0.80	0.80	0.83		
Health	0.88	0.45	1.39	0.93	0.93	0.64		
Other	2.02	3.66	2.41	4.22	5.83	7.47		
Total Ministerial Expenditure	12.01	12.66	13.03	15.43	17.18	16.28		
Social Sectors	2.92	2.58	3.69	4.21	3.94	3.92		
Education	1.59	1.48	1.79	2.51	2.54	2.44		
Health	1.33	1.10	1.90	1.70	1.41	1.48		
Defence	3.77	1.93	2.97	1.95	2.32	1.53		
Other	5.33	8.15	6.37	9.27	10.92	10.83		

Source: World Bank (1993) Uganda: Social Services, p.22

Table 41

**Private and Government Expenditures on Education  
and Health, 1989/90**

		Percentage of GDP Private Total	
<b>Education</b>			
Private Expenditures	2.1		
Primary	1.9		
Secondary	0.2		
Higher	0.0		
Government Expenditures	1.6		
Primary	0.6		
Secondary	0.2		
Teacher Training	0.2		
Higher	0.2		
Other	0.4		
<b>Total</b>	<b>3.7</b>		<b>57%</b>
Primary	2.5		76%
Secondary	0.4		50%
Teacher Training	0.2		0%
Higher	0.2		0%
Other	0.3		0%
<b>Health</b>			
Private Expenditures	1.8		
Personal - Curative	1.6		
Personal - Preventive	0.2		
Government Expenditures	1.3		
Personal - Curative	1.0		
Personal - Preventive	0.1		
Community interventions	0.1		
Other	0.1		
<b>Total</b>	<b>3.1</b>		<b>55%</b>
Personal - Curative	2.6		62%
Personal - Preventive	0.3		65%
Community interventions	0.1		0%
Other	0.1		0%
<b>Social Sectors - Total</b>	<b>6.8</b>		<b>56%</b>
Private Expenditures	3.9		
Government Expenditures	2.9		

Source: World Bank (1993), Uganda: Social Services, p. 29

**Table 42**

**Estimated Recurrent Expenditures for Health from All Sources, 1989/90**

	Local Funds			Foreign Assistance		Total		
	Amount	Percent	Percent of GDP	Amount	Percent	Amount	Percent	Percent of GDP
Ministry of Health	4,097	14	0.3	7,585	89	11,682	30	0.9
Ministry of Local Government	171	1	0.0	341	4	512	1	0.0
Mulago Hospital	1,572	5	0.1	77	1	1,649	4	0.1
Local Governments	816	3	0.1	0	0	816	2	0.1
NGO Donations	822	3	0.1	500	6	1,322	3	0.1
Private Spending	22,644	75	1.8	0	0	22,644	59	1.8
<b>Total</b>	<b>30,122</b>	<b>100</b>	<b>2.4</b>	<b>8,503</b>	<b>100</b>	<b>38,625</b>	<b>100</b>	<b>3.1</b>
Central Government	5,840	19	0.5	8,003	94	13,843	36	1.1
Local Government	816	3	0.1	0	0	816	2	0.1
Charitable	822	3	0.1	500	6	1,322	3	0.1
Private	22,644	75	1.8	0	0	22,644	59	1.8
<b>Total</b>	<b>30,122</b>	<b>100</b>	<b>2.4</b>	<b>8,503</b>	<b>100</b>	<b>38,625</b>	<b>100</b>	<b>3.1</b>

Source: World Bank (1993), Uganda: Social Services, p. 192

**Table 43**  
**Balance of Formal Trade with PTA Countries, 1981-1992**  
**(US\$ 000)**

Countries	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Kenya X	1,339	1,925	2,496	3,339	1,423	3,088	1,804	1,590	3,374	6,241	12,354	16,035
Kenya M	126,341	109,495	112,171	102,826	89,080	97,575	92,323	102,807	92,987	71,133	82,751	118,357
<b>X-M</b>	<b>(125,002)</b>	<b>(1,075,570)</b>	<b>(109,675)</b>	<b>(99,487)</b>	<b>(87,657)</b>	<b>(94,487)</b>	<b>(90,519)</b>	<b>(101,217)</b>	<b>(89,613)</b>	<b>(64,892)</b>	<b>(70,397)</b>	<b>(102,322)</b>
Tanzania M	10,707	931	2,418	3,448	1,972	2,130	3,290	4,583	6,927	9,541	13,162	16,959
Zimbabwe M	55	0	22	154	578	1,167	986	775	1,794	6,228	1,486	1,351
Sudan X	108	13	27	37	61	180	0	243	587	1,946	2,839	3,001
<b>PTA, excl.</b>												
Kenya X	208	104	49	37	108	214	43	289	792	7,249	5,100	6,396
Kenya M	11,061	1,306	2,455	4,237	3,667	7,664	4,813	6,318	9,423	16,471	18,284	22,019
<b>X-M</b>	<b>(10,853)</b>	<b>(1,202)</b>	<b>(2,406)</b>	<b>(4,200)</b>	<b>(3,559)</b>	<b>(7,450)</b>	<b>(4,770)</b>	<b>(6,029)</b>	<b>(8,631)</b>	<b>(9,222)</b>	<b>(13,184)</b>	<b>(15,623)</b>
<b>Total PTA</b>												
X	1,547	2,029	2,545	3,376	1,531	3,302	1,847	1,879	4,166	13,490	21,135	22,431
M	137,402	110,801	114,626	107,063	92,747	105,239	97,136	109,125	102,410	87,604	101,035	140,376
<b>X-M</b>	<b>(135,855)</b>	<b>(108,772)</b>	<b>(1,120,281)</b>	<b>(103,687)</b>	<b>(91,216)</b>	<b>(101,936)</b>	<b>(95,289)</b>	<b>(107,246)</b>	<b>(98,244)</b>	<b>(74,114)</b>	<b>(79,900)</b>	<b>(117,945)</b>

Note: X = Exports and Re-Exports  
M = Imports

Source: Statistics Dept, MFEP, Statistical Bulletin No. EXT/1, Imports and Exports, Uganda, 1981-1992, December, 1993

Table 44

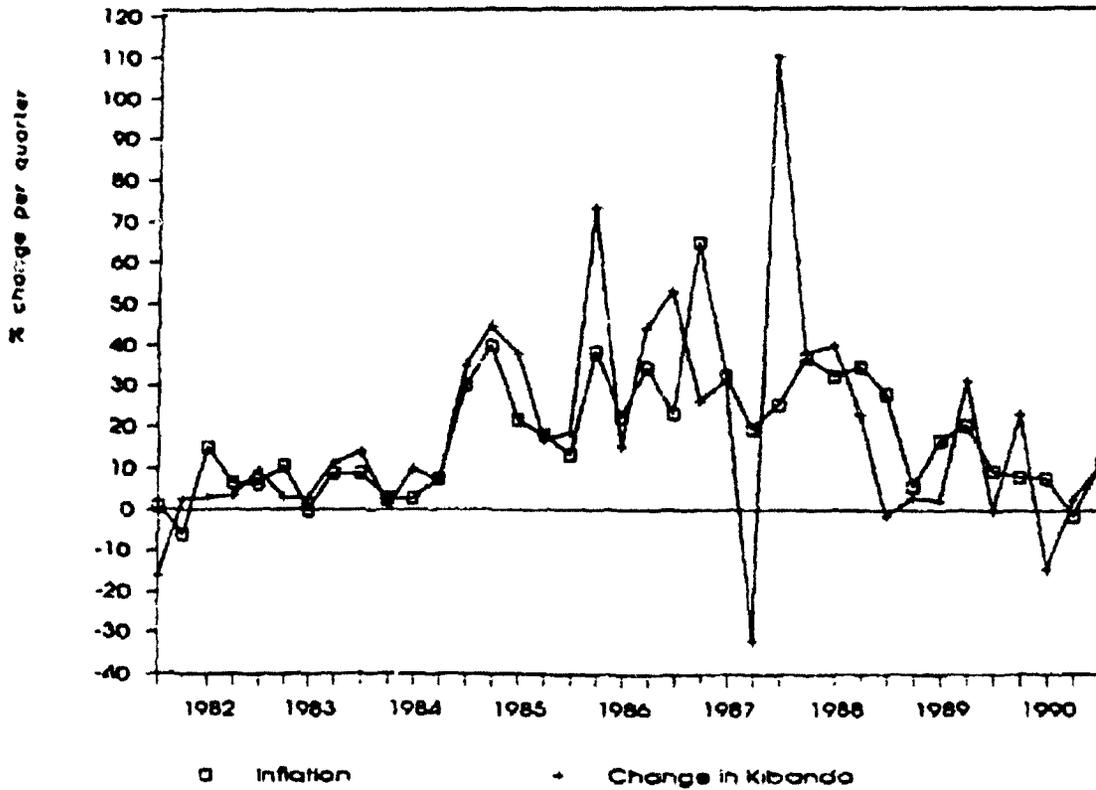
**Interstate Trade in Manufactures Between the  
Three East African Countries, 1967-1973**

	1960	1967	1973
Total interstate trade in manufactures (m. Shs)	-	690	855
Interstate manufactures exports (m. Shs)			
from Kenya:	-	439	670
from Tanzania:	-	52	115
from Uganda:	-	199	70
Balance of trade in manufactures (m. Shs)			
Kenya:	-	238	503
Tanzania:	-	-179	-191
Uganda	-	-59	-312
Manufactured exports to other partner states as % of imports from other partner states:			
Tanzania:	11	22	38
Uganda:	93	77	18

Source: Livingstone, *Developing Industry in Uganda*, p. 10

GRAPH 1

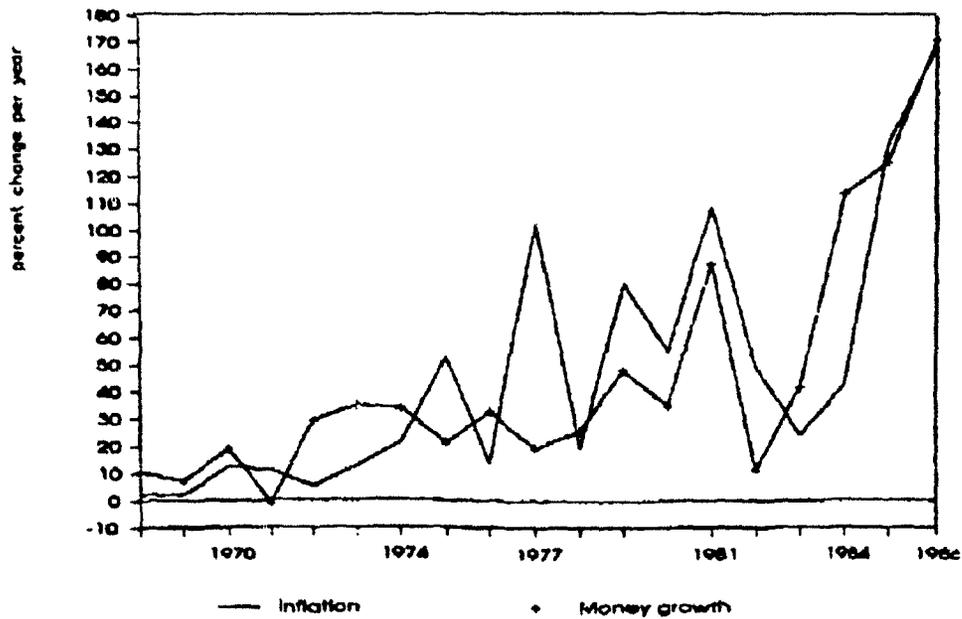
Inflation and Parallel Market (Quarterly data)



Source Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 52

GRAPH 2

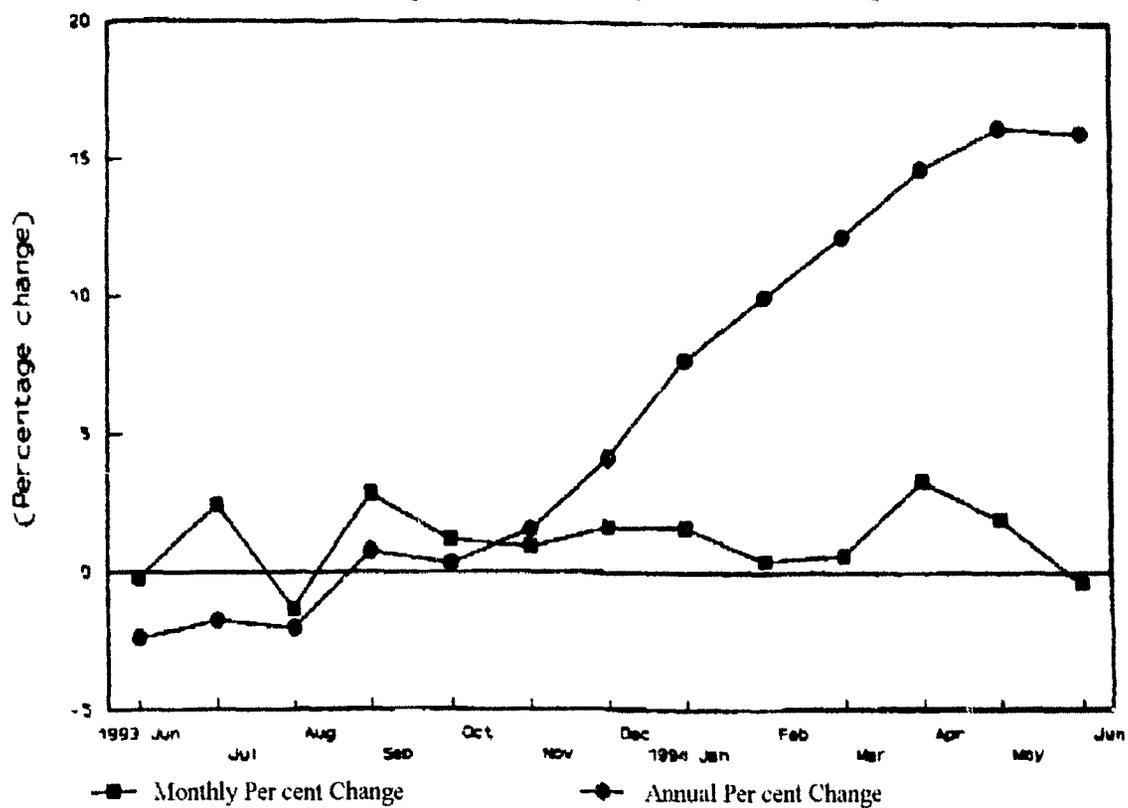
Annual Inflation (Prices and Money Growth)



Source Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 48

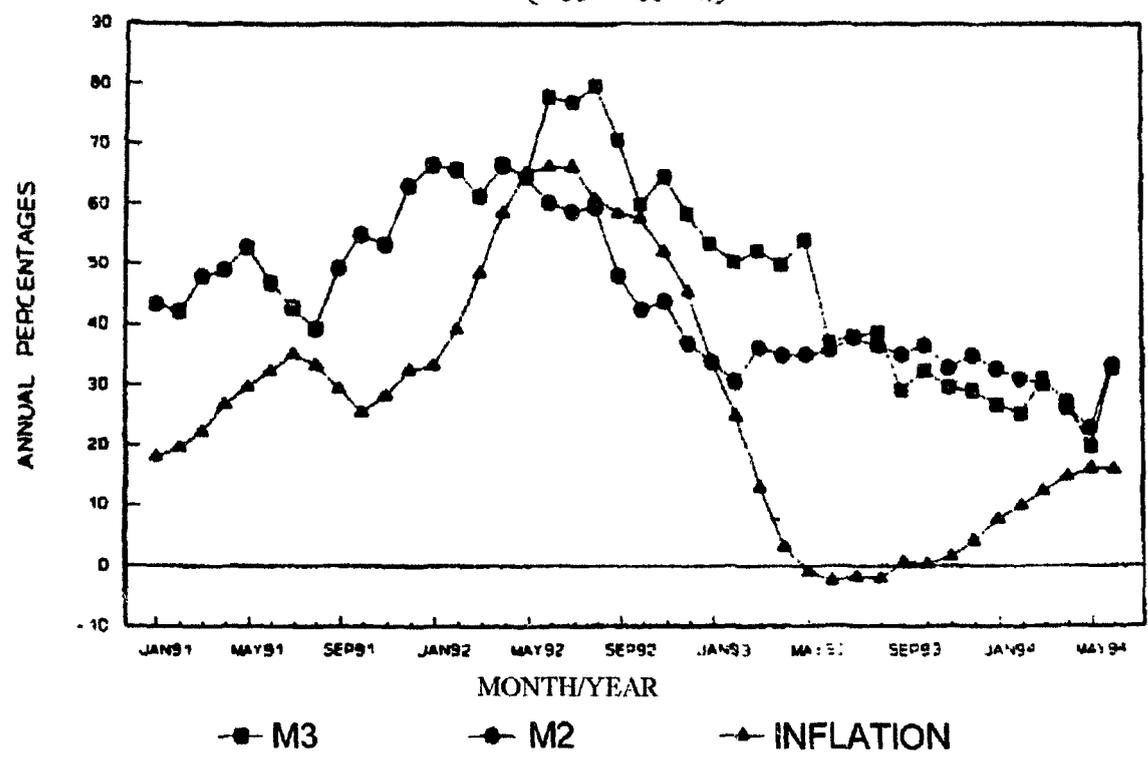
GRAPH 3

Composite CPI Monthly and Annual Change



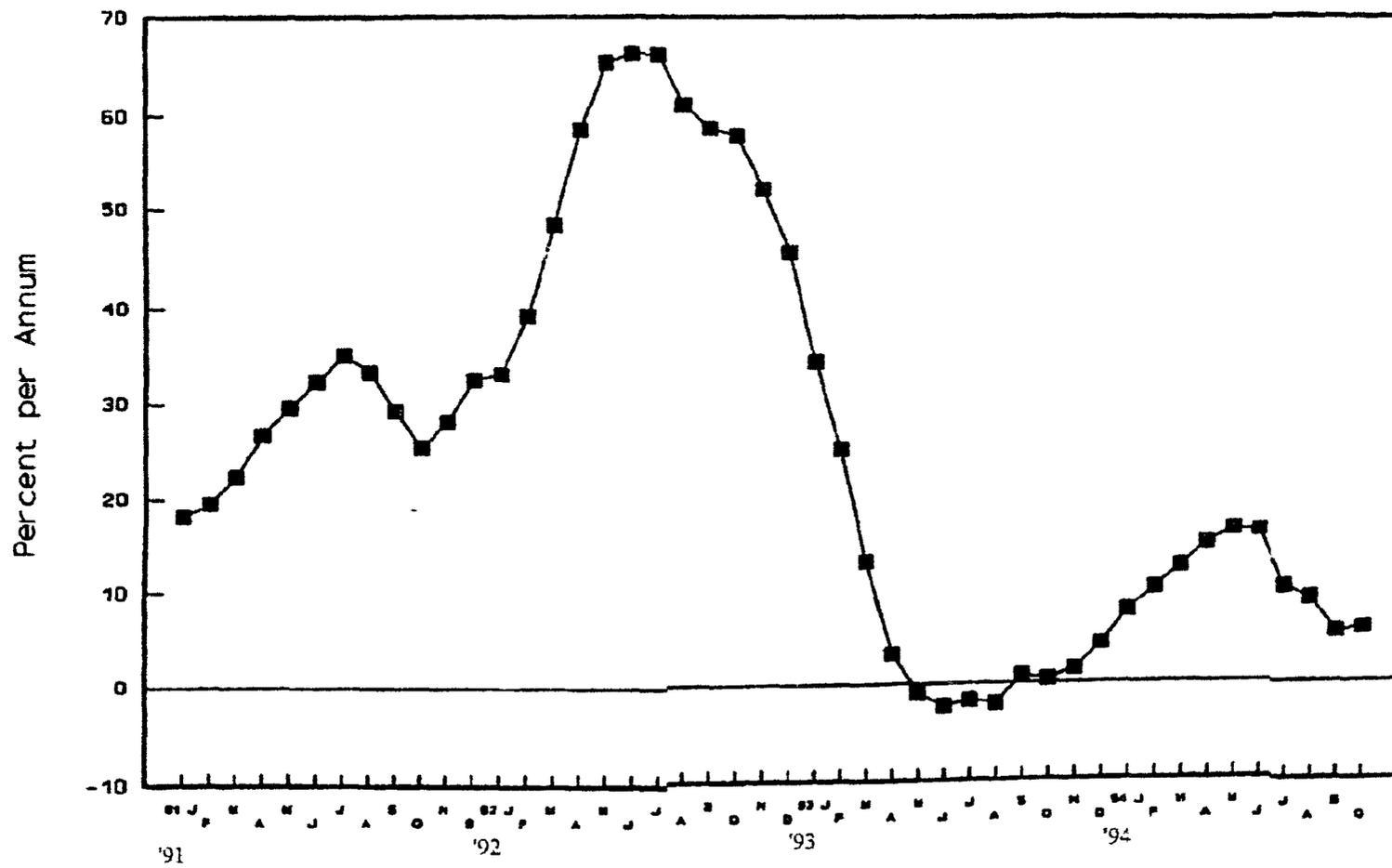
Source Bank of Uganda

**GRAPH 4**  
**Monthly Supply and Inflation**  
 (year-year %)



Source: Bank of Uganda

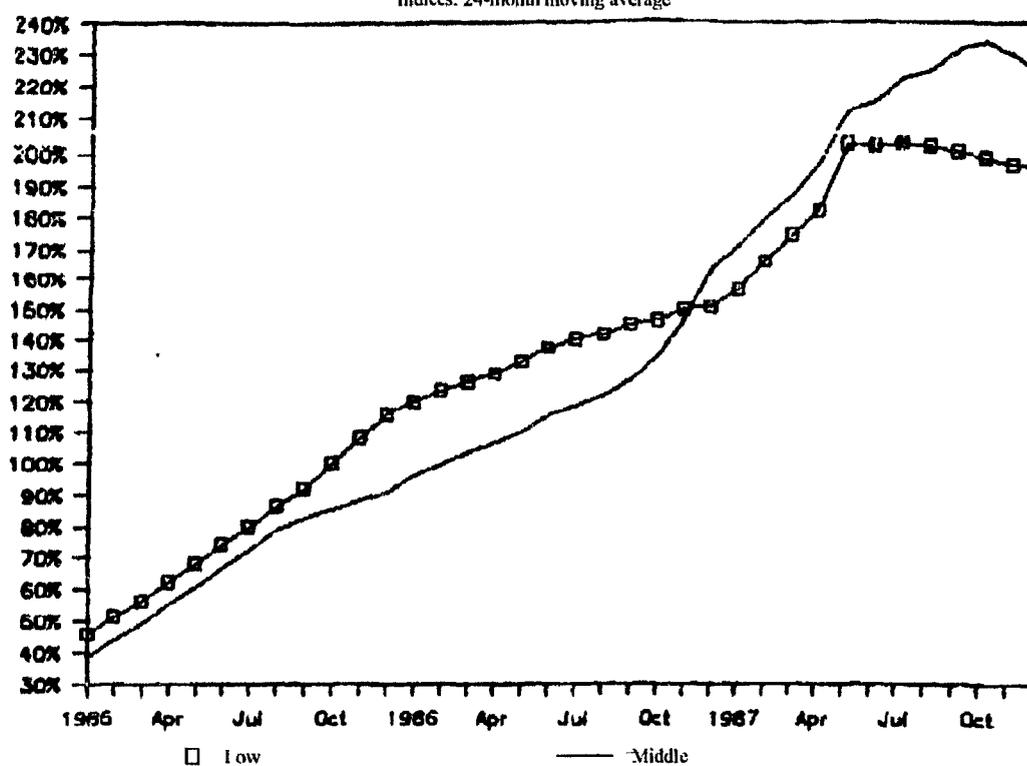
GRAPH 5  
Annual Inflation  
(Percent per Annum)



Source: Bank of Uganda

GRAPH 6

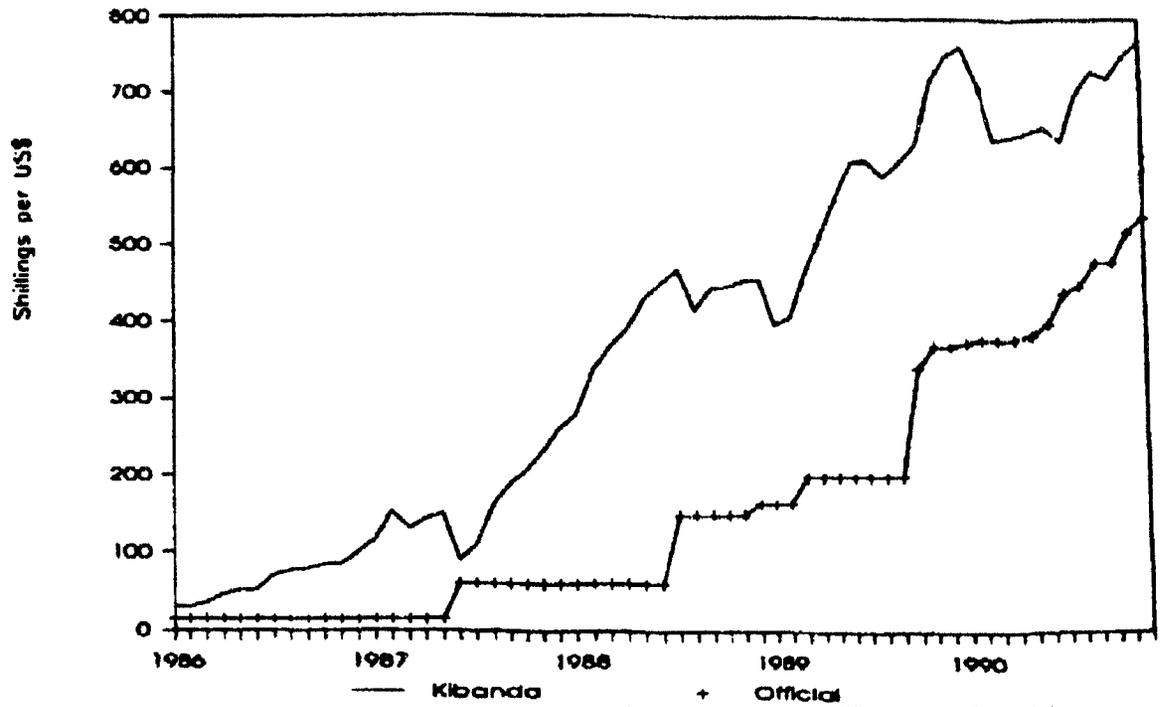
Low and Middle Income CPI  
Indices. 24-month moving average



Source: World Bank (1988) Uganda: Towards Stabilization and Economic Recovery, p. 34

GRAPH 7

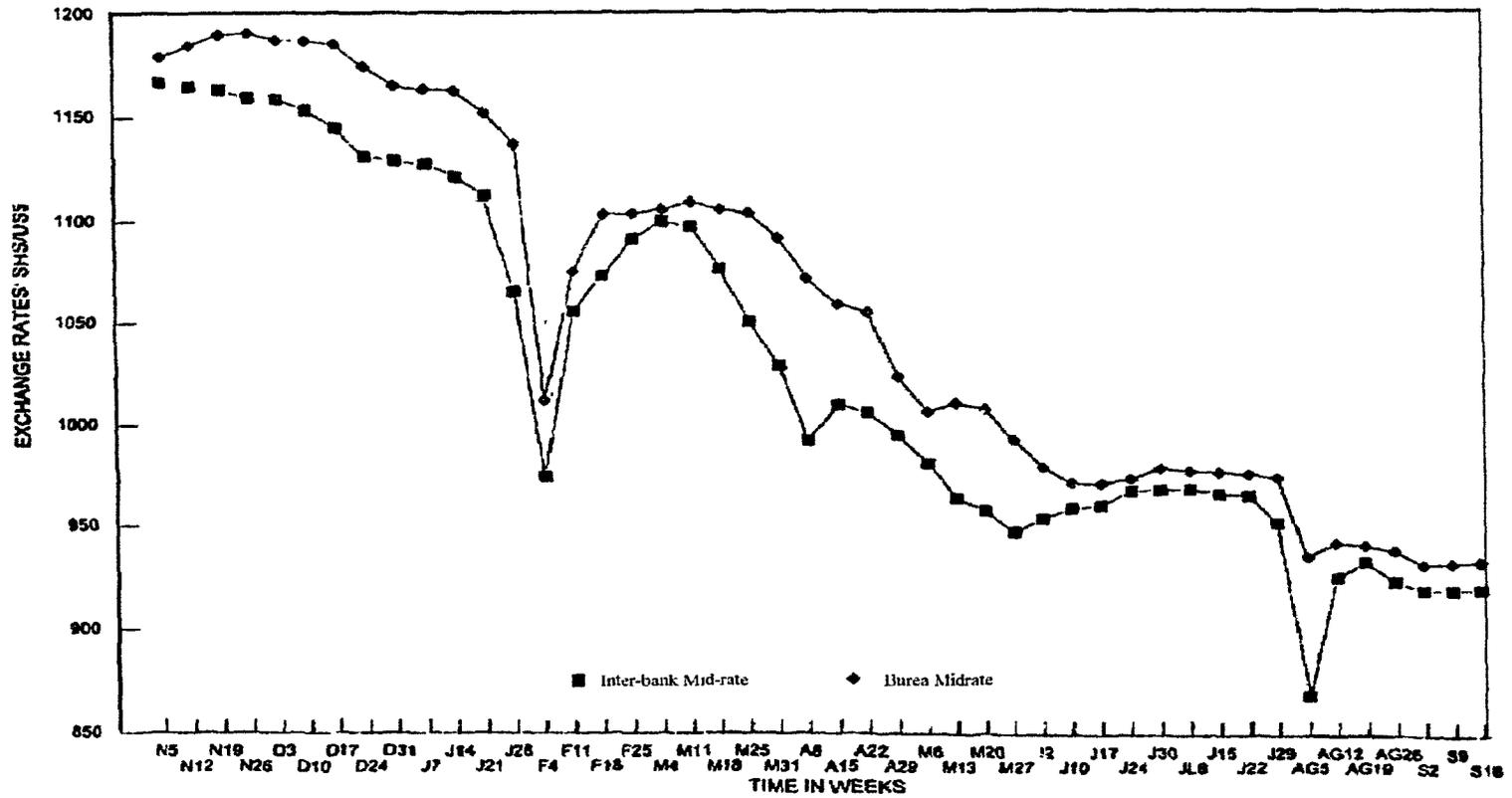
Exchange Rates: Official and Kibanda Rates (shs to US\$)



Source: Van Der Geest (ed) 1994 Negotiating Structural Adjustment in Africa, p. 58

GRAPH 8

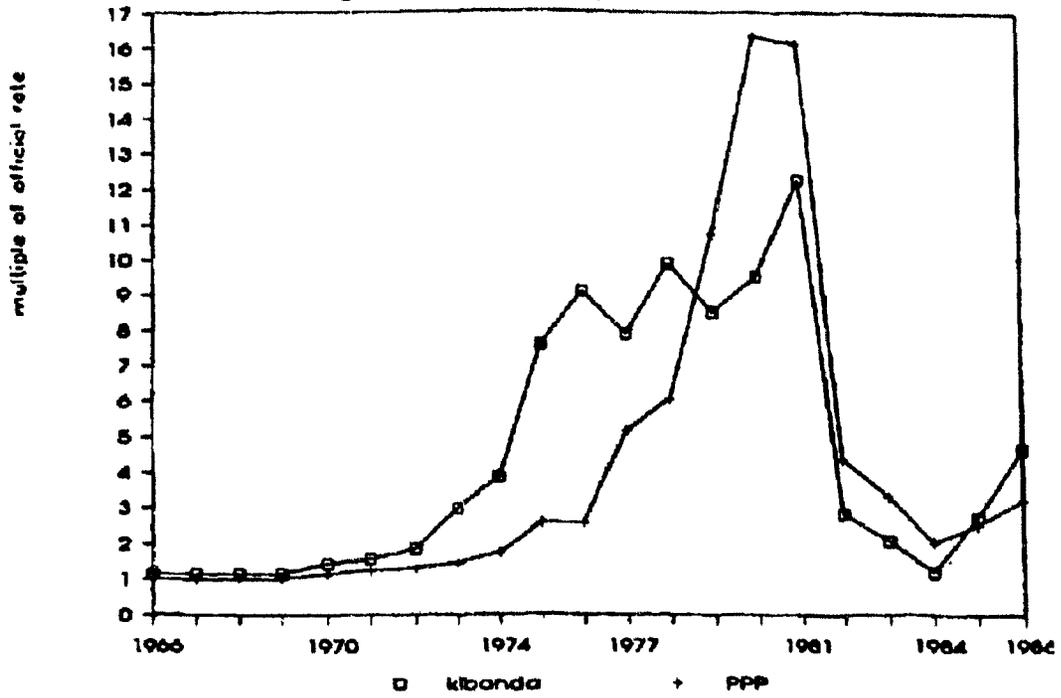
Weighted Average Exchange Rates  
November 1993 - September 1994



Source: Bank of Uganda

GRAPH 9

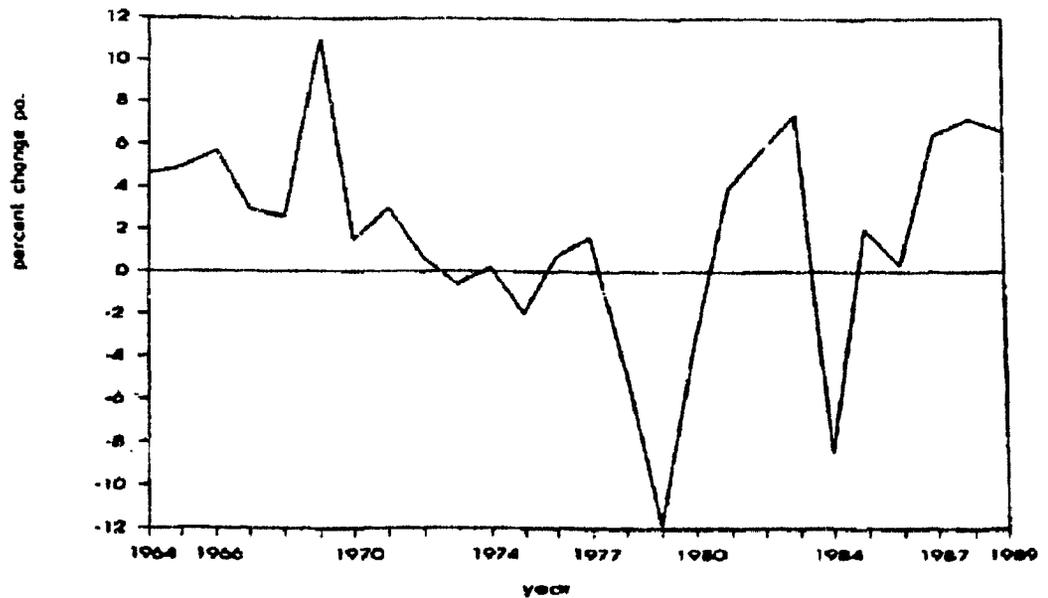
Exchange Rate Differentials (Official, Kibanda and PPP)



Source: Van Der Geest (ed) 1994, Negotiating Structural Adjustment in Africa, p. 49

GRAPH 10

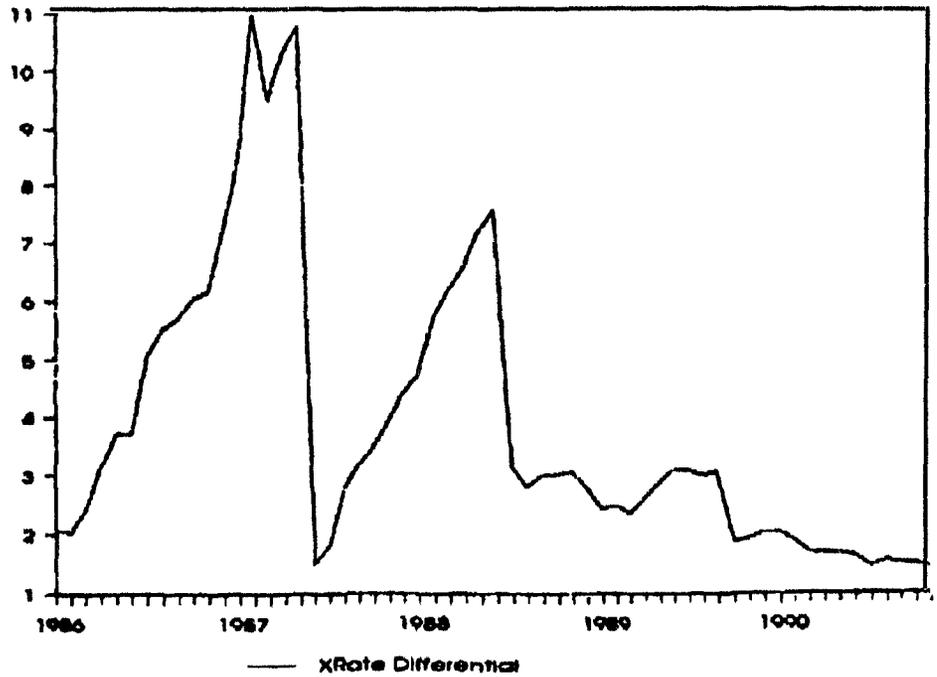
GDP Growth



Source: Van Der Geest (ed) 1994, Negotiating Structural Adjustment in Africa, p. 49

### GRAPH 11

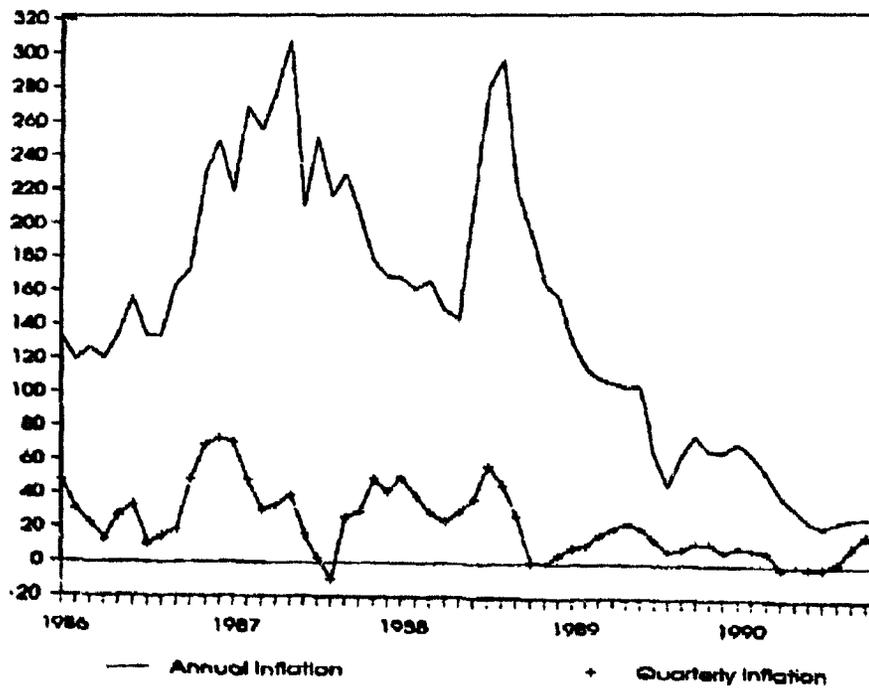
Exchange Rate Differential (Parallel Rate as multiple of official rate)



Source: Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 60

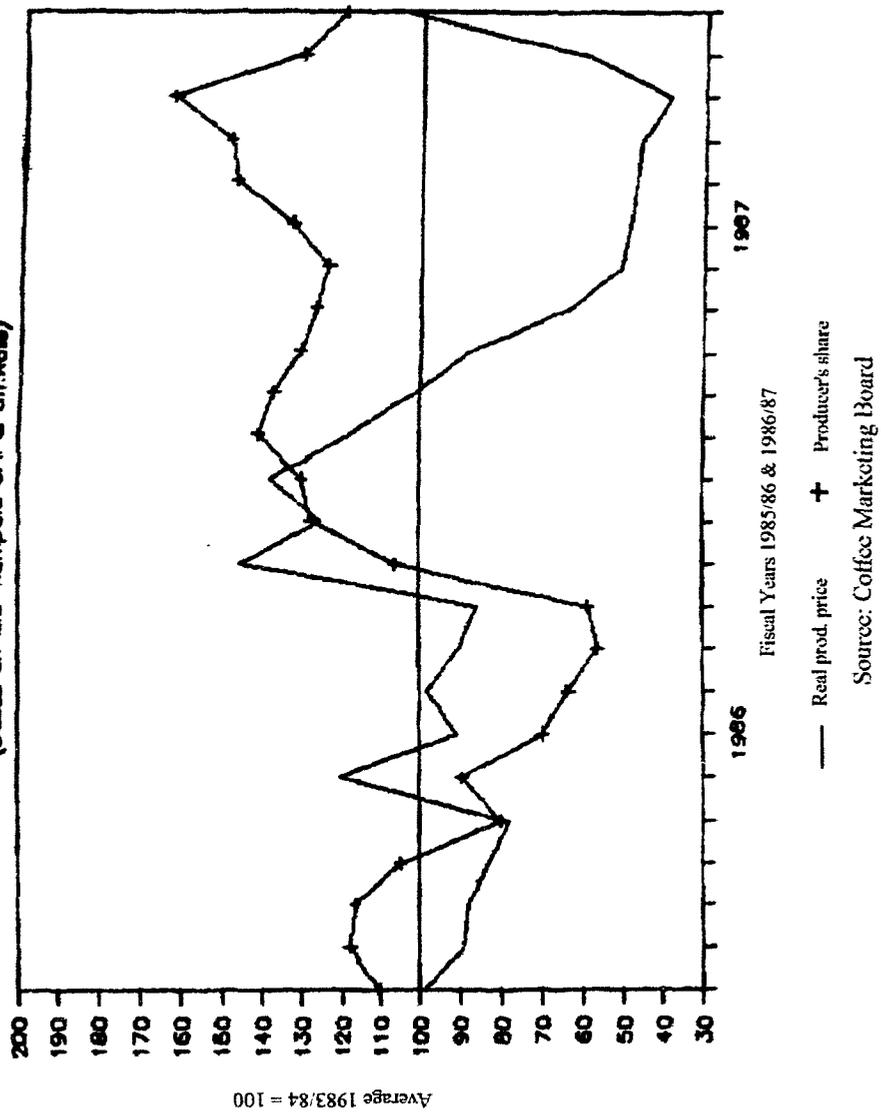
### GRAPH 12

Inflation (Annual and Monthly)

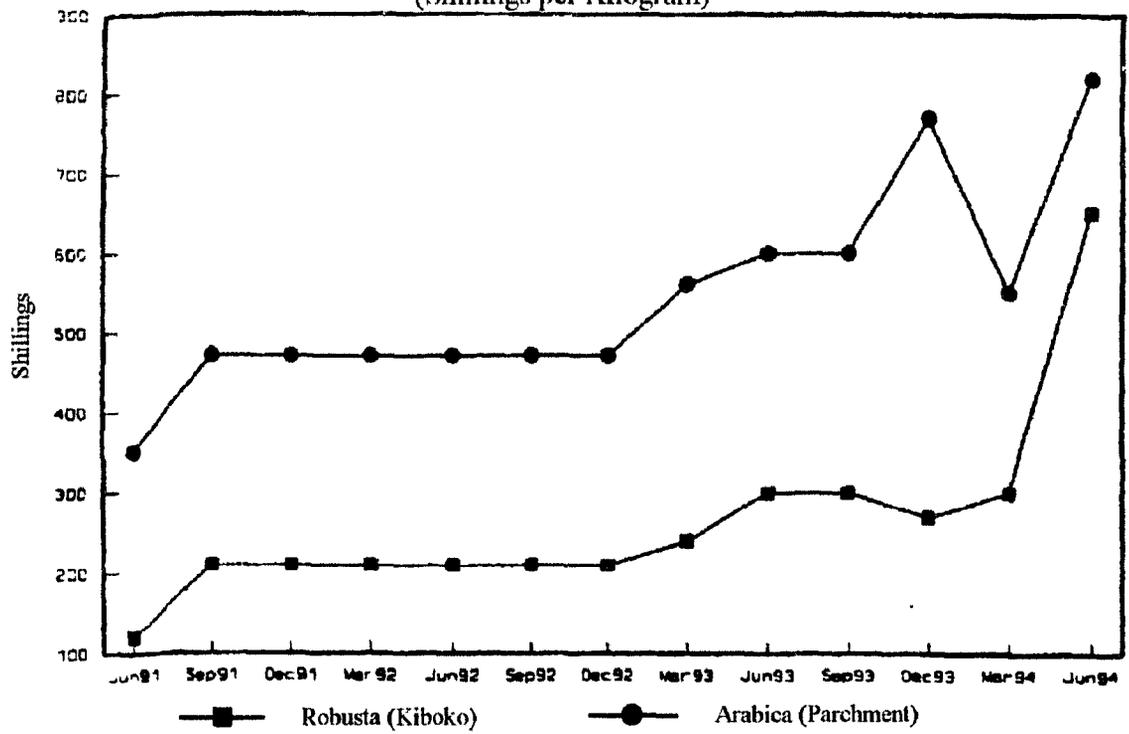


Source: Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 60

**GRAPH 13**  
 Coffee Prod. Price & Exp. Share  
 (Based on Mid-Kampala CPI & Off.Rate)

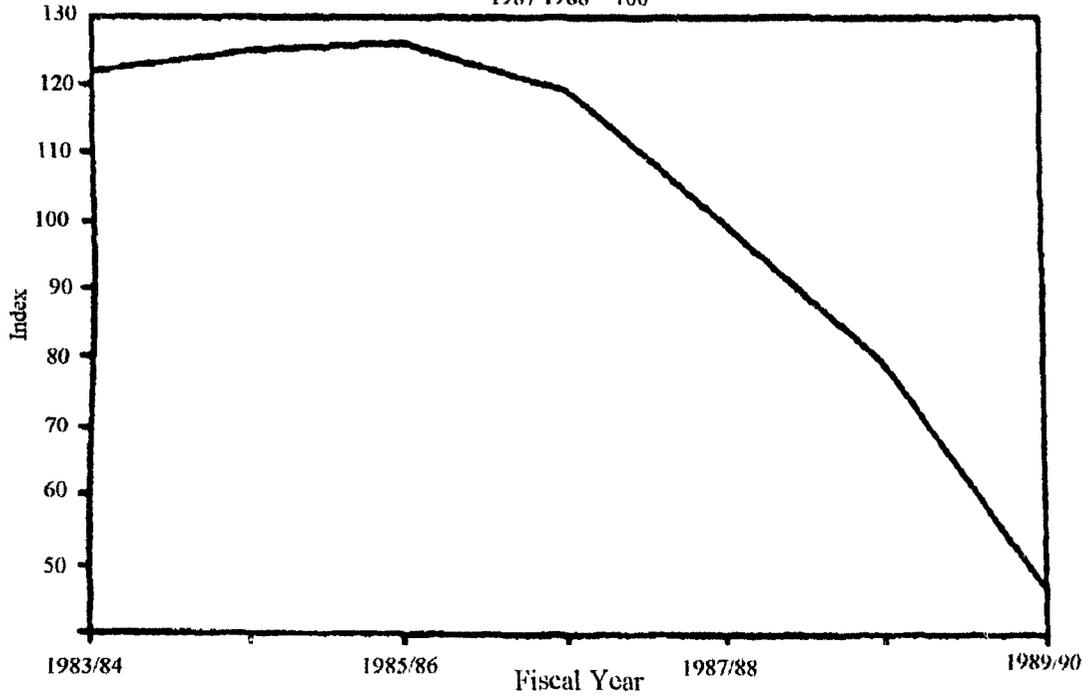


**GRAPH 14**  
 Average Prices Paid to Coffee Farmers  
 (Shillings per Kilogram)



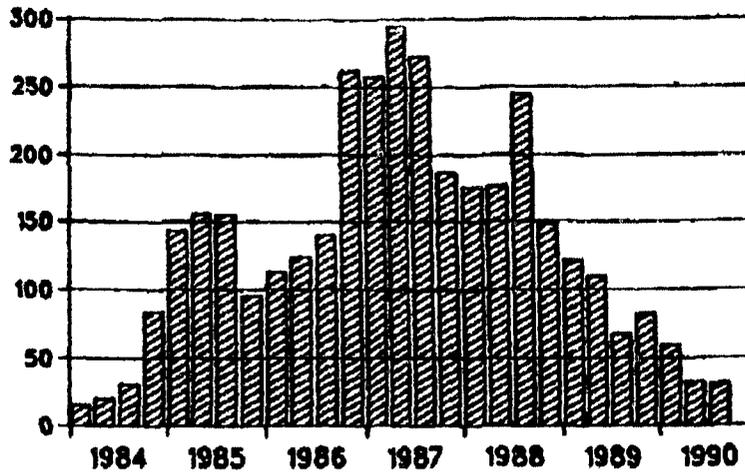
Source: Bank of Uganda

**GRAPH 15**  
 Unit Value of Coffee Exports, 1983/84 - 1989/90  
 1987/1988 = 100



Source: Hansen and Twaddle (eds), Changing Uganda, p. 38

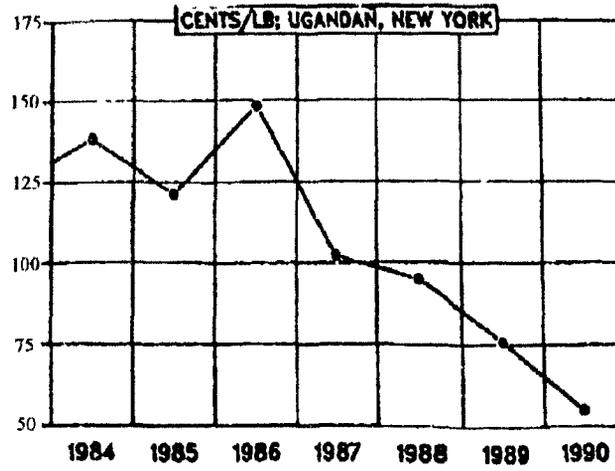
**GRAPH 16**  
 Consumer Prices  
 per cent change on previous year



Source: EIU Country Report, September 1992

GRAPH 17

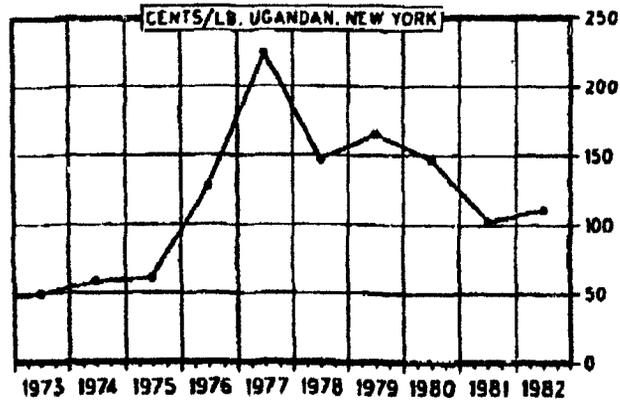
Coffee Prices 1984 - 90



Source: EIU Country Report, September 1992

GRAPH 18

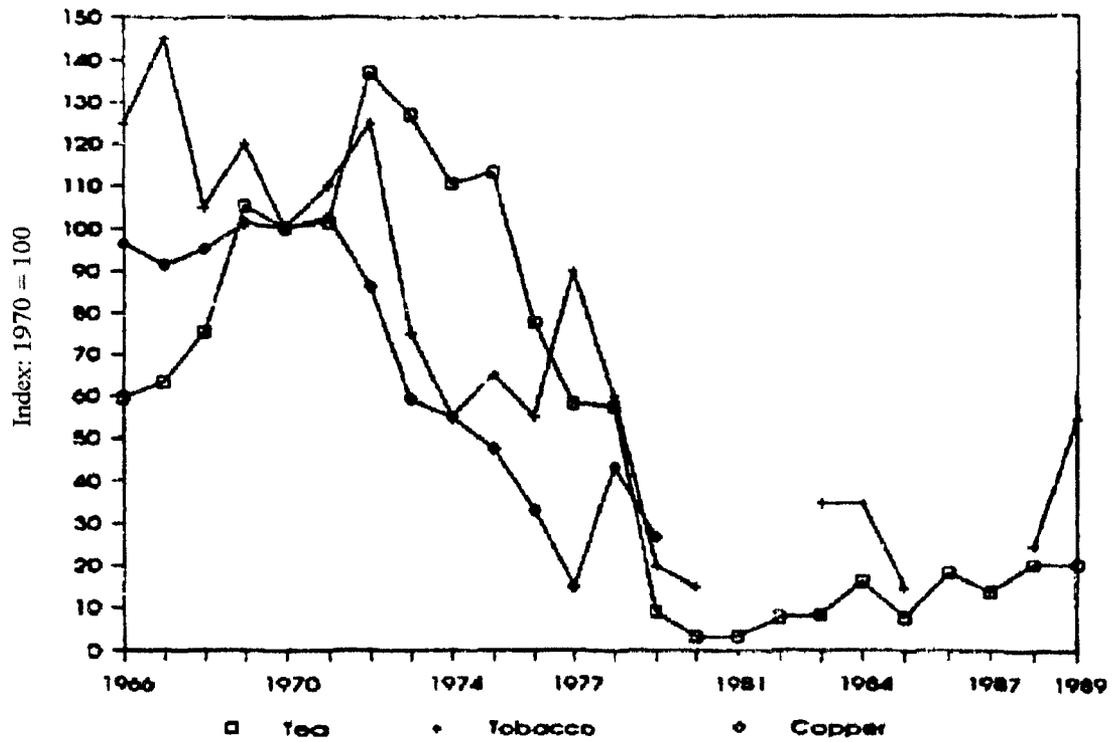
Coffee Prices, 1973 - 82



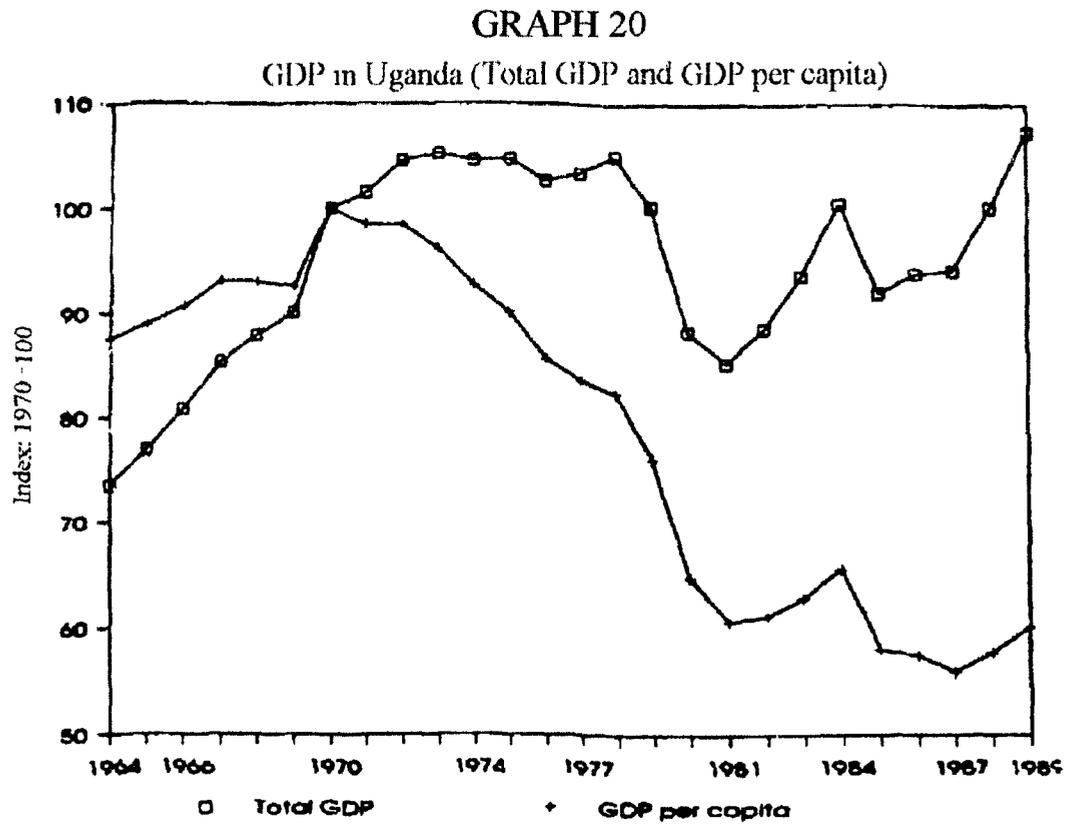
Source: EIU Country Report, No 4, 1983

GRAPH 19

Export Volumes: Tea, Tobacco and Copper



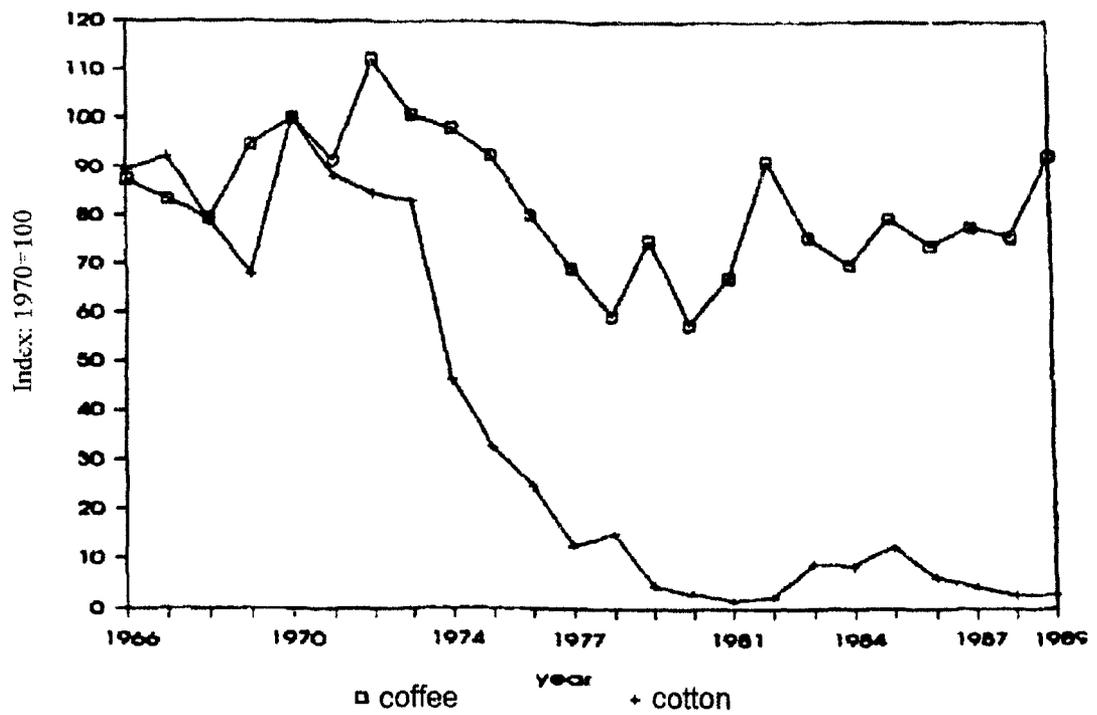
Source: Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 52



Source: Van Der Geest (ed) (1994) *Negotiating Structural Adjustment in Africa*, p. 50

GRAPH 21

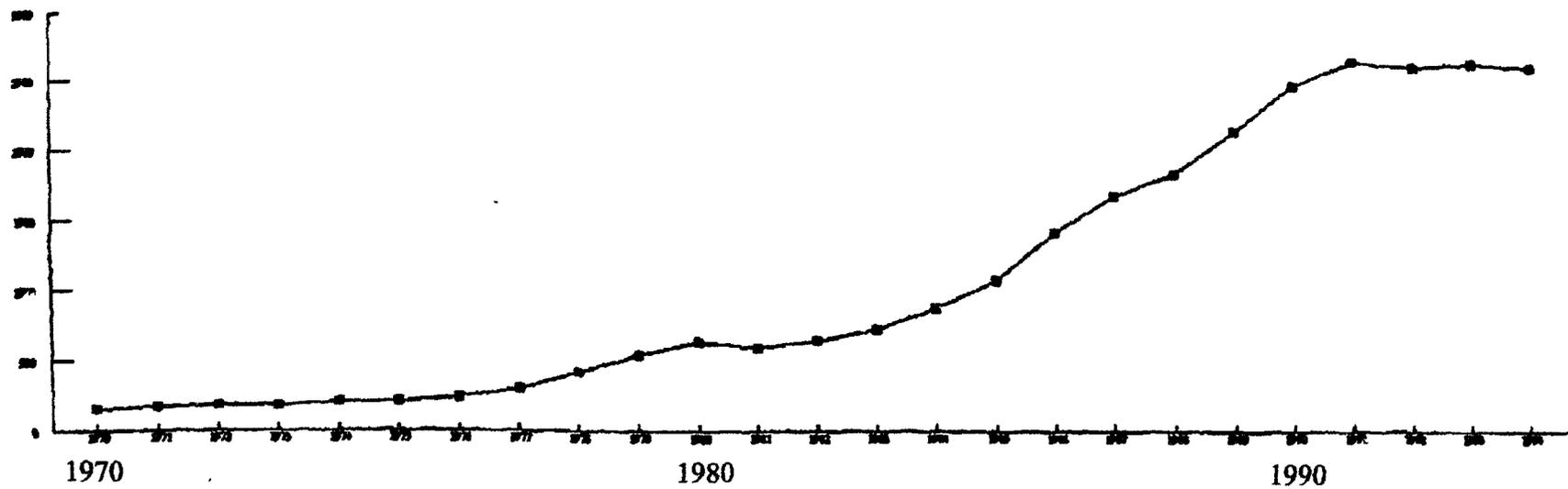
Export Volumes (Coffee and Cotton)



Source: Van Der Geest (ed) (1994) *Negotiating Structural Adjustment in Africa*, p. 50

GRAPH 22

Stock of External Debt, 1970-94

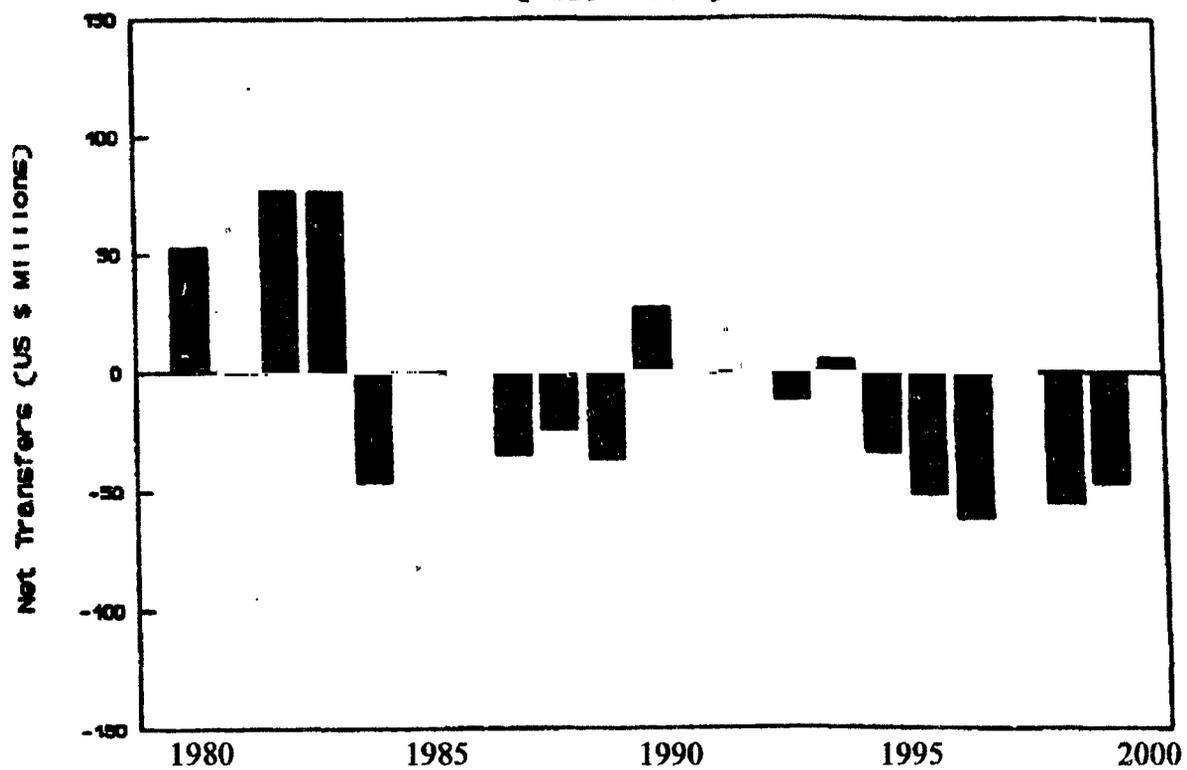


Source: Bank of Uganda

## GRAPH 23

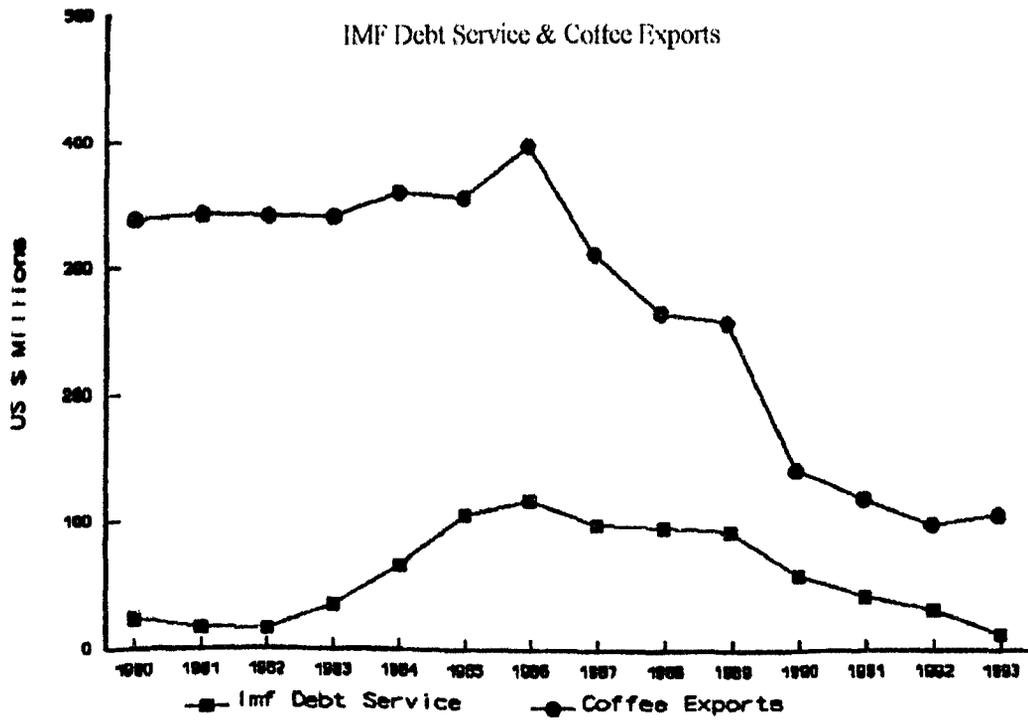
IMF Net Transfers to Uganda

(1980 - 2000)



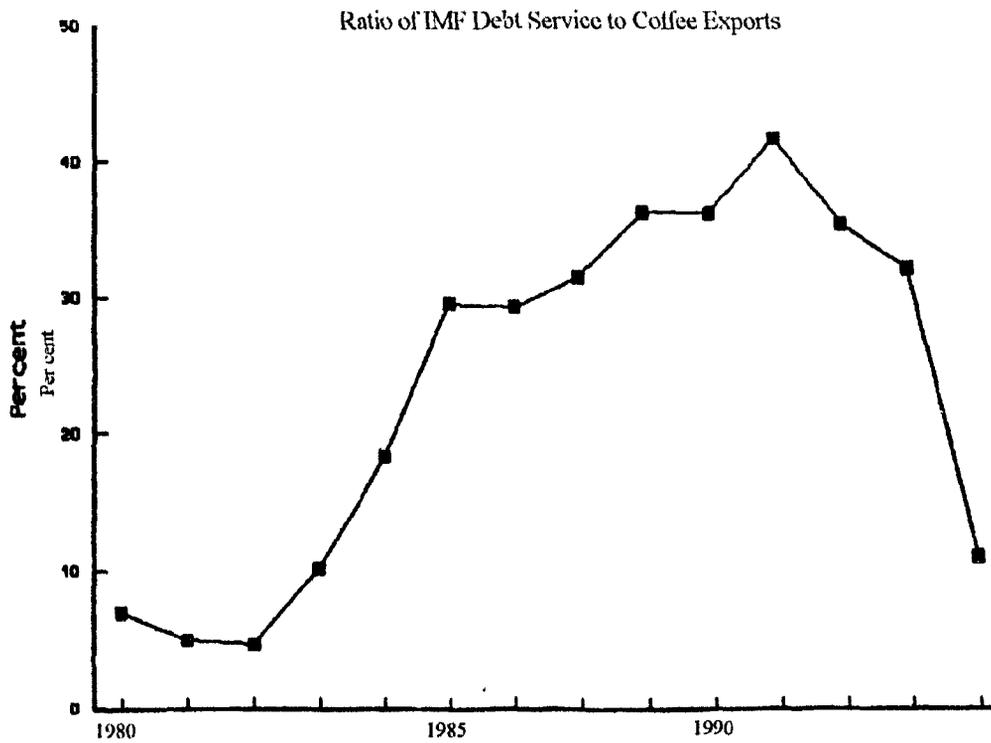
Source: Bank of Uganda

GRAPH 24



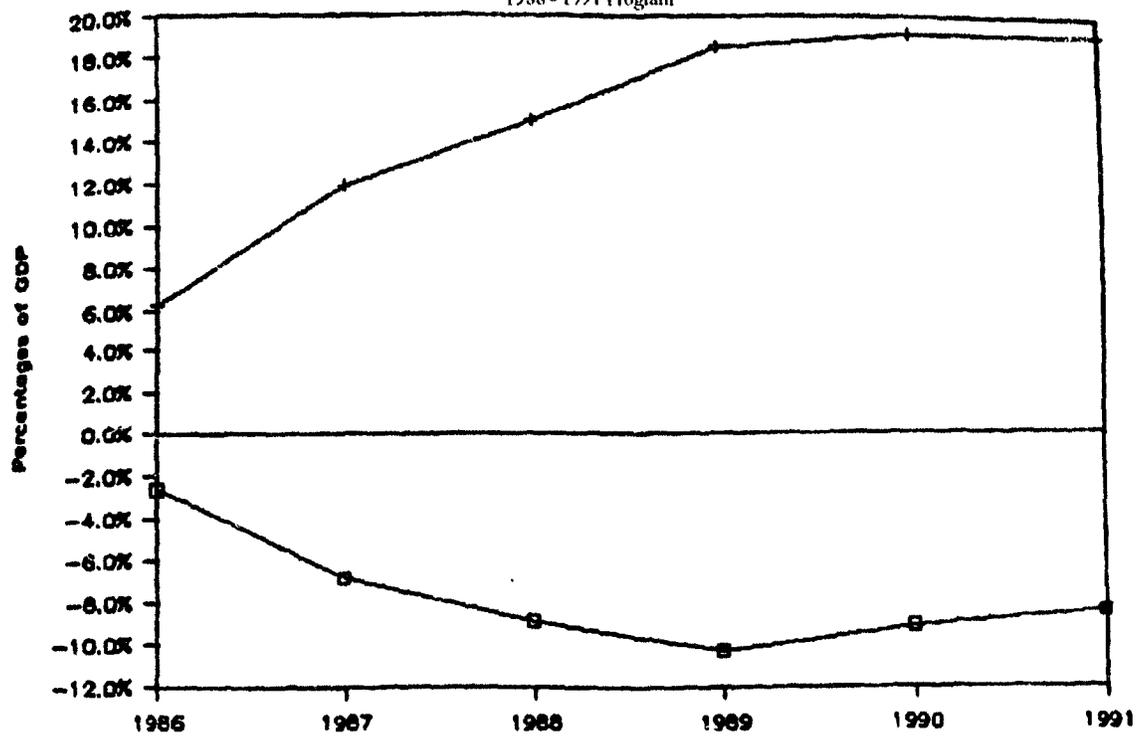
Source: Bank of Uganda

GRAPH 25



Source: Bank of Uganda

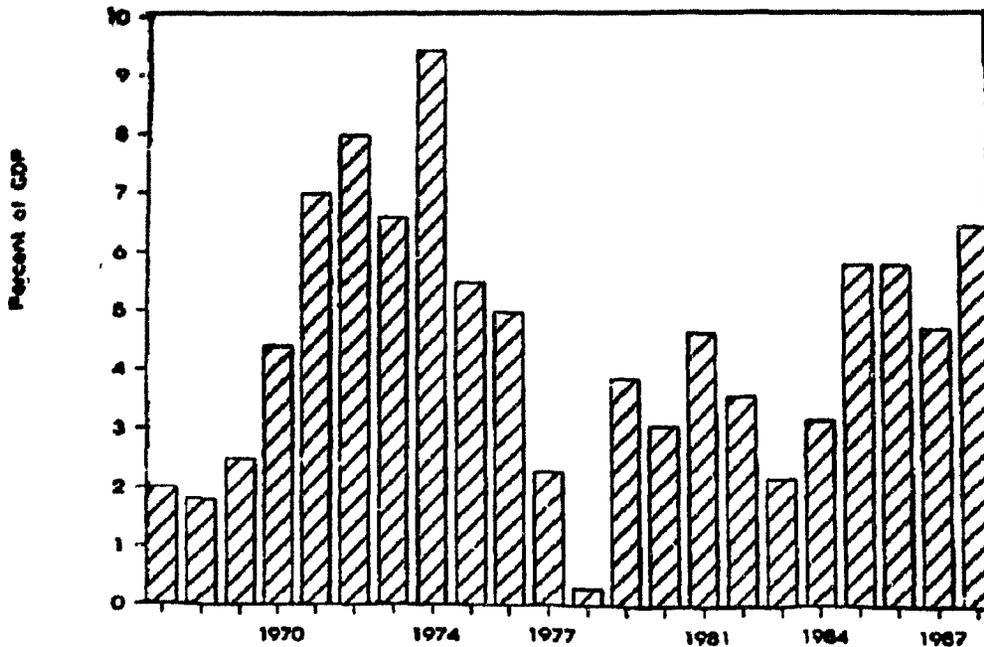
GRAPH 26  
Investment and Ext. Balance  
1988 - 1991 Program



Source: World Bank (1988) Uganda: Towards Stabilization and Economic Recovery, p. 59

### GRAPH 27

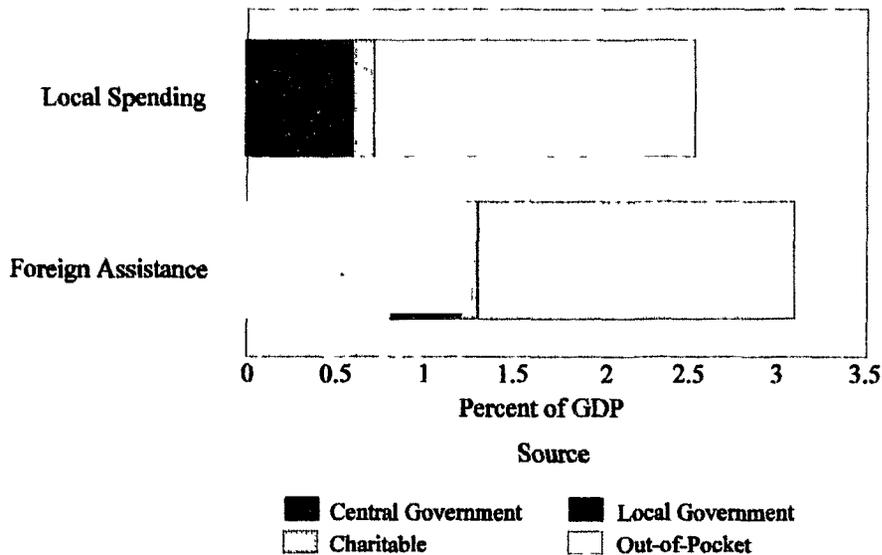
Budget Deficit (excluding grants) as % of GDP



Source: Van Der Geest (ed) (1994) Negotiating Structural Adjustment in Africa, p. 48

### GRAPH 28

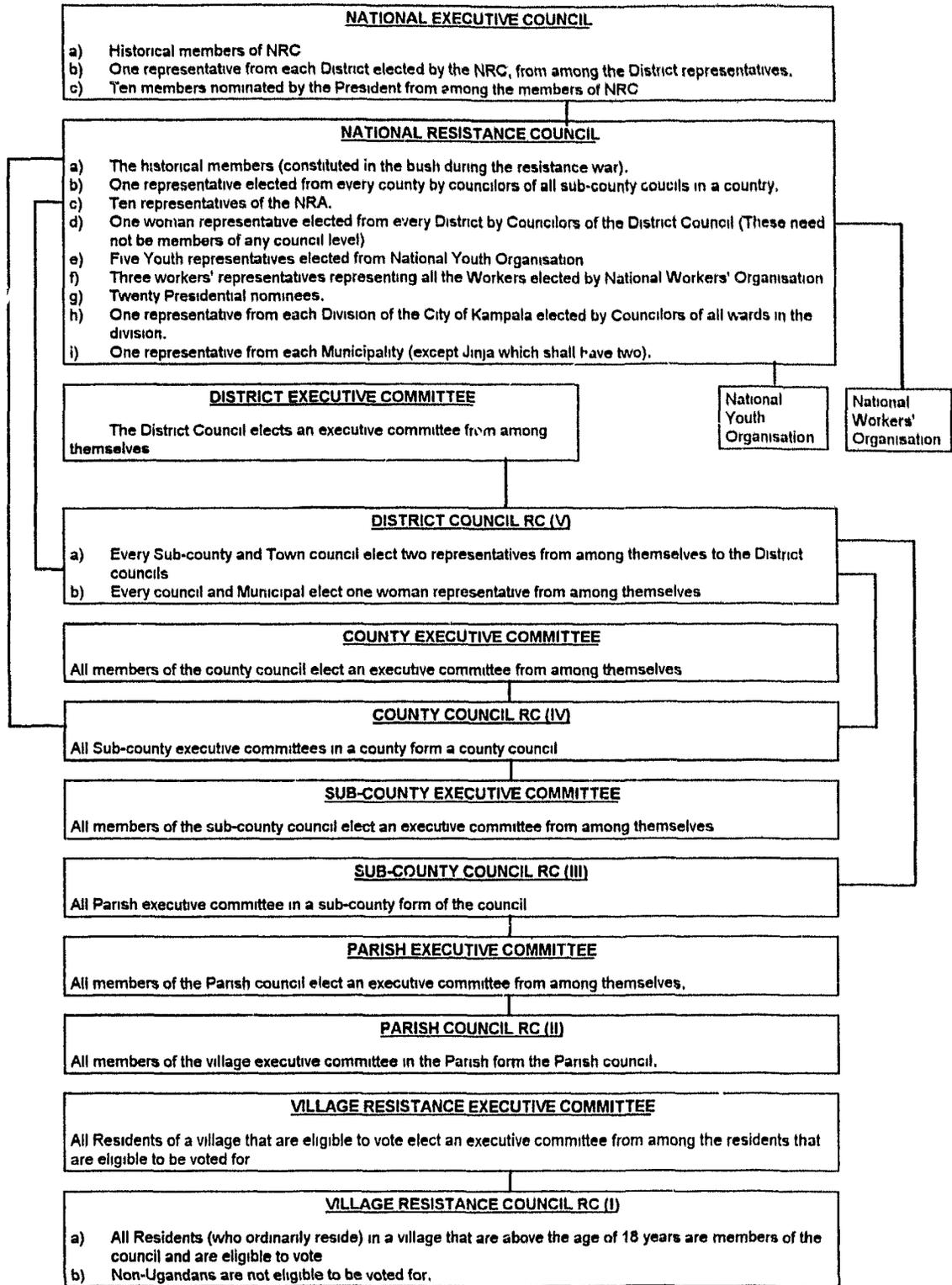
Estimated Recurrent Expenditures for Health from Sectors



Source: World Bank (1993) Uganda: Social Services, p. 63

**APPENDIX**

**THE STRUCTURE OF RESISTANCE COUNCILS AND COMMITTEES**



Source. NRM Secretariat, 1990. The Achievements of the NRM 1986-1990

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