Uganda’s Poverty Alleviation Strategies: A Policy Analysis

Technical Report

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1.0 INTRODUCTION

1.1 Relevant statistics about Uganda

Uganda is a country in the eastern part of Africa, bordered by Kenya in the east, the Democratic Republic of Congo in the West, Sudan in the north, and Tanzania in the south. The country’s population is estimated at 25.5 million, with a GDP per capita of US$1,457 in 2003 (UNDP, 2005). External donor support accounts for 52% of the country’s budgetary needs (Wakabi, 2005). An estimated 96% of the poor in Uganda are rural households who rely heavily on agricultural production, and the official national poverty rate stood at 38% in 2003 (MFPED, 2004). Uganda is basically an agricultural economy, and the majority (88%) are rural residents.

1.2 The report

This technical report is based on a study entitled: Uganda’s Poverty Alleviation Strategies: A Policy Analysis, which was conducted in Uganda from June to October 2005. The report summarises the research activities and preliminary findings of the study. The overall objective of this study was to examine whether the government’s poverty alleviation policies (a) promote opportunity for poor people, (b) enhance security by reducing poor people’s economic vulnerability, and (c) facilitate empowerment by promoting government accountability and popular participation in decision-making.

2.0 METHODS

2.1 Description of methods

Qualitative research methods were used to collect data. This particular study took the form of a single case study as described by Yin (1993, 1994) and Stake (1995), with poverty alleviation policies as the case to be studied. Data were collected from multiple sources including interviews with policy makers, policy implementers, official of civil society organisations, members of the academia, and people living in poverty. Policy and related documents were another major source of data.

2.2 Setting

The study was conducted in Kampala and Wakiso districts. Kampala is a metropolitan/urban district and Uganda’s administrative capital. It is in Kampala that policy makers, officials of civil society organisations, and members of the academia were sampled and interviewed. On the other hand, Wakiso is a largely rural district, and is the site where policy implementers and people living in poverty were sampled and interviewed. Policy implementers were interviewed at the district headquarters and at sub-county level, in Masulita sub-county. People living in poverty were interviewed at village (also known as Local Council I) level, in the same sub-county of Masulita.
2.3 Sampling

The selection of participants for this study was by *purposeful* sampling, with the goal of selecting cases that are likely to be information-rich with respect to the purpose of the study (Gall et al. 1996, p. 218). Since this study was about Uganda’s poverty alleviation policies, it was expected that those who are involved in the design and implementation of the relevant policies constitute a rich source of information. Thus, these were purposefully sampled for the study. The samples included staff at ministerial level who are involved in the policy making process. Following preliminary consultations with ministerial officials it was clear to me that an ideal number of participants from each ministry would range from three to five policy makers. Based on this, and considering that I was focusing mainly on two ministries\(^1\) (Finance and Agriculture), the total sample size for this group was 10 participants. Out of these, eight participants from the two ministries, and an additional one participant from the ministry responsible for Gender were interviewed. Also, based on my consultations with both ministerial and district officials it was determined that interviews with four to ten policy implementers would be ideal for my study. Accordingly, ten policy implementers were sampled at both district and sub-county levels. Out of this sample, four participants were interviewed.

With regard to civil society organisations the sample included those organisations with a strong orientation toward social policy and poverty issues. These organisations included OXFAM (GB), NGO Forum, Uganda Debt Network, Uganda Land Alliance, and ActionAid International (Uganda). It was believed that these organisations, which operated at arm’s length from the government, would provide more balanced, independent, and well-informed perspectives on the government’s poverty alleviation policies. Two policy officials from each of the five organisations were sampled, making a total sample size of 10 individuals. Out of these, three participants from only three of the five organisations were interviewed.

Members of the academia were another group that was chosen to participate in the study. These too were purposefully sampled to include only those individuals whose academic focus related to social/economic/agricultural policy and poverty issues. It was initially determined that two to four individuals would be ideal for this study. Five individuals were sampled, and only two participants were interviewed; a Makerere University professor in the Faculty of Social Sciences, and a Research Fellow at the University’s Economic Policy Research Centre.

Similarly, the population group that is affected by the policies (people living in poverty), was considered to be an important source of information for the study. The decision to include this group in the study was based on the recognition that their input has traditionally been excluded in policy design. Therefore, the group was considered to have unique perspectives that might inform the design of more contextually appropriate policies (Durning, 1993). For that reason, the perspectives of the group – desires and aspirations of the people affected by the policies – needed to be explored. This group was

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\(^1\) Other ministries, in particular, those responsible for Gender, Education, and Lands provided supplementary data mainly in the form of policy documents.
purposefully sampled for the study so they can provide their personal assessment of the policies that are aimed at alleviating their poverty. Having failed to access the 2002 National Population and Housing Census data, I enlisted the help of sub-county agricultural officials to identify the sample population of people who were generally believed to be poor. Only men and women heads of households, and other adults who contributed in one way or the other to the upkeep of a household were included in the sample. The initial sample size was composed of 20 participants with a possibility of further sampling depending on whether or not saturation was achieved (Agar, 1996). To ensure that the interviewed participants were the poor as categorised officially by the Uganda government,\(^2\) the participants were asked a few questions prior to the interview in order to confirm their poverty status. In total, eight participants were interviewed.

2.4 Data Collection

Data sources included policy and program documents, reports, and related archival records. In-depth interviews using unstructured questionnaires constituted another source of data. Participants in all the five groups were interviewed to elicit their views regarding poverty and related policies. During this data collection phase, policy makers and policy implementers were selected using a combination of purposeful and snowball sampling. Thus, after being purposefully sampled participants in these two groups were then asked to help identify other potential participants (snowball sampling) that may not have been identified.

The participants were interviewed in their natural setting (Merriam, 1988), either at their workplace or residence, and at their convenience. These interviews were audiotaped and are currently being transcribed verbatim.

2.5 Data Analysis

The policies will be analysed in terms of (a) how poverty has been conceptualised; (b) appropriateness and adequacy; and (c) their ability to achieve their intended objectives. After transcription interview data will be subsequently imported into NUD*IST, a computer program for qualitative research. This program will be used for data management and analysis. The process of analyzing interview data will be based on the approach outlined by Morse and Field (1995). These include: (1) checking each transcript with the corresponding audiotape for accuracy and completeness, (2) using a line by line process of substantively coding each interview. Codes will be developed as the first interviews are coded and analysed, (3) further sorting and analyzing of large and saturated categories, and (4) doing a final analysis and constructing a narrative that explains each category (theme). On the other hand, documentary data will be analysed using basic content analysis (Krippendorf, 1980).

2.6 Rigor

According to Morse (1991), rigor is about managing sources of bias in qualitative

\(^2\) Those who survived on less the one US dollar a day.
research. One of the ways I maintained rigor was through regular contact with my academic supervisors. This acted as a form of investigator triangulation (Mitchell, 1986; Sandelowski, 1986), as I was constantly sharing my thoughts and receiving feedback in order to avoid bias. Also, since some interviews were conducted by research assistants, it was possible that they could misrepresent the participants’ views. However, this threat to credibility was obviated by audiotaping the interviews. Besides, this study used multiple sources of evidence, such as interviews with different categories of participants – policy makers, policy implementers, civil society organisations, members of the academia, and people living in poverty – and documents. This was a form of triangulation of data as it enabled the sampling of different perspectives representing different contexts.

2.7 Ethical issues

Ethical approval of this proposal was obtained from the Human Research Ethics Board of the University of Alberta’s Faculty of Agriculture, Forestry, and Home Economics, on August 11, 2004. The following were the main ethical considerations within the proposal: (1) consent, (2) confidentiality and anonymity, (3) burden to participants. Except for people living in poverty who gave verbal consent, participants in all categories gave written consent through the use of informed consent forms. Verbal consent was audiotaped for the record. As well, participants were briefed fully on the confidentiality of the information they provide, and were also fully informed about the risks or burden that the research might entail.

3.0 FINDINGS

3.1 Uganda’s poverty alleviation efforts

The findings of this study reveal that Uganda was one of the first countries to have a fully fledged Poverty Reduction Strategy Paper (PRSP) in form of the Poverty Eradication Action Plan (PEAP). Uganda had been reportedly ahead of International Financial Institutions (IFIs) and the United Nations (UN) in its anti-poverty efforts, as illustrated by the fact that the country’s PEAP (adopted in 1997) pre-dated the IFIs’ new poverty-oriented loan instruments, and the UN’s Millenium Development Goals (MDGs) adopted in the year 2000.

3.1.1 Achievements

In relation to the above, findings of this study also indicate that at macro/national level Uganda has had a commendable policy formulation process. This has led to the recent adoption of policies that transcend the traditional emphasis on the economic aspects of development. The new policies seek to address not only economic but also structural impediments to human development. Such policies include the government’s on-going land reform measures, indicating the government’s recognition that the then existing land tenure system undermined agricultural production and, ultimately, poverty alleviation.

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3 These loan instruments are: IMF’s Poverty Reduction and Growth Facility established in 1999, and World Bank’s Poverty Reduction Support Credit established in 2001.
efforts. Such measures have involved constitutional and legislative changes that culminated into the enactment of the 1995 Constitution and its corollary, the 1998 Land Act that was meant to operationalise the relevant 1995 constitutional provisions. These two legal documents effectively repealed President Idi Amin’s 1975 Land Reform Decree, which had abolished all freehold interests in land by declaring all land to be public land that was vested in the state. Amendments to the 1998 Land Act are under way, as the legislation has itself been found to contain some gaps that might undercut the stated objective of boosting agricultural production.

The government’s attempt to address structural impediments is also demonstrated by its promotion of farmers’ fora in rural communities. Preliminary findings from my interview data suggest that this initiative has enhanced rural people’s active involvement in decisions that affect them and their communities, and is arguably boosting their confidence and overall sense of empowerment. Nonetheless, documentary data indicate that broader reforms will be necessary to achieve effective participation by villagers. It is noted that local elites still exercise much influence in determining, for example, how funds are used. Many local leaders are held back by illiteracy, lack of knowledge of government procedures and low awareness of their rights (UNDP, 2000).

The government has also addressed structural impediments by adopting the Universal Primary Education (UPE) policy. This was seen as a way of contributing, in the long-term, to the much needed human capital development. Though this policy has been criticised for its poor implementation, it is a reflection of correct diagnosis of one of the major barriers to the country’s human development.4

3.1.2 Failures

However, as the majority of the study participants observed, the benefits of the country’s excellent policy formulation process have largely not filtered through to grassroots structures, particularly the decentralized structures at the district and sub-county levels where a lot of policy implementation takes place. This phenomenon has been attributed to a number factors including lack of skilled manpower to implement the policies, and regulatory oversight and the concomitant problem of corruption5 at lower levels of government. For the purpose of this report I refer to these as administrative factors.

On the other hand, this study’s findings also point to other factors that are more institutional and structural in nature, and these factors are identifiable at national/central government level. These factors relate to the weaknesses of the national institutions (such

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4 Human development is defined as the creation of an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. It is measured by not only income, but also by life expectancy, literacy rate, political participation, gender empowerment, among others (UNDP, 2003).

5 For the purpose of this report I make a distinction between corruption at the lower levels of government where local government officials swindle funds with some sense that no one is watching over them, and corruption involving national institutions and individuals who have the mandate and the political authority to check it but have not lived up to the public’s expectations. I conceptualise the former as just a symptom of a bigger problem, and the latter as the problem that appears to be institutionalized and pervasive.
as those institutions in charge of public accountability), the weaknesses of the political and civil society structures, and the structural configuration of Uganda’s relations with the outside world in which the country has occasionally had to make onerous policy compromises in order satisfy international financiers.

It may be asserted that these multiple factors as outlined above are both individually and synergistically diminishing the effectiveness of the government’s poverty alleviation efforts. This point may be illustrated by reviewing poverty trends over the last one and a half decades: The proportion of Ugandans in consumption poverty fell from 56% in 1992 to 44% in 1997 (MFPED, 2000). This was a rate decline of 12 percentage points in a time span of five years. It is important to note that this was a period prior to the adoption of the PEAP. Between 1997 – the year in which the PEAP was adopted by the government – and 2000, the above trend continued, with poverty rates dropping to an impressive 35% in 2000 (Kuteesa & Nabbumba, 2004) – a nine percentage point reduction in a three year period. But the subsequent years witnessed a reversal in trend as poverty rates shot up again to 38% by 2003 (MFPED, 2004; Kalinaki, 2006), and as observers have noted, the rates seemed to have gone further up by the end of 2005.

Based on these trends, two important observations may be made. First, the downward trend in poverty rates preceded the 1997 adoption of the PEAP. In fact, the trend before 1997 was not only rapid but was also more stable than the one for the post-1997 period. This is ironic considering that the year 1997 marked the beginning of the government’s concerted anti-poverty effort, which should have ideally yielded better outcomes than those registered before 1997. Second, and perhaps more revealing, the above trends show that while the five years preceding 1997 experienced a decline in poverty of 12 percentage points, the six years following 1997 have produced a net decline of only seven percentage points. In light of this I will tentatively assert that government policies prior to the 1997 adoption of the PEAP were more effective in fighting poverty than the current policy regime. This is notwithstanding the fact that the new policy regime under the PEAP was supposedly inspired by the higher priority status accorded to poverty.

3.1.3 Factors affecting performance of anti-poverty policies

The above phenomenon seems to suggest a major flaw in the current anti-poverty effort. In this section I posit that the poor performance of the government’s policies is principally attributable to the institutional and structural factors as alluded to earlier in this report, including governance/corruption, over-governance, civil society activism, and external forces. These are examined below.

3.1.3.1 Governance/corruption

According to Uganda’s Ministry of Finance democratic governance is defined as “the efficient, effective and accountable exercise of political, administrative and managerial authority to achieve society’s objectives including the welfare of the whole population, sustainable development and political freedom” (MFPED, 2004, p. 115).
There are several pointers suggesting that the government has made significant strides toward democratic governance. The government seems to be doing particularly well in the area of democracy and human rights. Since 1996 regular elections have been held at all levels of government. National referenda have also been carried out to decide on contentious political questions. In the most recent referendum, held on July 28, 2005, Ugandans voted overwhelmingly in favour of a multiparty system of government, which ended almost two decades of a no-party political system. It is under the multiparty arrangement that the February 23, 2006 presidential elections were held. With some exceptions that may suggest the contrary, the government has also been commended for its respect for the independence of the judiciary, as exemplified by some high profile political cases in which the judiciary has ruled against the government.

However, the government appears not to be doing equally well with regard to other areas of governance, specifically the management of the public sector where corruption and mismanagement are rife. Several measures have been taken to control corruption, such as the establishment of the Ministry of Ethics and Integrity, the institution of the office of the Inspector General of Government, the introduction of the Integrated Financial Management System (IFMS), the enactment of the Public Finance and Accountability Act and the Public Procurement and Disposal of Public Assets Act, and other related initiatives. In spite of these efforts corruption and poor accountability have continued virtually unabated.

According to the 2005 Transparency International Corruption Perceptions Index ratings, Uganda scores only 2.5 on a zero to ten scale, where zero means highly corrupt and ten means squeaky clean (Transparency International, 2005). The main impediment to the fight against corruption, as some analysts have observed, is that corruption is not a management issue, but rather, a political one. It is argued that Uganda’s politicians are yet to develop a zero tolerance for corruption, and that the top leadership in government still believes in patronage and largesse as means of mobilizing political support. The recent scandal involving the misuse of the (global) funds meant for fighting malaria, TB, and HIV/AIDS is a typical case in point in which top government officials were reported to have diverted large sums of money for personal gain.

This problem has been compounded by a sense of impunity, as the top leadership has usually demonstrated a reluctance to take punitive action against the culprits who are usually comrades or government sympathisers. As one participant put it, “the major challenge in Uganda is that people within the government itself are part of the problem, and yet these are the people whom the public is supposed to rely on to clean up the system.” Two recent cases may illustrate this point; the 1999 and 2002 Judicial Commissions of Inquiry into corruption in the police force and the Uganda Revenue Authority, respectively. In spite of the commissions’ numerous recommendations including criminal prosecution, none of the officials implicated in the inquiries has thus far been prosecuted.

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6 A system of government under which all citizens regardless of ideological disposition are supposedly welcome to participate. Critics have referred to this system as a de facto one-party system.
Under such circumstances where colossal amounts of resources have reportedly been put to waste, mechanisms for delivering essential services to the poor have been severely disrupted. Indeed it may not be surprising that countries considered most corrupt on the Transparency International list are also the most impoverished. It is therefore reasonable to infer that bad governance and corruption largely explain the persistently high rates of poverty in the country.

### 3.1.3.2 Over-governance

Though I conceptualise over-governance as an aspect of the broader issue of governance, I will present it as an independent factor because of the significant weight attached to it by the study participants. Over-governance is a term that the participants used to describe the current situation in which the central government has sponsored the creation of several new districts, many of which are considered impractical. Over the last one year for example, the number of districts jumped from 56 to 70, and a few more were pending approval by the end of 2005. The government has cited self-determination and bringing services closer to the people as justification for this policy, but critics cite political patronage and reward as the reason behind the policy. Notwithstanding the conflicting explanations, it is clear that this policy has dire implications. To the extent that the new districts are causing additional strain on the already overstretched public administration budget, the policy exemplifies a shift of priorities away from sound economic management and income generation for the poor. More districts means more members of parliament,\(^7\) more district (LC5) chairmen, more resident district commissioners and their deputies, and more chief administrative officers and their deputies. Critics have cited a lot of duplication in these positions, but more importantly, all these public servants have to be paid salaries and have to be facilitated by the government, usually at the expense of crucial sectors like agriculture, health and education.

The donor community has been equally concerned about the implications of government’s over-expenditure on public administration, noting that it may undermine the government’s ability to follow through on its poverty alleviation goals. Following reports that government exceeded its public administration budget by 12.9% the World Bank slashed its budgetary support toward poverty reduction from $150 million down to $135 million in 2005 (Kasyate, 2005). The combined effect of government’s over-expenditure and the consequent reduction in donor support has been disproportionately felt by Uganda’s poor through diminished funding toward crucial poverty alleviation projects. This strongly suggests that over-governance is a major obstacle to the realisation of the national poverty alleviation objectives.

### 3.1.3.3 Civil society activism

Civil society is defined as the intermediate realm between the state and the family and made up of organisations enjoying a certain degree of autonomy (Bonfiglioli, 2003). Put differently, civil society may be defined as a "third sector," distinct from government and

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\(^7\) Ugandan MPs are among the highest paid public servants and have gained infamy for regularly raising their remuneration packages.
business. In this view, civil society refers essentially to the so-called "intermediary institutions" such as professional associations, religious groups, labour unions, citizen advocacy organisations, that give voice to various sectors of society and enrich public participation in democracies (Civil Society International, 2003). In Uganda civil society includes such organisations as Uganda Debt Network (UDN), NGO Forum, Uganda Land Alliance (ULA), Uganda Law Society (ULS), National Organisation of Trade Unions (NOTU), and Forum for Women in Democracy (FOWODE).

It has been observed that Uganda’s civil society organisations (CSOs) have not been able to successfully galvanise the public to participate effectively in the democratic process, and to hold the leadership to account for their actions. Based on a preliminary review of the data this phenomenon has been found to be the function of three main factors. First, the majority of Ugandan CSOs are preoccupied with social service provision and advocacy is usually not part of their mandate. Yet those that do advocacy work, for example NOTU, have traditionally been passive observers, more conspicuously during critical moments such as military coups. Second, many CSOs have limited reach in a sense that they are concentrated in urban areas which account for only 12% of Uganda’s population. For example, newer and more vibrant CSOs that do advocacy work, including UDN and NGO Forum, operate mainly in Kampala and are therefore not in regular touch with 88% of Ugandans who reside in rural areas. Third, and this is related to the preceding point, Uganda’s low level of urbanisation (12%) has been a disincentive to popular participation in the democratic process. Uganda has been categorised as one of the least urbanised countries in Africa. This is in stark contrast with other African countries, such as Zambia with over 50% of the population living in urban areas.

It is important to point out that urbanisation, at least in Africa, has always been positively associated with literacy, political consciousness and agency. The higher the level of urbanisation, the higher the literacy and political consciousness levels, along with the increased ability of the people to bring government to account and eventually cause change for the betterment of their conditions. The reverse is true.

As one participant observed, the implication of Uganda’s low level of urbanisation has been that the majority of the population (at least 88% who live in rural areas) are vulnerable to government manipulation:

“They [rural population] are illiterate. They are fed on lies, and they believe those lies. They are fed on intimidation. So generally, given this low level of urbanisation you cannot equate us [Uganda] with Zambia [where more than half of the population is urban]. That is why they [Zambians] remove the government quickly! Because they read newspapers, they see corruption; you can galvanise people much quicker in Zambia than in Uganda. So civil society in Uganda does not have a future unless they increase on urbanization.”

In view of this, it appears that even if CSOs redirect their focus to emphasise advocacy, and even if they broaden their reach by extending their operations to rural communities,

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8 Generally defined as the ability of the people to cause change for the betterment of their living conditions.
they still have to contend with the reality that the majority of Uganda’s population may not yet be ripe for successful mobilisation. In other words, the winning conditions for successful mobilisation may only be created by a much higher level of urbanisation.

It may be argued that the current failure of civil society to generate popular participation in the democratic process effectively precludes one of the best avenues through which the real perspectives of the population may be elicited. This failure also suggests that leaders can afford to disregard the best available policy options – especially if the leaders have a pecuniary interest in alternative options – since they do not have to worry about future backlash from a well-informed, politically conscious population. Indeed a preliminary review of my interview data suggests a likelihood that some of the poor people’s needs may not have been addressed during policy design. Civil society activism may therefore be said to be playing an important role in shaping the current anti-poverty policies insofar as it determines whether or not the policies are a true reflection of the perspectives and real needs of the poor, which in turn determines the suitability and effectiveness of the policies.

3.1.3.4 External forces

3.1.3.4.1 Background

The role of external forces in shaping policy in Uganda is a complex one, and it plays out within the context of a donor-recipient relationship. Being a poor country that relies heavily on budgetary support (52%) from external sources, Uganda, like many other developing countries, has had many of its development policy choices influenced by the wishes of external donors. Yet these wishes have not necessarily been in consonance with the interests of Ugandans. As a result, many of these policies have either failed to achieve their stated goals or have worsened the problems they were intended to solve. Typical examples of such policies include those that were implemented in the 1980s under the IMF- and World Bank-imposed structural adjustment programs (SAPs). These policies (conditionalities) included (a) cuts in public expenditure on social services, (b) reduction in the state’s role in production and in regulating private economic activity, (c) promotion of exports, especially those from the much neglected agricultural sector, and (d) maintenance of macro-economic stability and the liberalisation of the foreign exchange market. However, the deepening economic crisis and worsening poverty levels after several years of implementing SAPs in Uganda and other developing countries prompted the IMF and the World Bank to initiate changes to their lending programs. These changes resulted in the establishment of two new lending policy instruments: the IMF’s Poverty Reduction and Growth Facility (PRGF), and the World Bank’s Poverty Reduction Support Credit (PRSC).

3.1.3.4.2 Current constraints to poverty alleviation

The current constraints imposed on Uganda by the external forces (donor conditionalities) originate in the fact that while the IMF and the World Bank abandoned
SAPs the two institutions have maintained a firm commitment to economic liberalism, the guiding force behind the above four SAP conditionalities. This essentially means that the same ideology continues to guide current lending under the new lending instruments – PRGF and PRSC – whose main thrust was supposedly poverty reduction. I will examine two aspects pertaining to agricultural production which the IMF and the World Bank recognise as intervention areas for poverty reduction. Yet, as I will demonstrate, these institutions’ lending policies are currently constraining the same poverty alleviation efforts.

One of these aspects is the marketing of farmers’ produce, an aspect that has been identified as one of the major determinants of rural poverty. Before the implementation of SAPs Uganda had a state-run, well-spread out co-operative system. The country also had state-run farmer-oriented corporations that were responsible for marketing farmers’ produce on the world market. Such corporations included the Coffee Marketing Board and the Lint Marketing Board. Through these forms of support the government was able to cushion the farmers from price fluctuations of agricultural produce on the world market. Often the government did this by offering price guarantees for farmers’ produce. Also, farmers were never stuck with their produce because of lack of market, contrary to the current situation. The farmers would transport their produce to fully fledged collection centres where the produce would be stored and sold, and the farmers would go back to claim their proceeds. Through these state-run enterprises the government also provided subsidies on agricultural inputs – implements and fertilizers. Remarkably, all these forms of farmer support were to be eliminated when the government adopted SAPs because they amounted to government’s continued involvement in regulating private economic activity. In effect, the farmers were left on their own, to fend for themselves. The consequent lack of organised marketing of farmers’ produce created a gap that would eventually be filled by predatory middlemen who took advantage of the farmers’ vulnerability by offering dismal prices for their produce.

Clearly, these SAP-induced policy initiatives led to the worsening poverty situation especially among Ugandan rural farmers. It is therefore easy to assume that the IMF and the World Bank were fully cognisant of such impact of SAPs when they introduced the PRGF and the PRSC – lending policy instruments that espoused poverty reduction as their main objective. Unfortunately, this does not appear to have been the case, as the free market ideology still underlies the two institutions’ new lending policy. For example, the two institutions have maintained their pressure on the Uganda government not to deviate from the original SAP policy of liberalizing agricultural markets. As a result, agricultural marketing is now firmly controlled by the private sector, which has effectively eliminated the possibility for a resumption of the much needed price guarantees and organised marketing by the government. This is not to mention that agricultural subsidies are completely unacceptable by the two institutions and their sister institution, the World Trade Organisation (WTO).

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9 An ideology that proclaims the market as the proper guiding mechanism by which people should organise their economic lives (MacEwan, 1999).
It is puzzling that the two institutions proclaim that their new loan instruments are more tailored to poverty reduction as compared to SAPs, yet as it were with SAPs, they continue to oppose initiatives intended to shield the farmers from price fluctuations that are a major cause of rural poverty. In order to appreciate how such external forces have had calamitous consequences on the farmers, the recent vanilla crisis is worth looking at.

In keeping with the IMF’s and the World Bank’s conditionality of promoting the importance of exports from the much neglected agricultural sector, the Uganda government aggressively promoted vanilla production, whose prices were shooting up on the world market. In the year 2000 the price of vanilla was 3,500 Uganda Shillings per kilogram, approximately 2.5 Canadian dollars. In 2001, the price went up to 5,500 Shillings. In 2002, the price shot up quite sharply to 18,500 Shillings, attracting many more farmers to vanilla production. In 2003, vanilla producers had a field day, selling their vanilla at 68,000 Shillings, approximately 45 dollars Canadian. Thus, within three years vanilla prices had shot up by almost 43 Canadian dollars. But things were not so rosy the following year. In 2004, vanilla experienced an astronomical fall in price on the world market, selling only at 8,500 Shillings – from 68,000 Shillings to only 8,500 Shillings a year later.

This was a disaster for the poor farmers. With no price guarantees from government the farmers only relied on the middlemen who viewed this as an opportunity to make supernormal profits by offering even lower prices to the farmers. It is reported that some farmers were so enraged that they burned their vanilla plantations.

The second aspect that demonstrates how the IMF and the World Bank policies are undermining Uganda’s poverty reduction goals is rural agricultural finance or micro-finance. In the early 1980s, the government was providing some form of rural agricultural finance through the state-run Uganda Commercial Bank. But with the advent of SAPs in 1987, such forms of support were to be phased out because they contravened IMF’s and World Bank’s prescribed policy, namely; reduction in the state’s role in production and in regulating private economic activity. In the recent years the government had resorted to some form of micro-finance that targeted mainly rural women. However, this turned out to be more of an adhoc approach that seemed to be politically motivated, and so the efforts were more visible close to election time but immediately ceased after election.

Notably, when the two institutions switched from SAPs to the new poverty-oriented PRGF and PRSC, they did not revoke the condition requiring the state to reduce its role in production and in regulation of private economic activity. For example, it is noted that the draft aide-memoire regarding the proposed PRSC phase two designs from the World Bank pre-appraisal mission in 2001 clearly stated that the primary policy issues revolve around the strategy of government withdrawal from the direct provision of credit (Nyamugasira and Rowden, 2002). Therefore, even under the new poverty-oriented lending instruments the Uganda government has been pressed to abandon its traditional role of providing credit to poor rural farmers. The government has also been made to sell off Uganda Commercial Bank, the only state-run commercial bank in the country, which at one time played an important role in providing low interest loans to rural farmers.
Instead, the international financial institutions’ policy has been to encourage the government to create a conducive environment for the emergence of private micro-finance institutions, which would then provide credit to the rural farmers. But private enterprises world over have naturally been preoccupied with profit-maximisation, and these micro-finance institutions are no exception. It should not come as a surprise then, that by August 2005 private micro-finance institutions in Uganda were charging up to 20% weekly interest on the borrowed money. Based on my interviews with the rural poor virtually no small scale farmer can afford such a punitive regime of financing. Some participants cited cases of farmers who obtained these loans and were eventually unable to pay up, prompting the creditor institutions to attach their little pieces of land. In effect, micro-finance institutions are causing rather than alleviating poverty. Thus, the IMF’s and the World Bank’s poverty reduction policies regarding micro-finance are self-defeating, and have been a major barrier to the realisation of Uganda’s poverty alleviation goals. Instead of reducing poverty by promoting poor people’s access to micro-finance, they are ironically exacerbating poverty by making micro-finance even more inaccessible to the poor.

On a general note, it has been observed that although Uganda is a WTO member country, the authors of the IMF’s PRGF and the World Bank’s PRSC entirely neglected to take into consideration how the WTO’s new sets of trade agreements and rules would likely impact Uganda’s ability to achieve its poverty reduction goals (Nyamugasira and Rowden, 2002). Such new agreements include the General Agreement on Trade in Services (GATS), the Trade-Related Intellectual Property Rights (TRIPs), the Trade-Related Investment Measures (TRIMS), and the Agreement on Agriculture (AoA). A detailed examination of these agreements will form part of my dissertation.

However, Follesdal and Pogge’s (2005) observations related to agricultural subsidies are worth noting in this report, since they relate to the aspect of marketing as examined above. According to the authors, developed countries’ protectionist measures which are allowed by the WTO have reduced export opportunities for firms in the developing countries by constraining their exports into affluent countries. The authors add that in the case of subsidies, these measures have allowed less efficient rich-country producers to undersell more efficient poor-country producers in world markets (p. 7). Numerous studies have raised similar observations but what is quite instructive in this case is that in the absence of these constraints, developing countries could realise an additional US$700 billion annually in export revenues, which is over ten times the annual amount of all official development assistance worldwide (p. 7). If this statistic is something to go by, it is doubtful that developing countries would need donor support, other factors being held constant. This illustrates further the negative impact of external forces on poverty alleviation efforts.

4.0 SUMMARY

This report is a summary of the research activities and the initial findings of my study. The findings are based on the preliminary analysis of the data collected in order to assess
Uganda’s Poverty Alleviation Strategies Technical Report

Uganda’s poverty alleviation strategies. A detailed and complete picture of this study’s findings will appear in the dissertation.
5.0 REFERENCES


Uganda’s Poverty Alleviation Strategies Technical Report


