Précis

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Post-Conflict Reconstruction:

Uganda

Case Study Summary

POST-COLONIAL EVENTS IN UGANDA ARE MOST EASILY divisible into four periods corresponding to the dominant political regimes: The newly independent government of Obote from 1963-71; the Amin Era 1971-79; Obote II 1980-85; and the National Resistance Movement (NRM) 1986 to the present.

The NRM assumed power in January 1986 to face a shattered economy and inflation raging at an annual rate in excess of 240 percent. The NRM embarked on a stabilization and structural adjustment program in 1987: the priority being to restore macroeconomic stability and bring down inflation. While this goal proved elusive until the 1992-93 fiscal year, when government adopted a strict cash budget rule aimed at preventing printing of money to finance deficits, subsequent results have received international recognition. Inflation has been below 10 percent, and economic growth rates have averaged 6.4 percent a year for eight years. This program was assisted by the Bank and other donors.

The Bank's Influence in Brief

World Bank involvement in the reconstruction efforts of Uganda has been particularly comprehensive. In the first five years after the conflict (1987-92), the Bank supported approximately 25 lending operations amounting to more than US$1 billion, and closely coordinated with international donors. The Bank's role was key in strengthening the Ministry of Finance and the Central Bank, removing the monopoly of the Coffee Board, assisting in sugar rehabilitation, and rebuilding the country's roads. Despite good performance in reforming and rebuilding the economy, Bank involvement could have been improved in several respects: insufficient attention to consensus building; ex-

cessive use of conditionalities; and most important, a seriously dysfunctional emphasis on raising taxation. The Bank's performance was relatively poor in social sectors, particularly in strengthening health and education institutions. Investment in the social sectors was often premature, usually implemented through weak ministries and too often showed inadequate forethought given to the nature of the services the Bank was trying to support.

In the first five years after the conflict (1987-92), Bank support focused on assisting the government to achieve economic stability and pormote long-term economic growth.

Other Bank efforts in Uganda addressed urgent social concerns with economic or human capital consequences, such as primary education and targeting vulnerable groups; encouraging Ugandans outside the country to return to take up the task of rebuilding the nation; and reconstructing social and physical infrastructure. The entire portfolio from 1987 to 1997 was focused on reconstruction and rehabilitation (although this would not be apparent from the project titles, or from project documentation).

Results on the Ground

Aid Coordination

Donors and the government appreciated the Bank's lead in aid coordination, noting its close relationship with the IMF, its interest in partnership, and its preparation of accurate planning data as key advantages. Coordination with respect to particular sectors or programs was less evident.

NGOs were less enthusiastic about the Bank's coordination. The Bank corrected this shortcoming through its well-used public information center in the Uganda resident mission: however, several interlocutors, including some Bank staff, have urged a more dynamic information strategy addressing the Ugandan public.

Rebuilding the Economy

The Bank first supported an adjustment program in the Obote II period. This first, albeit briefly, successful stabilization program in Africa, fell apart in 1985 as a result of the spending pressures brought on by the civil war and the limited commitment of the political leadership. By 1986 few signs of this adjustment program remained.

The second episode of adjustment lending covers the period up to March 1992. Although government commitment during this period was half-hearted, there was significant progress in some areas in 1989-90. The exchange rate was partially liberalized following a major effort in consensus building by the government. The single most important mechanism of predatory taxation, the Coffee Marketing Board monopoly, was removed. Asian property confiscated under Amin was returned as a condition of SAL I. This restored the rule of law, gradually removed the confusion over urban property rights, which may have become a binding constraint on investment, and provided a powerful signal to the international community that the government was serious in its commitment to recovery. In each of these reforms the government chose to incur substantial short-term political costs in the hope of long-term benefits.

The third episode, post-1992, demonstrated one of the most successful involvement of the World Bank in development. The economy has grown rapidly, with private investment rising to levels at which growth is sustainable, and preliminary analysis of recent household survey data show a likely substantial reduction in poverty. As the May 1997 CAS emphasized, however, the benefits of this economic growth were not spread evenly across the country, with the north in particular lagging behind.

Despite good performance in reforming and rebuilding the economy, Bank involvement could have been improved: there was insufficient attention to consensus building; excessive use of conditionalities; and a dysfunctional emphasis on raising taxation especially in view of the government's history of predatory taxation. The Bank did not always exert its potential comparative advantage (for example, in the power sector) nor did it fully use its coordination leverage to create either an overall strategy for reconstruction or a sector-by-sector plan.

Rebuilding Infrastructure and Economic Sectors

The Bank launched four projects in 1988 for health, sugar, technical assistance (TA) and public enterprises. These were followed in 1989 by telecommunications, railways and education. Of these seven, the two which seem to have had the most effect on reconstruction were TA and sugar. The two projects together cost only $43 million and yielded high pay-offs. They were precisely appropriate for a post-war transition because they rebuilt human capital in the civil service and restored private business confidence. The TA built a group of competent economists within the core ministries, and put data collection systems in place. Gradually it developed a team of specialists with the understanding of short-term changes in the economy needed to manage policy reforms while maintaining macroeconomic stability. The sugar project was important because it enabled the rehabilitation of Uganda's foremost private business concern, the Madhvani Group. The return of Madhvani to Uganda pioneered the influx of Asian skills and capital which are now helping to transform the economy.

The two infrastructure projects, railways and telecommunications, each had a component of organizational improvement as well as the purchase of equipment. The railways had a monopoly in the transportation of coffee. This directly supported inefficiency in the railways, and had serious implications for the efficiency of road haulage. Once the monopoly was removed in 1993, the scale of business in road haulage increased sufficiently to reduce new entry to the activity, breaking a cartel which had kept costs high.

Rebuilding Human and Social Capital

Bank performance was relatively poor in the social sectors, particularly in strengthening health and education institutions. The post-conflict period required major health sector reforms: these fell short of needs. Education investment was equally disappointing, with only an estimated 37 percent of funds reaching schools. There was too much dependence on the existing bureaucracy, and not enough use made of NGOs.

The Northern Uganda Reconstruction Project, begun in 1992, aimed to redress the imbalance in recovery assistance available to northern districts. It has been criticized for achieving few results, and has been generally characterized as "too little, too late." Its successor project will need to address the complexities of operating, at least in part, in a conflict zone, with the likelihood of parallel relief and rehabilitation activities.

Demobilization in Uganda was initially delayed for the wrong reasons (microsecurity) and then begun at an appropriate time considering macrosecurity factors. While the Bank might have counseled greater caution, the decision was political and remains with government. Regarding process, demobilization was clearly a success.

Where Bank projects were not sequential, many were too short to address the projected length of recovery. Post-war recovery rests on two different timetables: Both were well-manifested in Uganda. The first is the real-time duration of recovery, which may typically require at least two decades of sustained effort, with the risk of war a recurrent reality. The second timetable is set by donor concerns, which may be guided by different objectives, and manifests itself through programs which do not necessarily consider the long recovery process. Government has to observe both timetables, balancing the political expediencies of short-term measures to provide security and boost confidence against the needs for longer-term recovery.

The Bank's Institutional Arrangements

Regarding Bank processes and institutional arrangements, project design did not fully reflect the need in Uganda for a flexible, process-oriented project design. This was particularly evident in the social sectors, where the Education and Health Ministries were too weak to accommodate spending, and where supervening events like decentralization and renewed conflict changed priorities.

Changes in key resident mission staff, task managers, and government staff were disruptive. Bank Staff were not always familiar with working in conflict countries nor with the international relief and rehabilitation system. Staff resources and time were concentrated in Kampala; this inevitably limited understanding and contact with international and local NGOs.

Conclusion

Close collaboration between the government and the international community, and strong government ownership, has given Uganda's recovery the reputation of a "model reconstruction." While the Bank has demonstrated generally good performance in reforming and rebuilding the economy, several areas remain in need of improvement.

Bank performance in the social sectors has been relatively poor, and should be improved through effective partnerships with NGOs better equipped to implement social programs.

Précis

"The World Bank's Experience with Post-Conflict Reconstruction: Uganda Case Study" by Alcira Kreimer et al., Report No. 17769, May 4, 1998. Available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop:
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