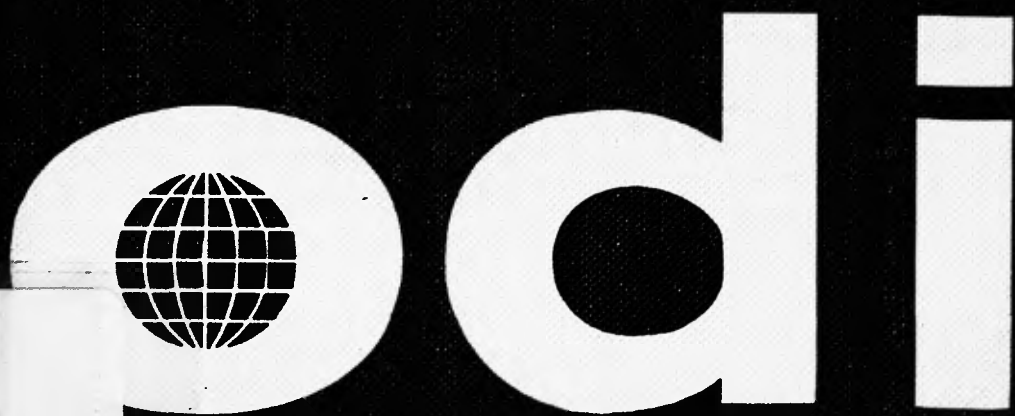


Aid in Uganda—Programmes and Policies

By Ralph Clark

15s 0d Overseas Development Institute



Aid in Uganda

The Overseas Development Institute has started a series of studies which look at the problems of aid as seen by recipient countries. The first country chosen for such a study was Uganda.

Aid in Uganda is a three-part study of the impact of aid in that country and of the problems of an aid recipient as seen by Uganda itself.

The first two parts of the Study, Part I *Aid in Uganda—Programmes and Policies* and Part II *Aid in Uganda—Education* have now both been completed. Part III in the series, *Aid in Uganda—Agriculture* by Hal Mettrick, will follow later in the year.

Part I Aid in Uganda—Programmes and Policies by Ralph Clark (15/-)

This first general study examines the background, development planning in the colonial period, the first Uganda Five Year Plan, and aid and the influence of political factors. After this general survey the author looks in particular at British aid, American aid and problems of technical assistance.

In his conclusions, the author demonstrates the distorting effects of tied aid upon the economy of a developing country, and pleads that since politically tied aid is likely to continue anyway it should be at least applied whenever possible to projects. He also argues that the British High Commission should be given more technical staff to deal with matters of aid and links this with the need for greater consultation among donors responsible for aid programmes in Uganda.

Part II Aid in Uganda—Education by Peter Williams (20/-)

This study examines the impact of external educational aid to Uganda. The difficult educational choices confronting developing countries are discussed in the specific context of Uganda's problems. Should, and can, education be planned to meet national objectives in the political, economic and social spheres? Or should a developing country aim to provide education for all who want it and are capable of profiting by it?

Educational aid has made a significant contribution in Uganda. Thus 80 per cent of Uganda's secondary school teachers are from overseas under Teachers for East Africa Scheme, Peace Corps, etc., Makerere University College has been largely built up with outside funds, and many more Ugandans are engaged on higher studies in overseas institutions than in Uganda itself. Britain and the United States have been the most substantial contributors of help.

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Overseas Development Institute

Aid in Uganda – Programmes and Policies

**by Ralph Clark
in association with
Tom Soper and Peter Williams**

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Foreword

The Overseas Development Institute has been engaged on a series of studies of the aid programmes of various donor countries. British aid was described and analysed in a group of pamphlets published under the titles *Survey and Comment*, *Government Finance*, *Educational Assistance*, *Technical Assistance*, and *Colonial Development*. The initial emphasis on studying aid from Britain was an outcome of ODI's position as an institution operating from London, and as such it has been in close contact with British governmental institutions, civil servants and others. Further, as ODI studies have always had as their object the examination of matters of pressing current concern, with a view to influencing thought and action in relation to them, British aid was an obvious starting point.

It soon, however, became apparent that looking at this alone was too narrow an exercise if really worthwhile conclusions were to be drawn and practical recommendations were to be made to ensure that the most effective use was made of the substantial resources that were being transferred from one country to another. Britain is one of the most important donor countries, but it is not operating in isolation. France, Germany, the USA and a host of others are all engaged in aid activities of one sort or another, and in addition to bilateral programmes there is the work of the United Nations and its agencies.

ODI has therefore extended its studies programme to include an examination of certain other donors—bilateral and multilateral—partly to see where Britain could learn from others' experiences, partly to see in what way the British experience could help others, and partly to see in what way the total package of aid provided could, through co-operation, generate the most beneficial results to all concerned. Clearly if some dovetailing of donor activities could be achieved the final outcome would be far more impressive than a whole series of unrelated individual efforts.

But all the time ODI has been conscious of the fact that in these donor studies only one side of the medal was being looked at. We were developing a headquarters or staff officers' view point. Not that this was necessarily in opposition to other viewpoints. It was simply that it did not give a complete picture of what was going on; and it was a hindrance to the identification of many of the weak links in aid programmes that needed to be strengthened if the quality of aid were to be improved. It was in fact aid quality rather than quantity that we became most concerned about, and we realised that to have anything worthwhile to say on this we needed to examine carefully what went on at the receiving end: in short, our donor studies had to be expanded to include recipient studies.

These, we felt, would enable us to see donor programmes on the ground and thus help us to observe operational successes and failures. Also we could examine the effects that a multitude of donors working in the field had on single recipient governments. We could see, too, to what extent aid programmes could be most effectively geared to the development goals of recipients. We could also gain some knowledge of recipients' attitudes and problems, political as well as economic, and thus more fully understand why it was that they behaved as they did and pursued objectives that were not always the same as those of donor countries, and which on occasions seemed hard to justify. Most important of all, these studies underlined the lesson that aid could not be a one-way process of largesse on the part of the wealthy, distributed on donors' terms to a grateful poor. Aid is not an exercise in international charity but a co-operative exercise in international economic development in the highly political context of the world of the 1960's. If it were to have any chance of success, the maximum co-operation of donors *and* recipients was required. Donor programmes could never be made really effective, however highly co-ordinated they were, if they continued only as donor programmes: the programmes had to be intertwined with the recipients' plans of development. Better still, the programmes of donors and the development plans of recipients should evolve as a result of the combined efforts of both. The transfer of institutions, both political and economic, from one country to another, has for long been seen as a most delicate undertaking. The British indeed have learned to live with many disappointments on finding that some well-tried *modus operandi* in the United Kingdom has failed to flourish in an alien environment. It was therefore hardly surprising that an aid parcel with ingredients neatly selected and deftly tied in a package in London did not always meet with joyous acclamation when received overseas. For a variety of reasons it might not somehow quite meet the recipients' needs. It could even be a burden.

In the light of this, ODI decided to embark on a series of recipient studies. As there are a large number of countries receiving aid, we realised we were becoming involved in a formidable task. Clearly at the outset we had to be highly selective and we decided to begin our work by examining in some detail the experience of a single recipient; and the lot fell on Uganda. It was not that we had any specific anxiety about Uganda as such, but rather that we wished to use it as an illustration of a much more general anxiety about aid as a universal phenomenon. It had a number of advantages from the point of view of our intended study. Firstly, although not a typical developing country—there is no such thing—it was not an obvious special case such as Kenya, with its problem of buying out European settlers and

buying in African farmers. Secondly, it was not overburdened by seemingly intractable political uncertainties, and thus aid and economic development could be examined in a relatively calm context. Thirdly, it had been independent long enough to get a development plan launched and to have entered into a series of aid agreements with various countries. Fourthly, it was a country in which the British aid contribution was the major one and this, coupled with the fact that Uganda was an ex-British dependency, made it an area of particular concern to the United Kingdom. Fifthly, Britain, although the main donor, was only one of many, and thus the whole field of co-ordination on the ground was open for study. Sixthly, Uganda's economic base was largely agrarian and we felt that the problems of assisting the agricultural sector had, in the majority of donor aid programmes, been the least satisfactorily tackled.

Having settled on Uganda as an appropriate location for our country study of aid in action, we approached various bodies whose co-operation was essential if the project were to be undertaken. The Uganda Government itself and throughout has given the most valuable help in our enquiries. One of our main conclusions is concern at the immense burden of administration placed on the shoulders of Uganda's civil servants. We are fully aware that we ourselves have by our enquiries added to this burden, and we wish to acknowledge our great debt to the Uganda Government and its officers for spending so much of their time on us, and being so unstinting in their co-operation. We owe a similar debt to the representatives of many other organisations and agencies we visited. In particular, the British High Commission—like the Uganda Civil Service also overworked and understaffed—went out of its way to make arrangements for us to see people and places, and the staff were always ready to advise and to discuss point after point with us as our work proceeded. Here in London the Ministry of Overseas Development and the Commonwealth Relations Office gave us their full support. We have been guided by a Steering Committee consisting of D. R. Carter (Barclays Bank DCO), R. Coleman (United Africa Company), Arthur Gaitskell (Commonwealth Development Corporation), Leonard Joy (London School of Economics), and R. J. M. Swynnerton (Commonwealth Development Corporation). We are most grateful to them all for the help they have given us.

The responsibility for what is written must rest with the authors of the survey, but full and grateful acknowledgement is due to those whose help has immeasurably improved our work.

The present volume, *Aid in Uganda—Programmes and Policies*, is the first of three, and it is to be followed by publications on aid to education and aid to the agrarian sector. *Aid in Uganda—Programmes and Policies* is something of a scene-setter and we are conscious that it attempts to

answer only some of the many pertinent questions that arise from a study of this kind. We did not concern ourselves with examining the case for aiding Uganda rather than other countries; or why it was that the British contribution to Uganda should be the size that it is in relation to the overall British aid programme of some £200m. This is a matter of criteria and priorities at the highest levels and the decisions reached must take account of a wide range of political, historical and economic factors.

But given that the decision to become involved in Uganda's development has been made, what sort of assistance can best be provided? Here we have asked to what extent Britain and other donors are restricting their power to help and their manoeuvrability by the knots they themselves have tied around their own aid packages. If they are considerably tied, this could be particularly unsatisfactory, because Uganda itself is much in need of a clear identification of development priorities. This is not an easy matter and decisions cannot be taken hurriedly. It is therefore important to know whether the present donor procedures are such that the numerous conditions linked to the bulk of the aid received by Uganda hinder rather than assist in the process of suitable selection of investment priorities. And if they do hinder, how best can donors, and in particular Britain, the main donor, modify the present existing systems so as to help Uganda to come to sound decisions? More precisely, for example, is the British Government's Commonwealth Assistance Loan procedure appropriate to Uganda? Should there be a greater emphasis on project support? Are financial aid and technical assistance sufficiently related? Is there scope for greater co-ordination among the donors, and what are the effects of having a multiplicity of donors in one small country? Is British representation in Uganda adequate, having regard not only to the administration of a sizeable programme of aid and technical assistance, but to the assistance that could be given in project selection and in advice on general problems of development? Indeed, would not advice of this sort be a most valuable form of technical assistance? Or would it be regarded as gross interference in Uganda's domestic affairs? Is the British technical assistance effort, with its heavy concentration on the Overseas Service Aid Scheme (OSAS) system, suitable for Uganda's requirements?

These are some of the questions we have tried to throw some light on—we would not presume to be able to answer them—in the present volume. In the subsequent studies on education and agriculture we shall become more involved in problems concerning an assessment of development priorities themselves and in an evaluation of the impact of the assistance provided on Uganda's social and economic growth.

* Since going to press this procedure is under review.

1—The Background

In October 1962 Uganda, after little more than sixty years of British control, achieved independence within the Commonwealth. The head of state is the President: this is at present Sir Edward Mutesa II, who is also Kabaka of Buganda. The Uganda Parliament has one chamber, the National Assembly, to which elections are held every five years. The Uganda Peoples Congress currently commands a large absolute majority in the Assembly over all other parties, and its leader, Dr. Milton Obote, is the Prime Minister. Below Central Government level, Uganda consists of five federal states—the four Kingdoms of Buganda, Ankole, Bunyoro, Toro; and the Territory of Busoga—and eleven administrative districts.

In certain aspects, Uganda is one of the favoured countries of the world. The climate is pleasant, over most of it rainfall is plentiful, the soil is fertile, and the basic means of subsistence can be obtained without excessive effort. It is a country of approximately 91,000 square miles, about the same area as that of the United Kingdom. Open water and swamp account for over 16,000 square miles. It sits astride the Equator, but the bulk of it is a plateau of 4,000 feet above sea level. This contributes to its pleasant climate, with temperatures in most parts ranging from 60°F to 80°F. Over much of the country there is a good prospect of obtaining 30 inches of rain throughout the year and the chances of failing to achieve this are less than five years in every hundred. The basic essentials of a firm agrarian base are clearly secure.

The country is bounded by Kenya to the East, the Sudan to the North, the Congo and Rwanda to the West and South-West, and Tanzania and Lake Victoria to the South. It is therefore without direct access to the open sea and its main port is Mombasa, some 650 miles away on the east coast of Kenya. Most of the land is occupied by Africans. A small amount of the country has been alienated and is held mainly by Asians.

I Population

Uganda's population exceeds 7 million people and almost all of these are Africans. Non-Africans number barely 100,000 and they include over 80,000 Asians, 10,000 Europeans, and a small Arab community of just over 2,000.

Looking at the population of Uganda as a whole, it can be seen that it contains characteristics not dissimilar from other developing countries. The age distribution recorded in the 1959 census showed that over 40 per cent of the population were children under the age of 15 years, thus indicating a heavy burden of child dependency. A further 14 per

cent were over the age of 45. In a sense, there is a shortage of labour rather than a superfluity of it, and it is pertinent to ask whether Uganda can be said to have a population problem such as is generally associated with many other developing countries. There is no overall land shortage and there is no significant unemployment. Infant mortality rates have declined since 1948 by about 20 per cent, which is not exceptional in comparison with other countries.

As for the natural increase of the population, the crude rate (difference between the crude birth and death rates) was 1.7 per cent, as derived from the 1948 census. The rate derived from the 1959 data is 2.2 per cent, which, if correct, is a remarkable increase over the previous figure and implies a doubling of the population in 47 years. But, as the basic data itself is very inaccurate and future fertility rates and attitudes towards family size are highly problematical, it is doubtful whether an argument as to the precise rate of growth is all that helpful. What is clear is that Uganda is likely to see a doubling of its population by the end of this century for sure, and that the time scale will probably be shortened rather than lengthened. Uganda therefore clearly cannot consider itself immune to the economic implications of rapid population growth.

2 The Traditional African Economy

First contact by Europeans with Uganda was made by Speke, who visited the Kabaka of Buganda in 1862. Thus the whole European impact on Uganda began little more than a hundred years ago. It was in fact not until 1875, when Stanley visited the Kabaka, that real interest was shown in this esoteric part of the world. Stanley was delighted and flabbergasted by what he saw. Delighted because of the relatively high level of social sophistication that had been achieved by the indigenous societies, and flabbergasted because it was so different from the neighbouring parts of Africa through which he had trekked. The court of the Kabaka of Buganda at Mengo and the highly organised system of government was an impressive testimony to a culture that had grown and flourished under a natural environment in which it is easy to live but hard to live well.

The African peoples inhabiting the country now known as Uganda had, like most others in Africa, been cut off from the main stream of international economic development. They formed part of a region which had, until the nineteenth century, only limited external trade. The local market was small, a sophisticated division of labour had not taken place, skills had not developed as they had in Europe and North America. Within such isolated communities there is a rough division of labour but it tends to be based on tradition and it bears little relation to economic capacity and function. Under such a social and

economic structure, there is small scope for the production of surpluses, storage on any significant scale becomes a problem that cannot readily be coped with, and incentive is minimal. Exchange is conducted primarily in barter transactions with all the difficulties this involves. Money is scarce, wage labour virtually non-existent, and as there is little contact with other communities these small societies depend on their own output for their existence. And if the weather turns against them there is hunger. There is therefore a strong inclination to concentrate efforts on local self-sufficiency. Notwithstanding the progress that had been achieved by the Baganda, the region covering what is now known as Uganda—which as a formal political and economic unit did not exist a single life-span away—was primarily a land of peasant farmers, producing subsistence crops in scattered holdings. There was no significant concentration of persons in towns buying and selling, dealing in money and credit and operating complex economic transactions over long time periods and even longer distances.

The region was peopled by tribes owing allegiance to their kings: the Kabaka of Buganda—the most important—and other chiefs, notably in Bunyoro, Ankole and Toro. In 1894, Uganda was proclaimed a British Protectorate and in 1900 agreements were made with the leading rulers. It had by then become obvious that the potential of this portion of Africa could not be realised unless there were adequate communications with the coast. Thus in 1896 the decision was taken to build the Uganda Railway. In 1902 the line from Mombasa to Kisumu was opened. Twenty-nine years later, in 1931, it reached Kampala. The building of this railway line, which established permanent relations with the outside world, was the prime mover in the development of the modern Uganda economy.

But even today a large part of the output of the Uganda economy—in food, beer, the construction and maintenance of dwellings and in household goods—is still, as elsewhere in tropical Africa, produced not for the market but to meet the needs of the producing household itself. The cash economy and the subsistence sector do not exist side by side, but overlies each other and interact with each other in practically every rural household. They pull, however, in different directions—on the one hand towards techniques and an organisation of production which will result in higher incomes, on the other hand towards measures which will give the greatest assurance that the family's most basic needs will be met, and towards social attitudes in which the overriding consideration is the security of the food supplies of the members of the group. This is a left-over from the past when inadequate communications made it imperative for each locality to ensure that it was producing sufficient food for survival. If it did not, it could never be certain that adequate supplies could be transported from elsewhere. Self-

sufficiency is an age-old pattern of activity, but it is still in modern Uganda an aim of economic policy. Today in independent Uganda the President, in his speech to the National Assembly, restated the objective: 'In order to ensure adequate production of food, the Department of Agriculture will continue to encourage farmers through propaganda campaigns, particularly at planting time, to ensure that adequate acreages of appropriate food crops are established in all areas'.* Self-sufficiency in food production, however, even on a national level, may represent a misuse of economic resources. Local self-sufficiency in many areas within a single nation has even less to commend it; and particularly in a country which is trying to break away from traditional economic patterns and to enter wholeheartedly the modern money economy. Irrespective of natural advantages or disadvantages in methods of production and the quality of land, food becomes the all-important crop—food not for sale in towns or other markets, but for personal consumption. Further, as the way of life of the peasant has become conditioned by the rather precarious existence of bare sufficiency, once this sufficiency has been assured for the immediate future then, in the heat of the day, there is a tendency to relax. Indeed, what else is there to do? To produce a sizeable surplus over current needs is meaningless as there is no means of adequately storing it; to use one's spare time for the production of other articles has little attraction as they cannot be disposed of. All that remains is to 'sit in the tent door in the heat of the day'.

3 The Commercialised Economy: Cotton and Coffee

In contrast to the subsistence sector, or more precisely to subsistence activities, there is the expanding money economy. This is the world of wage labour, of promotion by efficiency, of credit, banks, lorries, petrol, the ordering of goods long before they are produced in the expectation that an exact quantity of a stipulated quality will be delivered at an agreed price. This is a world where time is important, where competition with other suppliers is a factor of immense significance. It takes part of Uganda right out of its traditional African setting, and places it in the world economy of commodity prices, of quotations on the Stock Exchanges of London and New York. It is ships and telephones, bills of exchange, letters of credit, loans and dividends, accountants, investment decisions and economic planning. The main channel by which the indigenous subsistence societies of Uganda have entered this money economy is through the development of commercialised agriculture. And this has taken place, not primarily on a plantation basis, but through so-called peasant farming.

* *The President's Speech from the Chair to the National Assembly on 30th November, 1964*, Uganda Government, Entebbe.

The British colonial system adhered to the view that each individual colony or protectorate should pay its own way. But you cannot 'pay your way' if you produce only the basic requirements of food and shelter for your immediate family or tribal group. You must 'develop'; and that requires skill, and experience and capital as understood in the modern world. In that part of British East Africa which became known as Kenya, the beautiful climate attracted European settlement and the temperate agricultural products were basically similar to those produced by the United Kingdom. The natural environment gave great scope for mixed farming, dairy farming, ranching and the like, and these were activities in which British farmers had considerable experience and ability; the way was clear, therefore, under strong encouragement from the British Government, for a migration of people and money out of the United Kingdom into the Kenya Highlands. This meant large-scale farming and the use of a technology—managerial as well as material—totally different from what the local African had experienced before. His contribution indeed was seen to be that of a wage labourer—again a new experience—and this was combined with what became known as the squatter system on European farms under which the labourer received part of his 'pay' in wages and part in kind, i.e., land on which to continue with subsistence farming with his wife and family.

But Uganda's entry into the money economy was not like this. The climate, though pleasant, was not as healthy as that of neighbouring Kenya and thus British settlers may not have shown as much desire to settle there, as the alternative of the Kenya Highlands was open to them. Furthermore, the crops that were most appropriate for Uganda were cotton and coffee, and at the end of the First World War in the 1920s a marked decline in commodity prices made overseas participation in these crops hardly attractive. There had, too, already been some failures in plantation crops, notably rubber, because of the altitude, and coffee because of disease. But aside from personal preferences of potential settlers, the main factor was a formal policy decision which was made for Uganda stipulating that the alienation of land to Europeans should not be made and that coffee and cotton should be developed on a peasant basis. True some alienation of land has taken place, but only on a very small scale. All told, it amounts today to some 300,000 acres and of this about 100,000 acres have been developed into estates mostly for sugar cane, coffee and tea.

The development of peasant farming has had the advantage not only of avoiding what came to be a highly inflammable racial and political problem of European settlement in an African country, it also meant that the effect of uncertain world economic conditions with the danger of depressed commodity prices could be cushioned in Uganda.

Coffee and cotton production on the European pattern involves total specialisation and, in spite of the immense advantages of this, it does imply the vulnerability of dependency on others for the whole gamut of things not produced by the individual farmer. But the peasant farmer with his coffee or cotton was also a subsistence farmer on the African pattern, with his food crops and built-in family social security system. Beans, cassava, groundnuts, maize, varieties of millet, plantains and sweet potatoes, are all grown as food crops, and it has been estimated that today some seven million acres are under cultivation for their production.

Uganda, then, in its modern commercialised activities, has developed with a heavy concentration on the production of coffee and cotton by African farmers. As coffee and cotton were not consumed by the local economy, the markets had to be sought for them abroad. Uganda has, in fact, found itself with a very high proportion of its export income—some three-quarters—dependent on what these two crops can fetch on world markets.

The following table illustrates this dependence. Throughout the whole of the post-war period cotton and coffee exports have together accounted for over 75 per cent of the country's exports. Cotton, however, has declined in importance from over 60 per cent of exports in 1946 to 24 per cent in 1964. Coffee, on the other hand, has risen

Table 1

Uganda's Imports and Exports, 1946-1964

Year	Imports (from outside East Africa) £m	Total £m	Exports (to outside East Africa)		Cotton and Coffee as %
			Cotton as %	Coffee as %	
1946	5.1	9.0	62	20	82
1947	6.5	10.9	65	14	79
1948	9.0	13.9	54	23	77
1949	12.5	23.5	74	12	86
1950	15.4	28.9	58	29	87
1951	22.1	47.4	60	29	89
1952	24.3	47.7	63	26	89
1953	25.7	33.6	50	35	85
1954	25.2	41.0	51	33	84
1955	34.0	42.3	39	48	87
1956	28.1	41.5	48	39	87
1957	28.9	46.8	38	47	85
1958	27.0	46.3	40	46	86
1959	25.5	43.1	37	44	81
1960	26.0	42.9	36	41	77
1961	26.5	41.1	43	36	79
1962	26.2	40.9	22	54	76
1963	30.9	54.4	28	53	81
1964	32.8	66.4	24	53	77

Source: Uganda Statistical Abstracts.

from providing 20 per cent of exports in 1946 to 53 per cent in 1964. In value terms, coffee was the largest export in 1964, totaling £35m, with raw cotton second at less than half the value at £16m.

The United Kingdom used to be the main export market for Uganda, taking 23 per cent of all exports in 1956. This proportion, however, has declined in recent years, and in 1963 the figure was 17 per cent. Meanwhile, with the growing importance of coffee as an export crop, the United States has become the most important single market, taking 27 per cent of all exports in 1963. The table on page 16 gives details of the more important overseas markets for Uganda's produce. While exports to the Commonwealth have decreased in importance from 64 per cent to 34 per cent of all exports, exports to foreign countries have increased from 36 per cent to 66 per cent.

Not only is Uganda highly dependent on coffee and cotton for export income, it is also very dependent on these crops for its internal incomes—together they account for about half the recorded cash income earned in agriculture.

A considerable amount of research has gone into cotton and the Empire Cotton Growing Corporation's main research station is in Uganda at Namulonge. In the technical field much has been found out, but cotton remains a difficult crop to grow. Accurate timing in planting is essential and this has not always been done by the peasant farmers, thus destroying the advantages of improved farming methods. It has, in fact, been estimated that no more than half the cotton is planted on time. This not only destroys the advantages of adopting improved methods of cultivation, but makes them uneconomic. Cotton has now been grown for over fifty years but only recently has there been an overall expansion in the volume of output since before the war. The best year for production was in 1937 when over 400,000 bales were produced. Production is now running at over 350,000 bales a year for a normal season, although over 400,000 bales are confidently expected in 1965. Coffee, however, has emerged as a valuable crop which is less demanding on the producer than cotton. Indeed, in the Lake Victoria basin, particularly in Buganda and Busoga, there has been a movement into coffee and livestock and food production. Around Kampala, matoke and milk are produced for the urban market. This has meant a reduction in cotton output from these areas, although some of the losses have been made up through increases in cotton production in the areas of Acholi, Lango and West Nile. This expansion of coffee production is largely a post-war phenomenon. The Uganda product is, in the main, of the robusta variety and is used mainly in the manufacture of 'instant' coffee. Output has already reached three million bags.

As the peasant farmer has expanded his holdings and gained in

Table 2

Domestic Exports: Value and Percentages by Country of Destination

Country	1956		1957		1958		1959		1960		1961		1962		1963			
	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade	£m.	% of total trade		
United Kingdom	..	9.5	23	9.7	21	8.4	19	8.3	20	6.7	16	6.3	16	7.4	20	9.9	19	
Other Commonwealth	..	16.5	41	9.5	21	12.4	27	12.5	30	12.0	29	12.0	29	7.1	19	7.6	15	
Total Commonwealth	..	26.0	64	19.2	42	20.8	46	20.8	50	18.7	45	16.1	41	14.5	39	17.5	34	
USA	3.6	9	20	8.7	19	6.5	15	6.3	15	5.7	15	10.0	26	13.8	27	
West Germany	4.1	10	6.7	14	6.2	14	2.5	6	3.4	8	3.8	8	2.1	6	4.2	8
China	0.8	2	..	..	..	1.8	5	3.3	8	..	..	3.9	8	
Other Foreign	6.7	17	10.1	22	9.7	21	12.2	29	11.3	27	10.2	26	11.0	29	12.0	23
Total Foreign	14.4	36	26.6	58	24.6	54	21.2	50	22.8	55	23.0	59	23.1	61	33.9	66
Total Commonwealth and Foreign	40.4	100	45.8	100	45.4	100	42.0	100	41.5	100	39.1	100	37.6	100	51.4	100

Source: Uganda Statistical Abstracts.

wealth, the family structure of labour has started to crack, and wage labour has come in from outside. As the local Ugandan was the 'proprietor' who held the farming land, there was no forceful economic pressure on him to look for alternative sources of income, and thus it was hard to get wage labour from local supplies. The migrant labour system, therefore, which has operated all over Tropical Africa, came into play again and immigrants from less wealthy neighbouring Rwanda came over the border and worked as labourers on Uganda farms. As the farming structure was peasant and the farms were relatively widely scattered throughout the country, there was far less concentration of wealth than existed, for example, in the copper belt of Northern Rhodesia (now Zambia). This dispersal of productive units whose output had no relevance to local markets required a communications system that permeated much of the country. A very effective road system was therefore built up and lorries, garages and maintenance services appeared. Towns, however, of any significant size strangely enough did not grow, although at Kampala a banking and commercial centre did develop, particularly through the retailing activities of the Asian community. But Uganda is first and foremost a rural society. The 1959 census recorded that 96 per cent of all Africans were living in rural areas. At that time, the largest town in Uganda was Kampala with an estimated total population of some 47,000 (but 'Greater Kampala' undoubtedly has a much bigger population than this today and probably reaches about 170,000 people). The next largest was Jinja with 30,000, followed by Mbale with 14,000 and Entebbe with 11,000. Indeed, the total urban population of Uganda is today no larger than a medium-sized British city.

4 Plantation Crops

Although it is primarily on commercialised peasant farming that Uganda's cash-crop output depends, there has also been some development of estate agriculture. The function of commercial estates in a predominantly peasant economy, pioneering into new types of agricultural output, is one of major significance.

Some members of the Asian community have been leaders in estate agriculture and have concentrated largely on sugar, although latterly a policy of greatly extended diversification of investments has been adopted. The Mehta Group have large sugar estates and factories at Lugazi between Kampala and Jinja. Acreages under cane have been extended considerably since 1960 and further expansion is planned. Tea is also grown and in addition the Group owns a small coffee plantation, and small cocoa and vanilla estates have recently been established. The main sugar producer in Uganda is Muljibhai Madhvani and Co., which has 20,000 acres under cane in Busoga.

Output has been increased in the last three or four years from 55,000 tons to 72,000 as a result of intensive cultivation, better use of fertilisers and irrigation. There are also 800 acres under tea.

Agricultural diversification is also evident in the operations of the Uganda Company—the oldest private firm in the country. Apart from its role as an importer of motor vehicles and electrical and industrial goods, its main activity today is the growing and exporting of tea. The Company has some 5,000 acres under this crop and it is also growing pilot crops of pepper, cashew nuts and vanilla. The Uganda Development Corporation (UDC) has also been active in developing tea estates. 5,000 acres had been planted by 1963 and a further 3,000 acres were being developed. Including the cost of factories, development costs work out at around £500 an acre. These estates are to form the nuclei for peasant outgrowers' schemes. In association with Thornhill Investments, the Corporation has set up a factory which will eventually be capable of producing half a million pounds of soluble (instant) tea per year. The Corporation's other main agricultural concern is a 100,000 acre cattle ranch in Bunyoro with a herd of 6,000. It is proposed to reduce the area leased and to graze this more intensively, possibly with exotic or cross-bred animals.

Tobacco, too, is grown in Uganda through the operations of the East African Tobacco Company—a subsidiary of the British American Tobacco Company. True, the direct contribution to overall agricultural incomes is small, but its activities are of considerable value. The average grower has 2 acres under tobacco and can expect to earn a cash income of £240 against an annual outlay of £80 and an investment of some £70 in curing barns.

5 Industries

Associated light industries are also growing up. Madhvani & Co. operate two tea factories producing 600,000 lbs of tea a year. They also have the largest oil mill in East Africa processing 40,000 tons of cotton seed—about one-third of Uganda's output—and 2,000 tons of ground-nuts a year. In addition, there are sweet and toffee factories, a soap factory and a brewery. A by-product of sugar is a distillery owned by the Mehta Group producing 100,000 tons of spirits a year for Gilbeys in Nairobi.

Among heavier industries there is a steel mill at Jinja which has a capacity of 24,000 tons of steel products from scrap. Madhvani & Co. are the majority shareholders. This company is also supporting a new textile mill at Jinja, a match factory and a paper factory. Some of these ventures are being undertaken in association with the UDC. All told, some £20m. has so far been invested by the Madhvani group in East Africa and most of this is in Uganda.

It is, however, primarily through the activities of the UDC that the main advance in industrialisation has been made. This Corporation was set up in 1952 with a capital of £5m. subscribed by the Government, which was subsequently raised to £6.4m. Through subsidiary companies it operates a fully integrated textile mill at Jinja, a cement factory and phosphatic fertiliser plant at Tororo, a number of smaller industrial concerns, tea estates and other agricultural enterprises; it also owns hotels and urban property. It participates in enterprises engaged in copper mining, grain milling and meat and fish processing. The UDC is generally considered to be one of the most successful Government-owned development corporations in Africa. By the end of 1964, £6.7m. had been ploughed back, bringing total capital expenditure to £13m.

The Nyanza textile mill at Jinja, on which £3½m. has been spent so far, produces thirty million yards of cloth a year, half of which is sold in Uganda and half in Kenya and Tanzania. The total East Africa market for textiles is about 250 million yards, half of it cotton and half rayon and mixtures.

Over £1m. has been invested in the cement factory at Tororo, which has been operating for over ten years. Under a marketing arrangement with the two Kenya factories, the great bulk of the Uganda market is reserved for the local factory. Sales exceeded 100,000 tons in 1958, but dropped to little more than 50,000 tons in 1963. There has been a renewed upswing in sales since and these are now at a rate of 110,000 tons per annum. Small quantities are sold to Rwanda and the Sudan.

The fertiliser plant, with its nearby phosphate deposits, has also involved a capital outlay of around £1m. The deposits are some of the largest in the world, with proven ore reserves of over 200 million tons. The fertiliser factory came into production in 1962 with a capacity of 25,000 tons of single superphosphate per year. Sales are made mostly to Kenya.

Through its subsidiary, Uganda Hotels Ltd., the Uganda Development Corporation runs the Lake Victoria Hotel at Entebbe, seven other smaller hotels in various parts of the country, and two safari lodges in the game parks. The Corporation also owns urban property worth £1m.

In some cases, the UDC has taken over concerns from private enterprise, for example the original textile mill. In others, projects have been developed by the Corporation itself, at times with outside participation, as in the case of the fertiliser plant. In the case of the textile mill, the plant was developed with outside management. In addition, the Corporation has a minority interest in a number of ventures set up by outside or local firms. The most important of these

is the Kilembe copper mine. UDC has invested £750,000 in this concern. This is the largest producer of copper in East Africa. The output of blister copper has now reached 1,500 tons a month. So far, £9m. has been invested, over £2m. of which has been for exploration. Falconbridge, the Canadian concern, holds 70 per cent of the equity, the Commonwealth Development Corporation (CDC) has 20 per cent and 10 per cent is held by the UDC. Exports amounted to £7m. in 1964, or a little over 10 per cent of total exports. A further £120,000 is invested in the steel mill at Jinja, in association with Madhvani & Co., and a number of Italian partners who provide the technical management. The Corporation has an interest in the TUFMAC fisheries on Lake George, run by Fresh Foods. It produces frozen fish fillets and dry salted fish. It also has an interest in grain milling in association with two large East African firms of millers.*

Future UDC activities are planned to include the extension of the Nyanza textile mill, which will bring annual output up to over 40m. yards of a wider range of fabrics, already under way. This is expected to cost £1.25m. Tea development already in hand may involve a capital expenditure of £3m. on nucleus estates, outgrowers' schemes and factories. Twelve thousand acres of the Mubuku flats in Toro are to be reclaimed and irrigated after the completion of a pilot survey by the Food and Agriculture Organisation (FAO) of the United Nations, financed by the UN Special Fund. The Corporation has set up a distillery for spirits at Port Bell, in partnership with Duncan, Gilbey and Matheson, and is participating with the Madhvani group and others in a match factory and a paper sack making plant.

With a solid foundation already laid by Government and private business enterprise, the scope for investment opportunities in Uganda is now expanding much more rapidly than the supply of capital from profits and other cash accruals in Government enterprises and from private savings available for investment. The Uganda Development Corporation has participated in the raising of a number of external loans—one is from the US Agency for International Development (AID) for \$2m. (£700,000), wholly tied to imports of American equipment; another from the Commonwealth Development Corporation for £460,000 untied for two tea estates; and a number from the development corporations of two British banks for specific development projects. In the field of private enterprise, members of the Ismaili community have set up an Investment Promotion Service to attract foreign capital for financing industrial development in East Africa. H.H. the Aga Khan has contributed £250,000 to this venture.

Important instruments for the development of the productive sector

*These two firms; UNGA Ltd. and MAIDA Ltd. have since merged.

of the East African economy have been fashioned by the Commonwealth Development Corporation, the official West German overseas development company—Gesellschaft für Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft)—and, at the initiative of the CDC, by the local governments of each of the three East African countries. These are the jointly owned development finance companies, each with an initial capital of £1.5m., subscribed by the three partners in equal shares. In the case of the Development Finance Company of Uganda (DFCU), the local government contribution, through the Uganda Development Corporation, consists mainly of shares in some of the most firmly established UDC companies. The British and German contributions are in cash. It is hoped that other partners, both publicly financed corporations and companies financed by private capital, will be attracted to join. Each of the partners nominates two directors, under a local chairman, and has a power of veto over investment decisions which, however, would only be exercised on grounds of public policy.

The development finance companies are a means of combining external capital with local government and private enterprise, as well as a means of drawing on the technical knowledge and the resident managerial services of the Commonwealth Development Corporation for economic development undertaken by local initiative. The manager of the company is seconded from the CDC in each case. The management services and local knowledge at the command of the development finance companies can be an important factor in attracting both aid funds and foreign private capital with, in the latter case, its know-how and market connections, as well as finance.

In spite of what appears to be the long list of industrial enterprises, industry is still a very small part of the total economy, and in terms of employed manpower only some 35,000 persons are engaged. Looking at the employment situation as a whole, 208,000 Africans were reported as employed in 1963. This was the lowest figure for more than seven years, and since 1960 there has been a steady and continuous fall. Even so, it is deceptively low as, apart from an inadequate coverage of small firms employing only a few people, the official totals exclude much of the labour—family and paid—of peasant farmers, and it is estimated that there may be as many as 85,000 so employed. Taking the somewhat restricted coverage of the official figures, over a quarter of the wage labour force is working in agriculture, forestry and fishing, a little over a tenth is in construction, and a fifth is working for Government. Over a quarter of those employed are non-Ugandan Africans from neighbouring countries. The earnings of those in employment came, in 1963, to £31m. African wages came to an average of £97 per employee per annum.

Of course, further industrialisation will take place in Uganda and as

a spur to this the three East African countries of Kenya, Tanzania and Uganda have signed the Kampala Agreement, which is designed to ensure for the region the benefits of an East African free trade area or Common Market, yet also to protect the constituent parts of the Common Market from the dangers of a concentration of industry in one of the countries, viz. Kenya. Such a concentration can have serious repercussions on the domestic economies of the individual countries. In theory, it may be advantageous to think of East Africa as a region with industry developing in that part of the region which for a variety of reasons is most appropriate for the location of the plant concerned. But in practice the particular country that fails to attract the industry loses the general advantage of the income that is generated and the employment it provides.

Even so, the inescapable fact so far as industrialisation is concerned in East Africa is that the small national markets, each of which in total numbers is smaller than Greater London and with an income per head of less than one-twentieth of that of the United Kingdom, are totally inadequate to meet the requirements of an effective economic deployment of capital and labour. It was therefore to ensure that there would be a fair territorial allocation of industrial plant combined with a realistic acceptance of the need to have a wider East African market for the products, that the Kampala Agreement was signed in 1964. This proposed what was described as 'the immediate allocation of certain major industries'. Through the territorial industrial licensing acts, Tanganyika had been given the exclusive right to assemble and manufacture landrovers, the assembly and manufacture of a type of lorry and truck (not apparently all types), exclusive rights in radio assembly and manufacture, and exclusive rights in the manufacture of motor vehicle tyres and tubes. Kenya was allotted exclusive rights in the manufacture of electrical appliances. Uganda has the sole rights in the manufacture of bicycles and also exclusive rights for the manufacture of nitrogenous fertilisers.

Certain industries already established in East Africa, and with plants in one country running a trading surplus and in another country running a trading deficit, were to be asked to increase production in those countries where there was a trading deficit with another East African country. So far as Uganda is concerned, the Bata Shoe Company has been negotiating for a site in Kampala and when in production it is estimated that the factory will supply 60 per cent of the Uganda market, and this would amount to a reduction of £300,000 in imports from Kenya.

6 The National Income

In 1963 the Gross Domestic Product of Uganda reached a figure of

£176m. Of this, £129m. was generated by the money economy and £47m. from the non-monetary or subsistence sector. The two sectors together gave Uganda a per capita income of just £25 per annum. In the money economy, agricultural activities, including forestry, fishing, hunting, contributed nearly a half the value of the output. If the non-monetary sector is included, agriculture (in this wide definition) contributed nearly 60 per cent of the product.

The value of output of industry, including cotton ginning, coffee curing, sugar manufacture, mining and quarrying, and construction, came in 1963 to some £19m., or about 15 per cent of the monetary sector of the GDP. The value of domestic exports in 1963 reached £51m., or 40 per cent of the monetary GDP. If exports to Kenya and Tanzania are included, the proportion reaches 46 per cent.

Looking back over Uganda's fifty to sixty years' participation in the modern world economy—no longer than a man's normal lifespan—the economic advances that have been made are not insubstantial. 'In 1904', Professor David Walker has written, 'Uganda's exports amounted to about £50,000. In 1959, domestic and inter-territorial exports combined were around £50m., a thousandfold increase, and though there have been considerable increases in both the level of prices and the size of the population, there can be no doubt of the very great real increase in export income per head, domestic income per head, and in the standard of living. In 1959, nearly 100,000 tons of coffee, 1½m. 100-lb bales of cotton, a quarter of a million hundredweight of copper, and 66,000 hundredweights of tea, were exported. In 1904, such goods were hardly being produced at all. And it has been the growth of production for export from small peasant farmers that has been the main force in the development of the economy and that has provided the wealth to support the social services on the one hand and the demand for home-produced goods and services on the other, as well as the demand for a substantial flow of goods into the country from overseas'.*

* See Professor Walker's contribution to *Economic Development for Africa South of the Sahara* (Editor Austin Robinson) page 98. London, 1963.

2—Development Planning in the Colonial Period

I Beginnings of Planning

Prior to 1940 a fundamental tenet of the British system of colonial administration was that a dependency—no matter whether it was technically a colony, a trust territory, or, as in the case of Uganda, a protectorate—should be financially self-supporting. In exceptional cases budgetary support was available from the British Government under the grants-in-aid system, but in these instances the British Treasury exercised a considerable degree of control over the colony's finances for as long as it continued to be grant-aided. The 1940 Colonial Development and Welfare Act (CD & W) made an important departure in principle from the rigorous enforcement of the doctrine that colonies should rely exclusively on their own resources, by providing financial assistance to cover development expenditure for the first time. Since 1940 new and amended CD & W Acts have been passed, increasing the amount and scope of assistance provided.

The acceptance of CD & W funds encouraged the receiving territory to prepare a development programme over a period of years ahead; and the 1940 and 1945 Acts with their allocation of funds over a ten-year period generated at the end of the Second World War a rash of Ten-Year Development Programmes. So far as Uganda was concerned, the Protectorate Government issued in 1944 a report entitled *Joint Report of the Standing Finance Committee and the Development and Welfare Committee on post-war Development*. This was in effect the first post-war plan, but it was recognised by the Committee itself that it did not represent an integrated plan of development for the Protectorate. Rather it was 'an aggregation of departmental proposals which the Secretary summarised, and which he supplemented by certain chapters, e.g. on social services, on demobilisation, and on other subjects which were not at the time the concern of any particular department'.* Then in 1946 E. B. Worthington produced *A Development Plan for Uganda*. In a foreword to it the then Governor of Uganda, Sir John Hathorn Hall, wrote: 'Uganda is and must remain for the present at all events primarily a country of peasant agriculture'. But he added: 'Both the need to protect the soil against exhaustion in its various forms by rotational resting under grass, and the demand by cultivators for a

* B. Niculescu, *Colonial Planning*, London 1958, page 95.

greater cash return from their land, point to larger holdings'.† *The Worthington Plan* covered a ten-year period from 1946 to 1955. 'During the next ten years' it noted, 'while maintaining steady improvements to social services the prime object should be a concentration on productive effort to ensure that production increases rapidly at a rate much higher than population. At the end of that period, assuming this object is achieved, the way would be open for establishing greatly improved social services, including health and education, which in the early stages tend to accelerate the rate of increase of a population, but in advanced stages tend to cause stabilisation'. And it went on: 'Focussing attention on the next ten years, the greatest asset of Uganda is not manpower . . . but the large expanse of land and water which has not yet been brought into production. The main factors which limit efforts to increase production seem to be the following: (i) lack of fundamental information about the country and its people; (ii) a system of agriculture incompatible with the full use of natural resources; (iii) low capacity of the African for physical work; and (iv) power based on the most inefficient of fuels. The plan, while covering the whole field of development, aims to solve the fundamental problem of balance between population and production by reducing these limiting factors. It seems unlikely that adequate results will be achieved without some degree of compulsion of the indigenous people, perhaps equivalent to that which is applied in Britain today'.

It is clear that at the time the possibility of a breakthrough to relative prosperity was seen as something of the order of a ten-year process, but gradually this optimistic ideal has receded. Development has emerged as a much more complex operation than was originally envisaged. On the one hand the time schedule has been lengthened from a decade to a generation or more, and on the other hand, the plans themselves have been quite unable to withstand the rapidly changing economic pressures. Within two years of the launching of the *Worthington Plan*, it needed to be recosted and this was accordingly done in 1948 by Sir Douglas Harris. The Harris revision estimated expenditure of the Protectorate over the period 1947-1956 to be £63m., which covered both the maintenance of existing activities and new development. Administration of law and order accounted for 27 per cent of the total, productive activities 32 per cent, social services 24 per cent, and service department and reserves 17 per cent. The total figure included both recurrent and capital expenditure. But events soon began to outstrip this revision, and in 1954 a new plan was published dealing only with capital expenditure and covering a

† 'Some notes on the Economic Development of Uganda' by Sir John Hathorn Hall, foreword to E. B. Worthington, *A Development Plan for Uganda*, Uganda Government, 1947, pages iii and iv.

five-year period from 1955 to 1960. This was entitled *A Five-Year Capital Development Plan 1955-1960* and was the work of a Development Council set up by the Governor, Sir Andrew Cohen under the chairmanship of Mr. (now Sir) Colin Thornley. They proposed that £30m. should be spent on capital development alone over five years. Perhaps the best way to describe the character of development planning in Uganda at the time is to quote the Development Council itself, the members of which were well aware of the difficult paths they were treading.

'The pace of development which became so marked in the period late 1951-1953, was set not by a comprehensive development plan but by a series of *ad hoc* plans relating to various specific enterprises and services. The *Way to the West*, a report accepted by the Legislature in January, 1952, cleared the way for the extension of the railway westwards from Kampala to the area of Lakes George and Edward. The de Bunsen report *African Education in Uganda* and the report of the Technical Advisory Committee on Technical Education in the Protectorate resulted between them in the allocation of £10m. for educational expansion. A series of sessional papers and legislation affecting co-operative development, African housing, mechanised farming, police expansion, community development, district councils and national parks, together with the establishment of the Uganda Electricity Board, the Uganda Development Corporation Ltd., and the Uganda Credit and Savings Bank, were all in themselves development plans for the advancement of the peoples of Uganda. And many more examples could be given.

'It is considered that the time has now come for all these plans to be integrated against the anticipated financial resources likely to be available during the next five years, and for a comprehensive development plan to be drawn up which will regulate capital expenditure over the next quinquennium. The report contains that Plan. It must not, however, in any way be regarded as rigid or inviolable; it will require frequent and regular review, and it is the intention of the Development Council, which is of course a standing body, to make such review one of its prime tasks over the quinquennium'.*

As a supplement to the Plan there appeared a *Report of the Agricultural Productivity Committee* (1954) which made a series of specific recommendations for the improvement of agriculture, livestock and fisheries in the Protectorate amounting to a capital outlay of £1.9m. and with recurrent expenditure over this five years coming to a total of £1.3m. Among their recommendations they proposed the establishment of a Natural Resources Committee, district self-sufficiency in food

* *A Five-Year Development Plan 1955-1960.*

production, diversification of cash crops, expansion of the field activities and staff of the Agricultural and Veterinary Departments, the expansion of education in relation to farming and increases in the agrarian research establishments.

In 1957 a revision of the Development Plan was made in *Sessional Paper No. 13 of 1956/57*. This reflected no change in policies but revised upwards the estimates of resources available and of expenditure with corresponding amendments to the various heads.

2 Sources of Finance

One outstanding fact in the Uganda experience from the earliest days of its coming under British rule has been the extent to which it has relied throughout on a high proportion of its own resources to finance its development. In 1900 it received from the British Government £204,000 as grants-in-aid. This decreased year by year until, in 1914, it was receiving only £10,000. So far as its international debt position was concerned Professor Frankel writing in 1938 was able to observe: 'One of the striking lessons to be learnt from the economic development of the Protectorate is the value of capital creation and accumulation by the population itself through its own efforts'.*

If self-help was an asset the 1955-60 *Capital Development Plan* was in the best tradition and the table below shows how in the original plan

* S. H. Frankel, *Capital Investment in Africa*, London 1938, page. 275.

Table 3

**Resources Available:
(1955-1960 Capital Development Plan)**

	<i>Plan</i>	<i>Revised Estimate</i>
	<i>£ million</i>	<i>£ million</i>
(i) Export taxes	5.5	4.3
(ii) Contributions from Revenue Budget	5.0	6.5
(iii) African Development Fund	7.5	4.1
(iv) Colonial Development and Welfare Grants	2.5	0.8
(v) Surplus Balances	—	4.6
(vi) Internal Loans	9.5	11.5
(vii) External Loans 15.0	—	—
Less borrowing for Uganda Electricity Board say 11.0	—	4.0
Total ...	30.0	35.8

Source: *A Five-Year Capital Development Plan, The First Revision, 1955-1960*, p. 3.

and its revision over 80 per cent of the resources were local. Taking the revised estimate alone, only the £4m. from external loans and the £800,000 from the CD & W Fund out of a total of £35m. could be regarded as non-local.

A decisive instrument in the channelling of local savings into governmental expenditure during the post-war period was the marketing board structure which operated in Uganda a forced savings technique.

The system had a number of objectives including the stabilisation of prices to the producers who were intended to receive less than the world market price when prices were excessively high, and, when prices were falling, support from the accumulated reserves. It was also felt that increased purchasing power in the hands of peasants might result in heavy demand on consumer goods which would not be readily available and thus exert strong inflationary pressures. There was also a desire to use the funds acquired for government initiated improvements in the cotton and coffee industries, and finally for investment in general development purposes.

In practice the intended stabilisation of prices had the effect of destabilising incomes of producers. Rather drastic and sudden upward revisions were made when prices had got completely out of line with the rising world market prices. More important is the fact that it resulted for the producer in lower prices than he would otherwise have obtained. The system must have positive balances to draw on or be in a position to borrow in order to function at all, and it is only natural for administrators to take a conservative view of the future course of prices. In the late 1940's the general view of what was likely to happen to commodity prices was conservative anyway. When larger balances accumulated than seemed likely to be needed, there were two courses open. One was to raise producer prices. But this might have seemed to commit the authorities to maintain a higher price level in future years. The other was to spend the balance in other ways; and this is what happened in Uganda.

The situation was described in 1955 by the East Africa Royal Commission as follows: 'By the beginning of 1948 profits from the controlled sale of cotton and coffee amounted to approximately £10,000,000. In June of that year it was decided to devote £4,000,000 of this sum to the setting up of two price assistance funds, one for cotton to which £3,425,000 was allocated, and one for coffee to which £500,000 was allocated. The remaining £6,000,000 was devoted to a variety of purposes—£1,250,000 to the Cotton and Hard Coffee Development and Welfare Fund; £250,000 to grants to Native Administration; £4,625,000 to grants to Reserve Funds for Post-War Development, and £500,000 to a Reserve for projects outside the Development Plan. Apart from the allocation of £4,625,000 to grants

to Reserve Funds for Post-War Development, these allocations have now been exhausted. Any further profits from the sale of cotton and coffee were to be added to the amounts initially placed in the price assistance funds. The reserves of these two funds increased rapidly. In 1952 it was decided to limit the Cotton Fund to £20,000,000. Thereafter the Legislature could transfer any sum above this amount to a new African Development Fund and £5,000,000 was initially transferred. At the end of the 1952-53 season the Cotton Price Assistance Fund stood at £29,500,000 and a further £9,500,000 in addition to the £5,000,000 already transferred was therefore available for transfer to the African Development Fund. No similar limit has yet been placed on the Coffee Fund, which at the end of the 1952-53 season stood at £13,900,000 but it is expected that this Fund will be limited to £5,000,000 so that a further £8,900,000 will be available for transfer to the African Development Fund thus raising its total resources to £23,400,000. Of this sum rather more than £17,500,000 has been expended or approved for spending, not including £2,000,000 which it was proposed to invest in an iron and steel project which has since been abandoned.*

Up to the middle of 1960 the Protectorate Government had, since the war, spent some £40m., including the share capital of the Uganda Development Corporation, on development projects. In the early 1950's central government development expenditure was mostly on expanding educational facilities. In the late 1950's development spending was stepped up, including greater expenditure on roads and buildings. Out of the total expenditure of £40m., £4.5m. were covered from CD & W funds. The balance came from local sources. Of this £30m. was taken from the cotton price assistance fund (£5m. of which was on loan and the rest in grants). Revenue from export taxes on cotton and coffee in the period 1945 to 1960 amounted to some £70m., out of total receipts from sales of £350m., after allowing for processing and marketing costs. This contributed in large measure to the revenue surpluses, which were used to finance development expenditure.†

The main projects financed out of CD & W funds since 1958 have been roads (£2m.), hospitals (£1.75m.), in particular the New Mulago Hospital at Kampala, and broadcasting (£300,000). In addition to the grants to the Protectorate Government, substantial grants were made for schemes relating to East Africa as a whole and in support of the East African agricultural, livestock, fisheries and medical research organisations. Of particular concern to Uganda were the grants for

* *East Africa Royal Commission 1953-1955 Report*, cmd 9475, page 82.

† D. A. Lury: 'Cotton and coffee growers and government development finance in Uganda, 1945-1960', *The East African Economic Review*, June 1963.

capital expenditure on Makerere University College, for which £2m. were allocated in the six years before Independence.

The favourable financial position of the Protectorate Government in the 1950's was based on the high world prices for commodities and on the way in which the marketing of the main export crops was organised. Conservative fortuitous misjudgments of future price trends gave the producers considerably less income than they might otherwise have had, and the central government considerably more. There was no conscious intention to raise heavy taxes for the financing of development but the result was that Uganda found itself in a position of not needing to borrow abroad for its general development expenditure. Even the capital requirements of the Uganda Development Corporation were met out of general revenue surpluses. The capital expenditure on other government owned economic enterprises was, however, financed by borrowing in London. The Uganda Electricity Board raised loans in London and received support from the World Bank to finance the construction of the Owen Falls dam and the network of transmission lines. The development expenditure of the self-financing services operated on an East African basis, and in particular the railways, was also financed by loans raised in Britain.

By the late 1950's, in view of impending political changes, it had become impossible for colonial governments, or government owned corporations, to raise loans on the London market. The British Government accordingly began extending exchequer loans to the dependent territories in 1959. £8.5m. were lent to Uganda for re-lending to the Uganda Electricity Board. Loans of £2.75m. were also made to the Government in 1961 and 1962 for the general development programme. The East African Common Services Organisation (EACSO) received an exchequer loan and a Commonwealth Assistance loan to finance railway development.

The 'affluent years' of development expenditure were coming to an end. The situation had reached a stage where cuts had been proposed in the capital budget. It was at this point that the World Bank sent a Mission to Uganda. Acute financial stringency was a new experience for Uganda, for the period following the Second World War had been one of remarkable Government activities in the economic and social spheres. Commenting on the situation the World Bank Mission noted:

'A sharp and persistent expansion in domestic income from the end of World War II to the mid-1950's gave rise to an expansion of the annual government expenditures paralleled probably in few countries. In 1945, total Protectorate Government expenditures were £3.6m.; in 1950, £8.0m. Between 1950 and 1953, recurrent and non-recurrent expenditures combined rose from £8m. to £17.5m. or from being equal to 11 per cent of domestic income to

17½ per cent. In other words, public expenditures doubled in only three years. Over the entire period 1945–1959/60, government spending increased by five times. The budgets of the local authorities experienced a similar expansionary movement. Compared with expenditures of about £1m. in 1950, they spent £4·5m. in fiscal 1959/60 (excluding transfer from the central government).

‘But the impact of the drop in export prices since the mid-1950’s has clearly left its mark on the fiscal position of the Protectorate Government especially. While the recurrent budget yielded a surplus every year between 1950 and 1956/57, such surpluses gradually diminished. In fiscal 1957/58 and 1958/59, they were replaced by modest deficits. In 1959/60 a surplus was again achieved, partly because of a substantial reduction in the level of expenditures, the first such reduction in a decade. . . . In 1959/60 non-recurrent expenditures, although at a reduced level, exceeded receipts by the unusually high amount of over £4m. Taking recurrent and non-recurrent budgets together, the Protectorate Government achieved surpluses between 1950 and 1954, followed by annual deficits, the one for 1960/61 reaching about £4m., and one of more than £5m. being in prospect for 1961/62’.*

In this situation the World Bank Mission proposed a shift in emphasis from the infrastructure investment which had characterised previous government spending (particularly on education, health and roads) to the development of a wide agrarian base of crop, fishery, livestock and forest production. But this takes Uganda into the period of independence and with this a new era of economic relationships between it and the rest of the world was begun.

* *IBRD The Economic Development of Uganda*. Government Printers, Uganda, page 24,

3—Development Expenditure and Financial Requirements in the First Five-Year Plan

I The World Bank Report

The report of the World Bank Mission is a useful starting point for an analysis of the economic objectives of the new Uganda Government when independence was achieved. Under the chairmanship of Professor E. S. Mason of Harvard University, a full, realistic and business-like document was produced and published in October 1961. 'Uganda', concluded the team, 'is now faced again with the harsh fact that future increase in the standard of living must depend on hard work in raising output. The job is now more difficult than before World War II because the present rapid rate of increase of population of 2.5 per cent a year means that it takes a greater rate of increase of output than before the War just to keep per capita incomes stable. The outlook in the next few years for coffee underlines the need for Uganda further to diversify her export products. Deliberate attention must be paid to stimulating those sectors of the economy that afford growth prospects. The limited funds now available make it imperative that every cent be wisely disbursed on a well-thought out system of priorities, if the necessary basis is to be laid for a better life for the people of Uganda'.*

The team set out a number of basic principles which they felt should govern any development programme for Uganda. They stressed the importance of concentrating on what were described as 'direct wealth-producing activities' and they cautioned against a major increase in social services. This was a sobering observation to be made by a commission reporting during those years that had been considered by the *Worthington Plan* as part of the decade during which the country could reasonably expect 'to support mass education and mass health'. The main generator of wealth in the economy was acknowledged to be agriculture: 'the main opportunities for economic growth in Uganda in the next five years are in agriculture. With the outlook as uncertain as it is in coffee, the weight of effort in agriculture must be put on increasing output of cotton, for which the competitive position is comparatively favourable, and in encouraging the offtake of marketable livestock and other diversification. To achieve this, we propose that the Government should concentrate on "investing in success", in other words, concentrate funds and technical assistance in aiding those

* IBRD, *The Economic Development of Uganda*, 1961, page 2.

farmers who show interest in and respond to measures to increase output. Included in this programme are credit and subsidy proposals to provide more working capital for farmers, investment in helping the raising and the marketing of livestock, extension service activities, training and research. At the same time, the Government should encourage and aid in the process of transformation of land tenure from a system suited to a simple, and traditional, subsistence economy to one more in keeping with a developing market economy'.*

The Bank team did not see great prospects for industrialisation, although they recognised that a valuable broadening of the economy had taken place since the end of the Second World War: 'Industrialisation is nevertheless still in its initial stages. The small size of the home market has been a dominant limiting factor. There are a number of small plants engaged in the processing of the two major agricultural products, cotton and coffee, a textile factory using domestically grown cotton, a cement factory, two breweries, sawmills, two sugar refineries and a few small soap factories, a small number of backyard furniture makers and other hand craftsmen'.† The whole industrial package in effect amounted to something very small indeed.

The enquiry team was considerably impressed by the means of transportation in the country. 'Transport facilities are at present generally adequate in Uganda. The main routes by land, water, and air, reach practically every corner of the country and their capacity is largely underemployed'.‡ The road network, consisting of about 13,000 miles was, they felt, one of the best in Africa.

A grave problem, however, was the shortage of skilled high level manpower and this the Mission regarded as a 'strategic factor'; 'If the government is to exercise the responsibilities that inevitably fall on public authority at an early stage of development, it must do what is necessary to retain the services of a large number of expatriate officials'.*

To mobilise forces for development they advocated a considerable strengthening of the planning machinery: 'While Uganda has not lacked development plans in the past, the situation the country now faces makes effective planning essential'.† And they went on: 'The principal weakness in development planning in Uganda, however, has been in the lack of machinery at the centre to assess the relative priorities of proposals for public development expenditures, to tap the new and growing external sources of funds available for African

* Ibid page 32.

† Ibid page 16.

‡ Ibid page 241.

* Ibid page 8.

† Ibid page 43.

development, and to consider possible changes in public action needed to stimulate the private sector of the economy'. †

2 The 1961-65 Development Plan: Government Priorities

The findings of the World Bank Report were unambiguous. The main emphasis for the promotion of Uganda's economic development was placed squarely on agriculture, particularly on the exportation of cotton but also on the diversification of agrarian activities. To achieve this, it stressed the importance of building up a strong planning machinery at the centre, manned by an experienced team of civil servants and with a purposeful programme of agricultural extension services, training and research. Industrial development, useful as it was, was not seen as a serious contender as a prime mover of Uganda's economic advancement. Communications were regarded as being adequate and not in need of major expansion; and social services were considered to have been extended as far as was economically possible at the time.

The new African government under Dr. Milton Obote, which came

† Ibid page 45.

Table 4
Government Development Programme 1961-65*
(including Central Government and other Public Sectors)

	£m.
Agriculture, Co-operatives, Fishing and Forestry ...	12.4
Livestock	2.4
Game and Tourism	0.6
Manufacture and Mining	7.1
Commerce and Credit	4.1
Roads	7.2
Railways	3.0
Electric Power	4.5
Education	7.0
Health	3.0
Community Development	0.4
Information and Broadcasting	1.1
Defence... ..	2.5
Police	1.4
Prisons	0.7
Administration, Foreign Service and Customs ...	3.2
Urban Services, Housing, Loan Fund	7.8
Other	3.3
Total ...	£m. 71.7

*Recurrent and Capital Expenditure.

Source: *The First Five Year Development Plan.*

into office in 1962, embarked on a development programme which was largely based on these proposals, although it was not until 1963 that the First Five-Year Development Plan, 1961–1965, was in fact issued.

The whole Development Plan listed 171 projects briefly described and with estimates of the current and capital costs involved. The main headings with estimated expenditures are shown in the table opposite.

'My Government', wrote the Prime Minister in a foreword to the Plan, 'broadly accepts the recommendations in the [World Bank Mission's] Report and has produced a Development Plan closely modelled on them. My Government now presents in this publication this Plan which, whilst different in many respects from that suggested by the mission, is nonetheless firmly based upon the mission's findings, particularly in that it accepts the strategy of development recommended'.

In fact the Development Plan compromised on the priorities that had been highlighted by the Bank Mission. 'Uganda is an agricultural country. Two-thirds of its gross domestic product is derived from farming and over 90 per cent of all exports are produced from the land' (*Plan*, p.3), acknowledged the authors of the Plan at the forefront of their chapter on the economy of Uganda. But in setting out their general policies for development, although agriculture was seen as the principal ingredient for growth, other sectors were earmarked for special encouragement and support.

'The central aim of the Government's development policy is to achieve the maximum possible increase in the prosperity and welfare of the people of Uganda. This means that gross national product must be greatly increased: but it also means that the rate of increase of gross national product must be greater than the current rate of population increase. By seeking to diversify the economy, the Government will strive to eliminate those conditions which have always made the country's economy dependent on the vagaries of international prices for primary products. It is also the aim of the Government to provide for the equitable distribution of the wealth of the nation so as to ensure social and economic justice'. (*Plan*, p.8.)

The need to 'diversify the economy' and the desire to ensure 'the equitable distribution of the wealth of the nation' brought in factors that were bound to water down the rigorous proposals of the World Bank. In the Development Plan the strategy was explained: 'Political imperatives must be taken into account. For example, in order to cement the unity of the country and to maintain stability, the Government cannot afford to neglect the economic and social development of certain areas where the yields to investment in purely economic terms may not be the highest available . . . a balance must be struck between possible measures to develop the economy as rapidly as possible and

measures to conserve the conditions essential to such development . . .'

With regard to increasing production, the Plan continued: 'The Government's strategy for increasing production rests on the proposition that the quickest and surest method is more work by the people and a skilful application of scarce capital resources to bring into play the under-utilised resources of labour and of fertile, well-watered land . . .'

Industrial prospects were given every encouragement: 'Manufacturing industry and mineral products must continue to be developed in order to diversify Uganda's economy and make it less dependent on the vagaries of overseas markets for her primary products . . .'

Further diversification of aims and means included the following observations and statements of intent: 'The tourist industry can also make a growing contribution to the national income . . .'

'Another consideration which forms part of the Government's strategy, is the need to make Uganda's economy more self-stimulating. A notable example of the possibilities in this field is the development of demand for protein foods—meat, milk, eggs and fish . . .'

'The Government also attaches great importance to the promotion of full participation of Africans in trade and commerce, if only because the present concentration of these activities in the hands of one section of the community is a source of discord between Ugandans, at variance with the need to promote national unity'.

'Uganda's un-utilised resources include the enormous hydro-electric power potential of the White Nile between the Owen Falls and Uganda's northern border. Immediately, there is the problem of securing full utilisation of the capacity already harnessed by the Owen Falls Dam: but the Government recognises that its economic strategy must next be directed towards the fullest possible exploitation of the whole of this valuable economic resource.'

'It is the Government's firm policy to advance Africans so that they are able to take up positions of responsibility in all walks of life in Uganda. Recent research carried out into the high-level man-power needs of East Africa indicates that shortage of secondary school facilities may prove a serious barrier to Ugandanisation and development. The Government is determined to rectify this situation at the earliest possible moment'. (*Plan*, pp.8-10).

This, then, was the 'mix' of the Uganda Government's development programme. In quantitative terms, 20 per cent of the proposed public sector investment of the Plan was for agriculture, forestry and fisheries; 22 per cent for roads, railways, airports, ports and telecommunications, electric power, surveys and mapping; 16 per cent for social services; just under 10 per cent for manufacturing industry; and 11 per cent for law and order and administration.

So far as planning machinery was concerned, with its vitally important role in assessment of priorities, the Uganda Government set up a planning commission of considerable power. The Chairman is the Prime Minister and there are eight other Cabinet Ministers who are members of it. As the whole Uganda Cabinet consists of only seventeen ministers, what is agreed by the Commission is virtually certain also to be passed through the Cabinet. The ministers on the Commission are the Ministers of Finance, Commerce and Industry, Education, Agriculture and Co-operatives, Animal Industries Game and Fisheries, Planning and Community Development, Housing and Labour, and Justice. There are in addition the chairman of the Uganda Development Corporation and the chairman of the Uganda Electricity Board. The Commission also includes the Director of the Central Planning Bureau, a political appointment. The civil servants including professional economists attached to the Commission are under the Secretary for Planning and number about twelve, forming what is known as the Central Planning Bureau. This is part of the Ministry of Planning and Community Development. In effect, the Commission is a large cabinet sub-committee with its own secretariat.

The individual government ministries themselves are the initiators of schemes which are submitted to the Commission for approval. In theory, these are carefully examined and vetted, although with 171 projects in the First Five-Year Plan it is clear that only a few of these could have been thoroughly examined by the planning authorities themselves before being embodied in the Plan and accepted.

The release of funds for expenditure on projects is channelled through the Commission, but once this has been done the Commission as such and its staff have no further responsibilities by way of checking the disbursements or of watching the progress of the projects undertaken.

3 Financial Requirements

Total estimated investment covering the five-year period amounted to £94m. Of this, it was expected that £43m. would be spent by the Central Government, £29m. by the rest of the public sector (comprising the Uganda Development Corporation, the Coffee Marketing Board, the Uganda Credit and Savings Bank, the East African Railways and Harbours Administration, the East African Posts and Telecommunication Administration, and the Uganda Electricity Board), and some £22m. by private enterprise. These were considerable sums and estimates indicated that to finance the public part of the Plan not more than £29m. could be expected from local sources. This, in fact, covering nearly 40 per cent of the central government and other public sector was no mean objective, but it was a totally different situation

from that in which Uganda was less than ten years previously when some 90 per cent came from local sources. With the launching of more ambitious targets for economic development consequent upon the attainment of independence, it became clear that local sources of saving would be stretched to the limit to meet even recurrent obligations arising out of new development expenditure. The Plan itself estimated that an amount equivalent to one-third of the actual tax revenue of 1960-61, or some £4.6m., would be needed for these additional expenditures. Indeed, such was the seriousness of the weight of current expenditure on the Uganda budget that the Government came 'to the conclusion that it could not possibly place on the Recurrent Budget the full burden of additional recurrent expenditure which the Plan involves . . . and it will therefore have to continue to adopt the device suggested by the World Bank Mission of treating a part of this as capital expenditure and charging it to the Development Budget'.* The heavy burden of growing recurrent costs associated with the process of development had become apparent at the very outset of Uganda's Plan.

Some finance was already available for the central government part of the Plan. £8.5m. would come from local sources; £1.2m. grant from the United States Government; and from the British Government cash grants of £3.5m., technical assistance grants of £200,000 and loans of £5.2m. The loans were made up of the Exchequer Loan of £2.75m. provided just before independence, and the Commonwealth Assistance Loan of £2.4m. made in 1963. The grants were composed mainly of the balance of the CD & W allocation left unspent at the time of independence and another grant of £1.5m. made specifically for the Development Plan. This made a total UK contribution of £8.9m. or slightly more than the amount available from local sources.

Part of the expenditure of £43m. of the Central Government Development Plan consists of recurrent costs and £4m. of this was to be met out of the ordinary budget of the Uganda Government. For the remaining £39m., it was estimated that £18.8m. was actually available, nearly half of which was coming from the British Government. This left a balance of £20.2m. to be raised for central government expenditure. In the Plan itself, the prospects of raising this balance of £20.2m. were regarded as favourable. 'The British Government', it noted, 'has indicated its willingness to entertain an application for further assistance before the end of the Plan period, notwithstanding the generous assistance already given, and a case will be presented within the next few months'. †

* *The First Five-year Development Plan* para 325.

† *Ibid* para 328.

So far as the 'other Public Sector' was concerned, it was estimated that the expenditure of £28.9m. could be met by £16.9m. from local resources, £2.3m. from external loans, leaving a balance of £9.7m. to be raised.

It can be seen, firstly that the Central Government Development Plan of Uganda was dependent for some 60 per cent of its financial support on overseas contributions. This, as it were, is the starting point of 'aid'. Secondly, that recurrent costs were recognised as a matter of considerable concern to the Uganda Government. These costs bore particularly heavily on the ordinary budget and were composed partly of expenditure on those activities inherited from the colonial regime and which needed to be continued to maintain the running of essential services, partly on enlargement of these activities due to undertaking additional work appropriate for an independent country such as the creation of a foreign service that did not exist before, representation at the United Nations and so on, but partly on new recurrent expenses, arising out of the Government's shouldering of greater responsibilities for the promotion of economic development. Thirdly, that the contributions by the British Government formed the largest single element of external support of the development programme. Fourthly, that large as this support was, there was still some three-quarters of the Central Government Plan (excluding parastatal bodies) that needed to be covered. Alternative sources of finance, both bilateral and multilateral, were therefore essential to carry the Plan through. Fifthly, that the problem of finding finance for the Plan was a process that continued throughout the Plan period itself. The Uganda Government in effect identified itself with a Plan and launched it with an assurance of only a part of the finance required for its implementation.

In fact, up to the middle of 1964, Central Government development expenditure had been limited by the Government's administrative and technical capacity to carry out the development programme, rather than by lack of funds. To reach even the original Plan targets in terms of expenditure, let alone the additions which have already been approved or are now being proposed, requires a considerable stepping up in expenditure in the last two years. In the first three years of the Plan only £16m. was spent. Estimated development expenditure for 1964/65 was originally set at nearly £18m. but this has recently been revised downwards to £12m., making a total expenditure of £28m. in the first four years of a five-year programme.

4 Revised Estimates and Sources of Finance

Meanwhile the Plan itself was continuing to evolve and change in the course of its unfolding. No formal decision to revise it was made; it

became a 'Revised Plan' in the process of its execution. And the revision affected both sources of finance and expenditure.

On the expenditure side this revision was brought about through two main influences. Firstly the inevitable increase of estimates on selected projects; and secondly the acceptance of new projects which were not part of the original Development Plan. The effect of this was that central government development expenditure, originally estimated at £43m. in the published version of the Plan, had increased by 1965 first to an estimated figure of £51m. and then to £66m. In other words, by the time the First Five-Year Plan had formally reached its last year of operation, central government expenditure was to be 60 per cent higher than the original estimates; although with only £28m. spent after four years it seems most unlikely that the additional amount will in fact be spent in the five-year period.

As to sources of finance, the situation in 1965 was that local sources increased from the original estimate in the plan of £8.5m. to £17.7m. Much of this was due to an increased transfer of £6.5m. from the ordinary Revenue Budget. The breakdown of the local funds is set out in the table below.

Table 5

Total local Finance Raised for the Uganda Central Government Development Programme, 1961-65 (plus estimate 1965-66)

	<i>£ thousands</i>	
	1961/2-1964/5	1965/6
<i>Local Sources</i>		
Balance of Capital Development Fund	1,256	—
Miscellaneous capital receipts	1,656	400
Transfer from the Widows' and Orphans' Pension Fund	1,408	—
Local Investment Fund	212	360
Cotton cess fund	293	130
Coffee cess fund	97	50
Local authorities' Loan Fund Repayments	—	400
Repayments from the East African Railways and Harbours	140	270
Sales of Premium Bonds	125	250
Local borrowing (Fiduciary Issue)	2,100	—
Transfer from the Revenue Budget	6,500	—
Cotton Price Assistance Fund*	1,473	—
Contractor finance for roads	565	—
Total	15,825	1,860
		17,685

* Reimbursement from the Fund for the Cotton Spraying Subsidy.

Source: Ministry of Planning and Community Development.

Externally a new British loan of £6m. was successfully negotiated, bringing total British aid promised for the first Plan to £14.6m. American grants and loans came to £2.2m. From West Germany a loan of £2.7m. was negotiated.*

By mid-1965, total finance raised or expected for the Central Government Plan was as follows:

Table 6

**Central Government Plan: Total Finance Raised
and under negotiation, mid-1965**

<i>Origin</i>	<i>£ million</i>
Local	17.7
British	14.6
German	2.7
American	2.2
Other	2.3
Total	39.5
Under negotiation	7.8
Unfinanced	18.7
Total	66.0

Source: Ministry of Planning and Community Development.

These estimates refer specifically to assistance to Uganda alone and thus exclude any support given on an East African basis to various joint services. These operate under the East African Common Services Organisation and include the two self-contained and self-financing services—East African Railways and Harbours, and the Posts and Telecommunications administration. There are also a number of non-self-financing organisations dealing with research and scientific services, and the Departments of Income Tax, and Customs and Excise. The University of East Africa, with constituent colleges at Kampala, Nairobi and Dar-es-Salaam, and East African Airways, are organised outside the EACSO framework.

It can be seen that much of the investment for these East African organisations, particularly in railways, requires imported equipment. Yet this lies outside the programme handled directly by the Central Government, and thus reduces considerably the requirements of the Uganda Government for loans tied to imported equipment.

* These contributions are analysed in more detail in later chapters

4—Aid and the Influence of Political Factors

It can be taken as a truism that any country would prefer not to have to call on foreign economic assistance. This applies to any nation in the world and can be fully appreciated by those who were recipients of Marshall Aid in the years following the Second World War. It is particularly galling for newly independent countries. In the immediate glow of political independence there is a passionate desire to prove this independence before the world and it is hard to reconcile foreign aid with this. There is a realisation that economic independence has not come with political freedom. Aid is seen not as the cause of dependency, but as something which exemplifies and quantifies the situation in a peculiarly vivid way. In this context, the providers of aid frequently become subjected to acrimony and abuse. Criticisms come from diverse sources and they are in no sense confined to those who might be regarded as hostile to continuing co-operation with Britain and other Western powers. In Uganda there are many who genuinely feel mystified at what is regarded as a strange and sudden interest by certain outsiders in their welfare. So far as Britain is concerned, they ask why it is that massive support for economic development came only after independence, and why was it that Britain did not use its opportunities during the colonial period to promote economic development. To reply that much economic and social advancement did take place during this period, and that firm basic foundations were laid, is regarded as an attempt to offer excuses rather than the provision of a valid explanation. Indeed, there are some who maintain that British aid to Uganda is simply reparations for alleged past exploitation.

To a large extent aid is essentially a part of an individual country's political relations with Uganda. There is not necessarily anything undesirable about this and it is all to the good that normal political relations with a developing country should include financial and technical assistance to economic and social development. It is in fact almost inevitable that political decision enters into the calculations of donor countries' aid. A country's policy with regard to foreign powers, the uses overseas to which it puts the taxpayers' money, are all matters which rightly require government decisions that can, if necessary, be explained and defended in parliament and legislatures. Further, when aid resources are limited, decisions on where and how to distribute them are bound to take into account political considerations, historic associations, economic factors affecting both donor and recipient, and feelings of ordinary humanity. Perhaps there are occasions when one

should 'invest in success', perhaps there are areas that need a life-saving operation to keep their heads above water, perhaps economic assistance is required to underpin political stability; whatever it is, the decision to help this country rather than that and to provide 'x' amount rather than 'y' is essentially a political one.

Recipients also take an essentially political decision when they decide to accept aid from a particular source. The Uganda Government, like most African governments, is determined not to turn its back on the West. But neither is it going to reject the Communist world. On the contrary, it deliberately courts Communist aid, not because the terms are necessarily better or worse than Western, but in order to offset any alleged alignment with the West. Thus it is that Uganda encourages into its borders aid missions from many different countries to demonstrate its non-alignment and to try to maintain it. The Uganda Government is thus clearly viewing aid in political terms. Just as it seeks to diversify its economy and its trading partners, so does it seek to diversify its aid providers. It will not necessarily buy in the cheapest market; it will move from one market to another irrespective of cost in order to sample them all. Indeed, it is doubtful whether economic cost occupies a very high position in the hierarchy of priorities of the Uganda Government. If a free gift can be obtained, so much the better, but if agreement can be reached only on the basis of a 6 per cent loan, then agreement is generally forthcoming. The economic disciplines imposed by loans and interest charges do not have, in Uganda, the decisive effects that are sometimes claimed. But Uganda is fortunate in that its debt burden has not yet reached the alarming proportions of that in some developing countries. Even so, it would be rash to regard it as indefinitely immune to this burden and the important announcement by the United Kingdom Government in June 1965 that some loans to developing countries will be interest free, with its implied corollary that Export Credit Guarantee Department (ECGD) loans will not be the main instrument of loan finance for assistance overseas, is likely to be of immense benefit to Uganda.

Although the political and economic context in which donors operate is a difficult one, there are many donors in Uganda and there is little reluctance on the part of the Uganda Government to receive them. Assistance came in the first instance from the British alone, but there are numerous bilateral aid agreements between Uganda and other powers, including the USA, Canada, West Germany, Norway, Denmark, Yugoslavia, USSR, Japan, Australia, New Zealand, India, France, and Israel; the United Nations and its extended family is represented by the IBRD, FAO, ILO, WHO, UNESCO, IAEA, UNICEF: foundations include Ford, Rockefeller and Nuffield; and among voluntary bodies there are FFHC and OXFAM. This means

that some twenty separate aid organisations are working in Uganda at the present time.

An example of an aid agreement that has operated with considerable political goodwill is that of the Federal German Republic. It is indeed surprisingly unencumbered by the ambivalence which is to some extent inescapable in relations between a newly independent country and the former metropolitan power.

Germany had a colonial past in East Africa but it was terminated almost half a century ago and there is now almost a nostalgic remembrance on both sides. But West Germany's first involvement in providing assistance to an independent Uganda was not without irritation. The suggestion by the West German Government that Uganda might receive a loan of £3m. on independence was followed by a long delay, and it is generally believed that this was connected with the negotiations over air landing rights at Nairobi. Lufthansa wished to have landing rights in Nairobi and the Uganda Government had no objections to this. But EACSO, feeling that this would adversely affect the profitability of East African Airways, was against allowing Lufthansa the use of Nairobi, although they had no objections to Entebbe in Uganda being used. Since there were political as well as technical and economic aspects involved, a decision was shelved until Kenya became independent. An agreement satisfactory to all concerned was quickly reached after that and it was not long before the West German aid agreement with Uganda was ready for signature.

The loan can be spent up to the end of 1967 and is repayable over twenty years, with a three-year grace period. It carries interest at 3 per cent and there is a commitment charge of $\frac{1}{4}$ per cent on the undisbursed portion of the loan. The agreement provides for quarterly reports on the progress of the projects, the keeping of books and records showing all costs of goods and services incurred and identifying the goods and services financed from the loan, and the inspection of the records and the projects themselves by the Kreditanstalt, the official West German lending agency.

The procedure for expenditure is that the Uganda Government spends the money and is reimbursed by the Kreditanstalt for the full costs up to the agreed total. There are no restrictions on balance of payments grounds on the origin of the goods, local or imported, purchased for the project.† Goods from Communist countries must not be financed under the loan.

So far as aid from Communist countries is concerned, very little is as yet provided. The USSR has entered into an economic and technical co-operation agreement with Uganda which was ratified in Kampala

† For a full discussion on German aims and policies in their aid programme see *German Aid* by John White, ODI Publications, 1965.

in February 1965. Under this agreement the Soviet Union has offered over £5.5m. in long-term credits to build a textile factory, a training centre specialising in mechanical agriculture, meat refrigerating installations and a dairy factory. It is understood, too, that the Soviet Union is also supplying bulldozers and tractors for road construction. Technical assistance in the form of experts and institutions are also being provided. The precise terms of the Soviet loan to Uganda are not clear, but they are likely to be similar to Soviet loans elsewhere which normally carry interest rates of $2\frac{1}{2}$ per cent. The period of repayment is however extremely short—only twelve years—and with no grace period. The cost of the project in comparison with comparable goods from other countries is very hard to judge, but it is not inconceivable that the soft terms for the Soviet loans are adequately compensated for by higher prices for the articles provided. The problem of payments to the USSR for its aid is a complicated one. Soviet negotiators have shown that they prefer to receive payment in hard currency and the cynical might with some justice point out that the operation of aid is designed to acquire as much hard currency as possible. Uganda has fortunately been able to resist this pressure and repayments by the Uganda government will be used by the Soviet Union to buy Ugandan goods. This is based on a trade agreement signed between the two countries in 1964. The agreement lays down that Uganda and the USSR shall accord to each other most favoured nation treatment in all matters affecting their trade relations, although this is not to be applicable to customs unions or free trade areas of which either country is a member. Under the trade agreement the USSR will buy coffee, cotton, copper, tea and various other commodities including fruit, oil seeds, tropical wood and timber. Hides and skins and manufactured products will also be obtained and tobacco and tobacco manufactures. In return Uganda will buy a wide variety of manufactured goods including cars, trucks, tractors, road building machinery, aircraft and helicopters, drilling and mining equipment.

If one accepts Soviet aid, one has to accept Soviet aid terms. Because of the way the Soviet economy itself is organised, because Soviet bureaucracy is particularly stiff in the joints, and, no doubt, because of the sheer problems of communication, the Soviet Union finds it harder than most aid-giving countries to adapt its aid programme to the specific needs of individual recipient countries. Donor countries can, of course, only offer what they have. But if this aid is given expressly as an indication of the desire for friendly political relations, this makes it difficult for even a less courteous people than the Ugandans to turn down such offers, or even to suggest that they should be offered in some other form. The Yugoslavs, for example, have considerable experience of putting up meat processing factories in various

parts of the world. But they do not have markets for meat products. A project for a meat factory at Soroti, which was on the point of being agreed with an American firm which had sales outlets for the products, had to be switched to Yugoslavian aid, at a somewhat greater capital cost, in order not to disappoint Yugoslavia. Aid from China is only just beginning, but the Uganda government has announced that it has negotiated an interest free loan from China of £4.5m. and a gift of £1.5m.

For the Uganda government, piecing together all these bits of aid makes considerable complications. Quite aside from the time that is taken up with the negotiations and the concentration of effort by overworked administrators, it makes the task of building up a coherent development programme almost insuperable. Where every country wants its own project, but will only finance part of it, some of the pieces do not fit at all. How is one to use India's surplus capacity in sugar manufacturing equipment? India is not the only country which has offered Uganda sugar manufacturing machinery as aid, but India is prepared to put in the capital in the form of an equity interest and to supply the management. An agreement, indeed, on the sugar industry was concluded between the Uganda and India Governments in September 1964. This is all to the good, but there are still the land development costs to be met in order to grow the sugar cane to feed the mills. Clearly India cannot finance costs which, to her, would involve a large expenditure of sterling.

In circumstances such as these, it might well be beneficial for different donors to combine on a single project with each making its own particular contribution. The advantages of this were emphasised by Dr. Obote, the Prime Minister of Uganda, in his opening address to the Council on World Tensions Conference held in May 1965 at Makerere. 'Suppose', he said, 'we in Uganda wanted to experiment with growing swamp rice on the shores of one of our lakes. It might turn out that the best combination for the project would be American and some Chinese advisers. It is questionable whether we would be likely to get assistance for a project put together on this basis. If we could do so it might be of value not only to us but also to other nations concerned'. Certainly a combined aid operation between the USA and China seems remote at the moment but it would be a pity if the impracticability of co-operation of this extreme case of political incompatibility were to deter other joint operations. Besides the economic advantages that Uganda would derive, there could be political dividends of benefit to all. This theme was stressed by Senator Fulbright earlier this year, who argued that what was needed was a means of converting the foreign assistance effort of the big Powers 'from an instrument of rivalry to an instrument of reconciliation'.

But undoubtedly the obstacles to effective bilateral co-operation are not small and it is not surprising that Uganda has been active in pressing for a UN capital development fund. But even if it were practical and acceptable to those who would have to contribute the major share of the money, it is far from certain whether such a fund would benefit Uganda. Uganda is probably in a stronger position to attract a greater quantity of aid through bilateral channels, even if much of this is primarily for the purpose of establishing and maintaining good political relations, than it would through agreeing with other recipient countries on its appropriate share from multilateral sources. Uganda, as we have seen, is not a country of excessive poverty, and this would not ensure for it the highest priority for aid if it were distributed on a world wide basis of need. Neither is it an obvious growth point, and those who advocate concentrating aid where it is likely to generate impressive economic advancement would find it hard to argue the case for Uganda against the claims of some other countries. In any case, multilateral aid is not necessarily easier to handle or more effective than bilateral. The World Bank loan to Uganda for electric power transmission lines has not been without irksome conditions. The preparation of projects to satisfy the Bank's criteria of aid-worthiness is so complex that loans for other purposes, which have been under negotiation for some time, have still not been agreed on. Some of the UN projects are of distinctly low priority and the UN technical assistance agencies are certainly no better organised to aid Uganda than the bilateral agencies. Marrying financial aid with technical assistance is particularly difficult to achieve in the multilateral programme as at present organised.

Thus it is that Uganda has an aid parcel consisting of many different ingredients from many parts of the world. In the present climate of international relations this heterogeneity is likely to continue. The reality of the situation is that aid to Uganda will continue to flow on both a bilateral and multilateral basis; and the sources of bilateral aid may well increase in number rather than diminish. Politics will determine this and the individual providers of aid are hardly in a position to alter it. What they can do is to endeavour to ensure that the effects of this proliferation are not too damaging economically, and that the donors, in full association with Uganda, all together operate in combination to grapple with the problems of development. To achieve this coordination a heavy responsibility rests on the Uganda government, which is the one common factor towards which the operations of the other governments are directed. Further, it is the Uganda government which has the final decision as to whether or not to accept aid.

5—British Financial Assistance to the Development Plan

Britain has continued to be much the largest source of official external aid to Uganda since independence. It has contributed to EACSO for various East African services; through the Overseas Service Aid Scheme (OSAS) for the payment of salaries and other benefits to those expatriate staff who are in the Uganda Government service, but not financed from the Development Budget; and through the Commonwealth Development Corporation. The East African interests of CDC—which at the end of 1964 amounted to £17.4m.—have been concentrated mainly in Kenya and Tanzania but, with the setting up of the Development Finance Company of Uganda in association with the German Entwicklungsgesellschaft and the Uganda Development Corporation, an important new view of development has been initiated. It is, however, with the financing of the Development Plan that this chapter is concerned; and some two-thirds of the foreign financial aid received since mid-1961 for this Plan has been British.

I Independence Settlement and the First Commonwealth Assistance Loan

On the attainment of independence by a dependency, it has become usual for Britain to negotiate an independence settlement. The legislative authority for aid to *colonial* territories lapses on independence, but there are usually a number of projects already under way at the time which are dependent on aid financing. It is therefore necessary to make fresh provision to ensure that aid already in the pipeline is not cut off. Where a substantial proportion of Government development expenditure has been financed by aid, it is particularly important that aid should not taper off and development expenditure slow down just at the critical period when a new, independent government takes over. The independence settlements have also incorporated such additional arrangements as may be required for the apportionment of the financial obligations arising out of independence, in particular the compensation and pension payments of permanent officials recruited overseas, who leave the service before they are normally due to retire. In the case of Uganda, an interest-free loan of £4.25m. was made to assist the Uganda Government to meet its share of the compensation scheme for overseas officers; and a further loan of £1.75m. in respect of the commutation of pensions of officers retiring from the service.

The aid already in the pipeline at the time of Uganda's independence consisted of the unspent portion of Colonial Development and Welfare grants already committed to specific projects, and the unspent portion of the two exchequer loans for the central government programme. CD & W grants cannot be drawn after independence, but the equivalent of the unspent balance was included in the independence settlement in the form of a grant. The unspent balance at independence (October 1962) was about £500,000., but between the beginning of the Five-Year Plan in mid-1961 and independence in October, 1962, a further £1.45m. had been spent from CD & W funds. The exchequer loans for the Central Government development programme which were repayable over 25 years at 6½ per cent interest, amounted to £2.75m. It was agreed that any part of the loan which had not been spent by the time of independence could be drawn after that time.

To maintain the momentum of development expenditure after the aid already agreed before independence was exhausted (which was by mid-1963), the UK Government made a grant to Uganda of £1.5m. and a Commonwealth Assistance Loan of £2.4m. This brought the total of British financial aid from July 1961 up to £8.6m.* This total seemed sufficient, as far as one could tell at the time, to ensure that the programme would not fail for lack of financial resources, and the British contribution could always be subsequently reviewed, as indeed it has been. There was, further, a grant of £50,000 for improvements to the Uganda Rifles barracks at Jinja, and the United Kingdom continued to meet part of the cost of the military forces—up to £200,000—until 31st March, 1963.

On 1st March, 1962—a few months before Uganda's independence, the details of aid promised by Britain were given in the House of Commons as follows:

(i) The Colonial Development and Welfare moneys already promised to Uganda and unissued at 1st July, 1961, amounted to £1.85m. To the extent that any balance remains unspent at independence, this sum will continue to be available after independence in the form of grants for purposes to be agreed with the Uganda Government.

(ii) A special grant towards the development plan of £1.5m., available to be drawn evenly between the date of independence and 30th June, 1964.

(iii) The Exchequer loan of £2.75m. already promised, to be provided under Section 2 of the Colonial Development and Welfare Act, will be made available towards the development plan before independence.

* This should have been £8.5m. The larger figure is due to the fact that the total of the unspent balance of CD & W schemes turned out to be slightly greater than was estimated at the time.

(iv) A Commonwealth Assistance loan of £2.4m. towards the development plan, available to be drawn evenly between the date of independence and 30th June, 1964.

(v) An interest-free loan of £4.25m., with a period of grace repayment to assist the Uganda Government to meet its share of the compensation scheme for overseas officers.

(vi) A loan of £1.75m. on normal terms for Commonwealth Assistance loans to assist the Uganda Government in respect of the commutation of pensions of officers retiring from the service.

(vii) Her Majesty's Government will continue to meet the costs of Uganda's military forces in the period following independence until 31st March, 1963, up to about £200,000; and will provide the £50,000 required in that period to complete capital works at Jinja barracks.

(viii) HMG will also be happy to enter into a technical assistance agreement with the Government of Uganda after independence'.

The amount of the outright grant element in the independence settlement (apart from grants for schemes already under way) was small, but then Uganda's external debt position at the time was exceptionally good. Apart from its responsibility for the £25m. of overseas borrowing on behalf of the Uganda Electricity Board and for its share of responsibility for the £60m. debt of the East African Common Services Organisation (both of which are for self-financing services), Uganda had virtually no overseas debts on independence other than the recent exchequer loans.

The development grant of £1.5m. and the exchequer loans were not earmarked for any particular expenditure and could, if necessary, be used on local costs. The £2.4m. Commonwealth Assistance loan, on the other hand, was made under Section 3 of the Export Credits Guarantee Act and could be used only for payments in sterling to British suppliers of British goods and services. The loan is repayable over 19 years after a grace period of 6 years. It could be spent on goods used in projects forming part of the Development Plan. If, however, the loan could not be fully utilised in this way, it could be spent on any British capital or semi-capital goods required for additional projects subsequently approved by the Uganda Government. It could not be used (though this was not immediately realised) for the purchase of arms and ammunition or military equipment, but it could be used for expenditure on the police force.

The procedure for drawing on ECGD loans is that the Uganda Government negotiates a contract with a supplier and submits it to the Export Credits Guarantee Department of the Board of Trade for approval. Payment is made out of a special account held in the United Kingdom by a bank nominated by the Uganda Government. The

special account is funded by the Export Credits Guarantee Department through the purchase of promissory notes of the Uganda Government related chronologically to the repayment dates of the instalments of the loan. They carry interest at $\frac{1}{2}$ per cent above the rate of interest at which, at the date of issue, the UK Treasury can borrow for the appropriate credit period. Payments out of the special account can only be made on instruction from the Uganda Government countersigned by the ECGD.

This procedure already formed a regular part of the British aid machinery well before it was first applied to Uganda. Aid to India and Pakistan in particular had been in this form since the 1950's. The advantages from Britain's point of view are that it is easy to administer and that it might seem to minimise the adverse effect of aid on the British balance of payments.*

In the event, the British Commonwealth Assistance loan to Uganda did not prove too easy to use, for most of the development expenditure incurred directly by the Central Government, or local Government expenditure financed from central government funds, is on salaries and wages, local materials, payments to contractors and so on, and does not consist of imported goods. Moreover, since foreign exchange has not been a problem in Uganda and there has been no elaborate control over imports, individual government departments and contractors on government projects are used to buying in the cheapest or most convenient market; but this practice has to be modified when aid is tied. There was also the special problem in Uganda that purchases of British goods that had been previously imported, but stocked by agents in East Africa, did not count for financing by the loan because they were not newly obtained directly from overseas. To use the loan fully, therefore, meant devising accounting procedures to ensure that British goods used in government development projects were all obtained in such a way as to qualify them for being financed under the loan. In fact, however, the only items that appeared suitable for financing from the Commonwealth Assistance loan added up to some £160,000 in 1962/63, and £115,000 in 1963/64.

The only way of getting round the difficulties in utilising the loan seemed to be to extend still further the purposes to which the loan could be applied. It was agreed in March 1963 that the Commonwealth Assistance loan could be used for any Uganda Government direct purchases from the United Kingdom other than consumer goods and raw materials. Also, the period during which the loan could be drawn was extended by one year to June 1965.

* For an analysis of the impact of aid on the balance of payments, see A. Krassowski's *Aid and the British Balance of Payments* ODI 1965, reprinted from the *Moorgate and Wall Street Review*, Spring issue, 1965.

Ordinary expenditure (i.e., expenditure outside the Development Budget) by the Uganda Government in the United Kingdom (through the Crown Agents) runs at £750,000 a year. This could now be set against the British loan and an equivalent sum transferred to the Development Budget. This concession by Britain amounted to making a loan to Uganda for development expenditure without any stipulation as to what the money was spent on, or as to the country where the assistance should be spent.

In the meantime there has been an important shift in the requirements of imported equipment for the development programme. The programme originally reflected very largely the thinking of officials and was therefore closely geared to the capacity within the government service to execute development projects. But this meant that the programme was not getting ahead fast enough. One way of breaking out of the limitation on government spending imposed by the problem of the capacity of the government apparatus to handle investment is to go in for more capital intensive projects. At least in terms of expenditure, far more can get done when the proportion of imported equipment to total costs is high.

The form in which aid is made available determines, of course, the uses to which it can be put. If the development programme does not require British equipment on the scale on which loans are available to finance it, then one answer is to think up new ways of using the imported equipment. The problem is one of carrying out the greatest amount of development that can be financed, under the conditions under which it can be financed. This may seem a short term view, but recipient governments generally seem to feel that it is better to get aid while it is available—even if the terms are less than satisfactory—rather than to lose opportunities for receiving it as a result of trying to negotiate for terms which would be more favourable.

Two recent schemes that have been largely financed out of the Commonwealth Assistance loan are the Group Farming Scheme and a television station. Group farming was started in 1963 and it was intended to bring 40,000 acres under cultivation in 1964. Tractors were required for this and their acquisition was financed out of the British loan. Past experience with the introduction of mechanised farming in peasant agriculture in tropical Africa has not been encouraging. This does not mean that tractors cannot be used to increase labour productivity in Africa, but that there are a great many problems which need to be solved if mechanised farming in peasant agriculture is to be commercially successful. A number of schemes have been operated in Uganda with indifferent success. Apart from the technical problems of operating the equipment on tropical soils, with limited repair and maintenance facilities, there are problems of

training and of the adequacy of the labour force for those operations which cannot be mechanised. Further difficulties arise from the fact that running tractors costs money and that returns per man have to be considerably greater than with traditional methods. Then, too, there is the difficulty of getting the participants in an area in which there is no shortage of land to accept the reorganised farming pattern which is necessary for tractor cultivation to operate efficiently. Above all, the schemes require a high degree of organisation and management in order to succeed. What needs emphasising is that tractors were a convenient article to be supplied from Britain through the loan conditions. They therefore were obtained for a group farming scheme, but the essential and substantial ancillary costs of training, maintenance, and so on, could not be financed under the existing aid arrangements.

2 The 1965 British Loan

Except for £700,000 of the Commonwealth Assistance loan, the development aid from Britain which formed part of the independence settlement had been spent by June 1964. The British Government then offered a further £6m. to Uganda for the last two years of the Plan, that is up to June 1966. Arrangements for using this have now been worked out and in 1965 precise terms were settled between the Uganda and British Governments.

The loan is intended to support the remaining stages of the current Government Development Plan. Its general conditions are that it is to be repaid over twenty-five years with a grace period of five years on capital repayment and with a waiver of interest for five years. The interest charged will be the normal Exchequer borrowing rate plus a small service charge. Taking into account the grace period and the waiver, the effective rate of interest will thus be around 3 per cent. The loan is provided partly from the vote of the Ministry of Overseas Development and partly—about a half—in the form of a loan under Section 3 of the Export Guarantees Act.*

It is not for general development budget support but for specific projects. Nearly half of it is for roads. Agricultural improvements figure prominently. They include contributions to a coffee research station, a Fisheries Training School, and three major items: sisal development scheme, tractors for mechanised farming schemes, and a sugar development scheme. In all, these amount to £1.4m.

Approximately a third of the loan will be used for local costs. This is an extremely useful aspect of it as the financing of local expenditure associated with the carrying out of a project presents real problems for

* Since going to press it has been announced that this loan is to be converted into an interest free loan, thus necessitating considerable changes in the conditions.

Uganda. Labour alone can account for some 40 per cent of total project costs and when one adds to this the use which is made of local cement, timber and other supplies and contractors' services for the provision of drainage, the clearing of the sites and the making of access roads, the importance of finding support for this is clearly no minor one.* This is particularly so for developing countries where problems of mobilising local financial resources are generally somewhat limited. In Uganda increased taxation is still primarily a matter of squeezing more out of the farmers through export taxes on cotton and coffee or through the Marketing Boards. Such taxes are highly dependent on world prices. The wide range of sophisticated techniques employed by developed countries has not yet been established, and as there is no Central Bank as yet, increased borrowing from this source is not open. There are, in short, considerable limitations on the ability of the Uganda Government to support the local expenditures that have been incurred through the acceptance of foreign aid, and the fact that this problem has been recognised and acted on by the British negotiators for the £6m. loan is of immense benefit to Uganda.

The remaining two-thirds of the loan will cover the import content of the projects supported. For some of them the Uganda Government will have to provide the local costs. In the case of the three big agricultural schemes—sisal, mechanised farming and sugar—and for the construction units for bore-holes and access roads Uganda will have to find the entire local costs; but part of the local costs for the main roads will be met by Britain.

Although approximately half of the loan will be restricted to British goods newly purchased from Britain, some will be available for the purchase of British goods already in East Africa. This is an important concession as, although it appears to mean the procurement of British equipment, the agents can replace the article provided from any source and thus does not necessarily represent an *additional* export as a result of the loan. It is not intended to impose any conditions as to shipping.

To summarise, the loan is a mixed bag. Interest is charged but the effective rate is much reduced through important softening of payment conditions; it is tied to projects itemised in the Plan; some of it is tied to British goods, and some of it is for local costs. There are no restrictions on shipping such as is required by US AID.

3 Overseas Representation

British assistance to Uganda is obviously of major importance. It provides already a quarter of the total requirements of the Central

* For a fuller analysis see Mrs. Juliet Clifford's forthcoming article, 'Aid-Tying and the Problem of Local Costs'.

Government Plan and more than a third of the amounts already promised. It is twice the size of the aid of all other donors put together. British support of the Government programme is therefore crucial. Because of this it is highly desirable that the Plan itself should be meticulously examined by the United Kingdom Government so that a careful assessment of priorities can be made and supported. Without this a haphazard selection results with no clear understanding of the priorities involved.

Unfortunately the British aid machinery is inadequate to deal with this process of careful selection. To begin with there seems to be an overfastidious reluctance to take any initiative in the decision-making. The British have been very conscious of being the ex-imperial power and nervous of the charge of being neo-colonialist. They have therefore held back from any active involvement in the essential choices that have had to be made. In the immediate aftermath of independence, this has doubtless been the wise and proper thing to do. The Uganda Government is independent and can do what it likes in its own domestic affairs, and its leaders are much alive to the political and economic problems of their country. But it is equally true that with the immense amount of work that has fallen on the shoulders of their much overworked civil and technical services, Britain could now be providing a most valuable form of aid if it would assist them in their choices; both in the actual process of coming to a decision and in helping to implement that decision through the provision of the necessary capital and/or technical assistance. The present method of selection hardly considers the usefulness of the projects as such. A list appears in the Development Plan, or its revisions, and when it becomes understood that the British Government is willing to make available a few million pounds, negotiations in the course of time begin. The project list is then scrutinised. Those projects with a high import content are the most eagerly sought for by the British Government. As these are most likely to be the most popular ones in the eyes of other donor governments, it is realised that Britain might not be able to win them all. Meanwhile, the Ugandan negotiators are trying to get the British Government to back those projects which have a high proportion of local costs and which are known to be generally unpopular among other donors. In the end a rough balance is reached between British 'interests' and those of the Uganda Government and an aid agreement is signed. The room for manoeuvre on both sides is, of course, limited as both the British and Ugandan negotiators realise that a certain proportion of the assistance is bound to come in the form of tied loans. For the Ugandans to try to press for too much untied assistance would simply mean a reduction in the total amount provided.

Unfortunately little of this has any real relevance to Uganda's economic development. To ensure that the British Government is in a position to make a sound selection and appraisal of projects there must be a group of people resident in the country concerned who are thoroughly conversant both with problems of economic growth and with the particular conditions of the region in which they are operating. It is here that British representation overseas is so important, and it is the office of the United Kingdom High Commission in Uganda that is in a key position in this respect. The senior staff consists of the High Commissioner himself, his deputy, the defence adviser, six first secretaries, four second secretaries, and the trade officer. Of these fourteen persons, three have direct responsibilities for aid. Until recently, the first secretary concerned with aid had political responsibilities as well, but his post is now wholly concerned with capital and technical assistance. He has a second secretary who deals with technical assistance and the trade officer who is responsible for ECGD loans. It is these three who are responsible for the largest foreign aid programme in Uganda, and they are the economic representatives of the country which exports more to Uganda than any other single country in the world.

The burden of work which falls on the High Commission staff is immense. The ordinary day to day administration of technical assistance personnel working in the field can be extremely time-consuming. Personal problems, political complications over individuals, and so on, can firmly anchor a first secretary and his staff to their desks. Further, these problems are those which, by their very nature, have to be dealt with immediately. Then, too, much business is conducted with the Uganda Government whose office procedures have naturally not yet achieved a smoothness in their running which is characteristic of economically more advanced countries. The change over from a colonial expatriate administration to an indigenous one, the building up of new cadres, the need to establish Uganda in the international field, the creation of embassies abroad, the representation of Uganda on United Nations bodies, the inconvenience of having half the Government offices in Entebbe, the old capital, while the rest are in Kampala, the new capital, the building up of new planning sections in the civil services and the staffing of the civil service with Ugandans, British, Russians and Poles, can create problems of personal communication that have a surprisingly ossifying effect on administration.

Under these circumstances the three United Kingdom officers whose responsibility it is to represent Britain in the aid field are immersed in a thickening maze of bureaucratic operations. The effect of this is that there does not exist in Uganda a United Kingdom group

of permanent specialists who can be ready when required to offer advice and guidance both to the Uganda Government and to the United Kingdom on problems of economic advancement, priorities of development and the most effective means of achieving the desired goals. The United Kingdom High Commission as such has no right to interfere in the economic policies deemed to be appropriate by the Government of Uganda. But as the representatives of a power whose declared object it is to assist Uganda in its progress, the High Commission officers are in a position to exert an influence that could be of substantial value to the Uganda people. It is in their interests that the aid received from the United Kingdom should be in a form and of a size that contributes in the most effective way to Uganda's growth. The United Kingdom should be equally anxious to achieve this, otherwise it is wasting the money of its own taxpayers. To give Uganda aid that does not promote its economic advancement will undermine it politically and economically and thus be totally against the interests—political, economic and moral—of the aid-provider.

The staff of the High Commission therefore inevitably find themselves in a pivotal role. They are the 'experts' on whom the United Kingdom Government should rely for advice on the political and economic aspects of the aid programme; they are also the 'experts' on whom the Uganda Government should rely for an interpretation of the United Kingdom aid policies and for assistance in building up and executing their own development plans which are heavily dependent on overseas support. Close mutual co-operation at the personal level is important here, and it is to the immense credit of the present staff of the UK High Commission that in spite of the shortage of persons they are working in the closest harmony with the Uganda Government.

6—American Aid: Procedures and Control

US aid spent or committed for the central government programme in the first three years of the Five-Year Plan adds up to £2.2m. in loans and grants or a quarter of the British aid contributions excluding the recent £6m. loan. As elsewhere, the bulk of American financial aid is for specific projects. The USA is, in the case of Uganda, a minor donor, and thus it is the individual projects themselves that matter rather than the development programme as a whole. The United States can therefore be highly selective in deciding what projects to support. It has people on the spot to advise the US administration on what is the most important contribution that American aid can make. There is a professional staff of twelve in the US Agency for International Development in Kampala (excluding experts on specific technical assistance assignments), and forty-five in the whole of East Africa.

The care taken by the American AID representatives in project selection and the devotion of their overseas representatives is impressive. Other donors have much to learn from American experience in this field. Because of this it is all the more frustrating that the work of the AID office is hindered by a plethora of administrative regulations that must be as irritating and distracting to the American aid administration in the field as to the Uganda government and its civil servants. The description of this, which follows, is not intended as a general critique of American aid in Uganda, which has much to commend it, but of a particular aspect of it which not only makes for less effective use of the support given by the United States of America, but also considerably and unnecessarily tarnishes the American image in Uganda.

American aid is handled by a number of government agencies—the Agency for International Development, the Food for Peace Administration, the Peace Corps, etc.—and this has led to difficulties in Uganda. But the fact that the AID handles the bulk of development loans and grants, as well as technical assistance, means that it is in a much better position than the British have been—until the recent creation of the Ministry of Overseas Development—to supply a package aid programme: to put in the men, as well as the money, that are needed for a specific project.

American aid difficulties have arisen, in the main, on the administrative side: from an insistence on elaborate standardised procedures with little regard for how good are the procedures already used by the Uganda government for ensuring proper control over expenditure;

from an insistence on procedures which are largely irrelevant to the purposes for which the aid is being given; from the fact that quite minor decisions have to be taken in Washington, with all the volume of explanation and possibilities of misunderstanding that this involves; and, as in Britain's case, from trying to devise means to check the drain on foreign exchange arising from the provision of aid to East Africa.

I Educational and Agrarian Priorities

There can be no doubt that the United States has judged soundly about the broad types of development it should support in Uganda. The bulk of American aid to the present Plan has been for education and agriculture.

The first educational grant was for a secondary school for 400 girls at Tororo. The school is to have a teaching staff of twenty and it is stipulated that the headmistress must be American. £500,000 has been spent on the construction; recurrent costs are estimated at £125 per place per annum. The Tororo school is very much a show-piece; it has involved about twice the normal construction costs in Uganda of £600 per place, and has also taken twice as long to build. Tororo's very magnificence could prove unfortunate for it is in such startling contrast to most secondary schools in Uganda that it may encourage an undue sense of privilege amongst staff and pupils who attend it.

A further grant of £300,000 was made for the construction costs of expanding four other secondary schools. There have also been two loans for other education: one of £860,000, signed in October 1963, for the expansion of eleven senior secondary schools, and another of £140,000, signed in mid-1964, for the Kyambogo Teacher Training College. The possibility of a further loan to support the re-organisation of teacher-training for primary teachers is also under consideration by AID.

Primary education in Uganda* is at present for six years, followed by two stages of secondary schooling: a two-year junior secondary and a four-year senior secondary course leading to Cambridge School Certificate level. The position in 1963 was that 469,000 children, or 43 per cent of the number in the relevant age group, were at government primary schools, 40,000 or 13 per cent at junior secondary school; and 15,000, or 3 per cent, at senior secondary schools. The critical shortage of students for training for any of the professions is indicated by the fact that the number of Ugandan Higher School Certificate passes in 1963 was under 200. Clearly the most urgent task is to recast the educational structure so that it does not taper almost to vanishing

* For a fuller description of education in Uganda and of educational aid to Uganda, see the companion volume to this study—*Aid in Uganda - Education* by Peter Williams. Published by ODI, 1966.

point, rather than to broaden the base. Thus the background to the US support for secondary level education was the intention of the Uganda government to raise the number of children at primary school only in those areas where the proportion of the total eligible population at grant-aided schools was below 50 per cent, to integrate the junior secondary schools into a re-organised primary system, and to increase the number of School Certificate places (the first four years at senior secondary school) to 20,000 and that of Higher School Certificate places to 1,500 by 1966.

Grants for agricultural and livestock development have totalled £275,000. Of this, £130,000, mainly in the form of insecticides and equipment, was for tsetse clearance in Ankole, £80,000 for the construction of cooperative training wings at fourteen district farm institutes. A total of £285,000 has also been put into a revolving loan fund for small scale agriculture. In May 1964 an application by the Uganda government to AID was made for a loan of £700,000 to finance a ranching scheme in the area which had been cleared of tsetse fly in Ankole. The United States also made a loan of £700,000 to the Uganda Development Corporation in October 1963. This is wholly tied to imports of US goods.

2 PL 480

The US grant, for the expansion of four secondary schools, was financed out of PL 480* counterpart funds. Under this programme the American Government delivered wheat to East Africa in 1962, after drought and floods had reduced the wheat crop there by 30 per cent. 40,000 tons were imported from American Government stocks and a slightly larger quantity purchased from Australia and the Argentine, giving a total supply from all sources of 160,000 tons.

On receiving US commodities under this scheme, the recipient government pays the local currency equivalent of the import price into a special fund, which is then available to finance development projects jointly agreed by the two governments. This is simply an accounting procedure; more money has in fact been created as a result. It is necessary, because consumer purchasing power has been reduced by the sale of goods for the production of which no cash has been disbursed in the economy of the recipient country. There must be an equivalent government expenditure to restore this purchasing power to the economy. Where the sale of American government wheat was controlled on an East African basis, the 'counterpart' funds were divided among the three territories.

* Public Law 480 is the title of the U.S. legislation which allows surplus U.S. food-stuffs to be transferred overseas to meet emergencies and for economic development. Shipments may be in the form of a gift or repayable in dollars or local currency.

The purpose of the 1962 deal was to meet a temporary shortage of wheat, without too great a drain on foreign exchange reserves, not to make additional finance available for development. It would however be perfectly possible to finance a certain amount of development expenditure in this way, even in normal crop years. The more money the government spends on wages and goods with a large local labour content, the greater the demand for, among other things, maize, fats and other commodities currently in surplus in the United States. Chinese aid to Tanzania is being used to finance development expenditure through the sale proceeds of Chinese consumer goods, in this case manufactures. The important distinction between this and US surpluses available for aid is not that the latter consist of agricultural products, but that these products are also being produced in East Africa. Increased government expenditure will raise the demand for the type of goods imported under these programmes. This may not, however, be sufficient to absorb the total on the market from imports and domestic production without lowering prices to local producers, and may therefore discourage them from raising their output.

3 Loan Repayment Conditions

The AID loans are repayable in dollars over forty years, including a ten-year grace period. The first two of the loans, for the eleven secondary schools and for the UDC, carried interest at $\frac{3}{4}$ per cent on the unrepaid principal. On the more recent loans, interest charges have been raised to 2 per cent per annum after the first ten years. Except for the loan to the Uganda Development Corporation, the money can be spent on goods originating either in the United States or in East Africa. AID regulations stipulate that not more than half of local costs of the project can be financed out of the loan, but the precise significance of this depends on how one defines the project and where its boundaries are limited. The intention of this rule is to limit the extent to which dollars used to finance aided projects are ultimately spent on imports from other countries.

The US government, quite rightly, is at great pains to assure itself that the projects it supports are worth financing. Project preparation has, of course, to be done in any case, for the purpose of drawing up and implementing the Plan. But it is one thing to prepare a project which will enable decisions to be taken by people in Uganda who are already familiar with the background; and quite another to prepare it specially for scrutiny by officials in Washington. The ability to prepare projects which make a major contribution to economic and social development is, perhaps, one of the most critical limitations to development in Uganda, and there is certainly no spare capacity in Uganda's administration, and time spent on the preparation of projects which

in the end never get financed at all by outside aid cannot be afforded. The local AID representatives should be in a position to advise governments what projects are likely to prove acceptable for financing, but they do not always manage to do so.

After an application has been submitted it may take up to a year before a loan agreement can get signed. This means that the timing of projects is not scheduled according to their relative urgency to Uganda's development, but simply according to the administrative delays encountered with the aid-giving agency with which one happens to be negotiating.

Once a loan agreement with the Agency for International Development has been signed, this does not mean that one can start spending the money. Prior to the invitation to contractors to bid, the Washington office of the Agency must receive and approve the invitation to tender, the form of the tender, the proposed form of contract, the final plans, and the bills of quantities. Prior to the award of the contracts, the Washington office of AID must further receive and approve both an analysis of the bid, listing the bids of each bidder; and the award recommendation, containing the name of the contractor and his qualifications, including his past work and a certification that the contractor is a local firm.

4 Control over Disbursements

When disbursement begins it is subject to a host of detailed requirements concerning records, progress reports, inspection, limitations on the use of funds and special provisions to be complied with. Thus the agreement with Uganda on the secondary schools loan makes provision for various records to be kept and reports to be made. These include records relating to the acquisition of eligible items, that is to say goods purchased with the loan. These are to be retained for at least five years after final disbursement. It is also necessary to keep records dealing with the utilisation of eligible items with project operations and with financial conditions of the project. These records have to be retained until all sums due are repaid, that is to say for forty years. Quarterly shipping reports on goods imported for the project are required, and these must classify vessels by categories and whether they are under the US flag or not. Operations reports for each of the eleven schools, including budget, staffing and enrolment, must be submitted annually for the first five years following completion of the project and thereafter as required. The contractor has, further, to maintain adequate records concerning transactions under the contract. These records include returns backed by delivery dates and the relevant documentary evidence showing the source and origin of all claims for payment for work performed, such records to be supported by the quantity surveyor's

certification. These records are to be available for inspection by the employer and AID for a period of three years after final payment under the contract.

These are just some of the conditions involved in an AID loan designed to ensure that the loan is properly applied and properly spent. AID does not, of course, have the staff to check up on all these records and reports; they are simply there to enable, in theory, checks to be made should queries arise. AID must of course have procedures to enable it to know how its money is being spent, but too often they seem to duplicate the procedures of the Uganda Government for achieving the same purpose. Some of Uganda's own regulations might be quite adequate for practical purposes with suitable modification where stricter accounting methods were required. Nor is the task of government officers made any easier, in a period of high turnover of senior staff and rapid Africanisation, by the introduction of fresh conditions during the course of negotiations.

Apart from measures which seek to ensure that the loan is properly applied, there is a whole, and again changing, series of incidental conditions to be complied with. Some are of major political importance to the United States, and some are concerned with such trivialities that they border on the bizarre.

Imported goods financed by AID loans must be purchased in the United States. It is further stipulated that no goods used in an AID-aided project (whether or not the goods in question are being paid for with American money) may be purchased from certain Communist countries or from Cuba. This stipulation is perhaps unavoidable if the necessary aid appropriations are to be passed by the US Congress. It is however of little practical value to the US in Uganda, and is merely an extra complication for Uganda to contend with.

Another politically inspired requirement is that no goods financed with AID loans may be transported on an 'ineligible' vessel, without AID approval. A statement reporting compliance has to be submitted within forty-five days of the end of each calendar year. In July 1964 240 'free world' and Polish ships, of which 89 were British, were 'ineligible' through having called at Cuban ports since 1st January, 1963. Revised lists are not sent each month. It may well be objectionable from the American point of view that the owners of ships which trade with Cuba should benefit from the transport of goods financed by the American taxpayer. But keeping a check on all the multitude of diverse American requirements is a very real cost for the recipient country.

Then there are the various American sectional interests, which need to be considered. There is the requirement that 'at least 50 per cent of the gross tonnage of all goods (calculated separately for dry bulk

carriers, dry cargo liners and tankers) financed hereunder which shall be transported on ocean vessels shall be transported on privately owned US flag commissioned vessels'. Since Uganda has no port, and goods landed at Mombasa may have been transshipped at Rotterdam or elsewhere and form part of a cargo for other destinations, there is an enormous amount of clerical work involved in checking whether this requirement has been complied with.

To ensure that the small American business-man is not left out 'any purchaser of goods financed under the agreement shall, before placing an order for more than \$5,000, furnish in duplicate by registered airmail to the office of Small Business, Department of State, AID, Washington, a description of the goods, with specifications in US standards . . .'

5 Aid and the US Balance of Payments

Any dollars provided to Uganda for financing the local cost component of development projects must eventually either be spent on imports of goods overseas from abroad or increase Uganda's foreign exchange holdings. In either case, the dollars may be switched into other currencies and thereby result in a 'loss' of dollars by the United States to the United Kingdom or other suppliers of goods to Uganda. To keep this outflow of dollars—which cannot be controlled in the same way as expenditure on direct imports—in line with the inflow (to the US) of dollars from purchases in the United States by Uganda, it was agreed in April 1963 that 'AID will provide dollar funds for financing its share of local costs . . . in accordance with arrangements which will provide that such dollar funds will be released to the cooperating country upon a showing that goods and services of US source and origin (not financed by AID) of at least equivalent value have been procured in the United States under conditions to be mutually agreed upon'.

It took fully twelve months of intricate negotiations and exchange of notes and memoranda for these conditions to be agreed. This is hardly surprising, for with most of the economy in private hands, and in the absence of any extensive exchange and import control, the Uganda government has few means of influencing the extent to which money originating in Uganda is used on purchases from the United States. Another difficulty arose over the fact that only about one-third of the American goods imported into Uganda are purchased directly in the United States. It was therefore agreed between the US, Kenya and Uganda that 10 per cent of Kenya's imports from the United States would count towards Uganda's quota. Direct imports into Uganda in 1962 were just under £1m. and the addition of 10 per cent of imports into Kenya almost doubled this figure.

Thus the procedure now is that the Uganda government advances the money for the non-dollar cost of all AID loans and grants, as well as the local administrative expenditures of AID. The government is automatically reimbursed by a Special Letter of Credit in the United States. This can be spent on any goods and services in the United States or converted into cash to the extent that it can be shown that there have been equivalent national imports (including the agreed share of imports into Kenya) of US goods or the use of US services. To establish this, a copy of the bill of lading, the invoice and proof of payment must be submitted for every item.

There is no doubt that the aims of US policy would be better served if the AID staff on the spot were left to work out local agreements on detailed subsidiary administrative points. The alternative method of trying to apply to all aid recipients standardised procedures drawn up in Washington is clumsy and inflexible. In Uganda arrangements for the effective utilisation of aid must be based on recognition of the fact that Uganda, which is by no means the worst served in this respect, is desperately short of skilled staff to handle complicated procedures. Nor does Uganda, like most African countries, have the numbers and quality of clerical staff found for instance in India and Pakistan who can compile records, fill in forms and answer questionnaires as a matter of routine.

7—Technical Assistance

The economic development of Uganda requires not only sufficient capital for investment in productive enterprise in agriculture and industry: it depends to an even greater extent on the skill and resourcefulness of Uganda's people. Capable entrepreneurs, managers and skilled workers are required in all fields of economic activity; whilst the public service also needs highly educated and experienced personnel.

It is now apparent that under the British colonial regime sufficient attention was not paid early enough to the education and training of the indigenous population. Almost all jobs of authority and responsibility were, until quite late, filled by expatriates both in the civil service and in industrial and commercial firms. Although education and training grew quite rapidly, there was a tendency to regard them as 'spending' or 'consumption' rather than as a necessary investment, and it was not until the 1950's that a really energetic policy of educational development came to be pursued using the accumulated reserves which the country had built up in times of prosperity. In retrospect, however—and with the wisdom of hindsight—it can be seen that even these efforts were not sufficient to prepare Uganda for the unexpectedly rapid rate of constitutional advance, culminating in Independence, that was to follow.

Independence itself puts a heavy burden on the manpower resources of a new country like Uganda for at least three reasons. First of all, true independence naturally requires that essential decision-making shall be in the hands of nationals of the country. Thus the civil service requires to be 'Ugandanised', particularly in the top posts. In other cases, expatriates may have to be replaced not so much because of a policy of Ugandanisation, but because they themselves may choose voluntarily to return home to their own countries when the transfer of power takes place. Second, an independent country takes on new functions and must, for instance, set up and staff a Ministry of External Affairs at home, and diplomatic representation and missions overseas. Third, in their enthusiasm for pushing forward economic and social development, new nations often add considerably to the functions of government. Planning agencies, development corporations and the like are established and this wide range of activities needs not merely more staff, but staff of a very highly sophisticated kind. All these trends have been very evident in Uganda itself, and the acute shortage of local skills has only been aggravated by a disinclination to make full use of the capacities of educated Ugandans of Asian origin.

The dearth of educated local people has meant that Uganda has

been heavily dependent, both before and after independence, on foreign countries for skills and professional services. This situation is bound to continue, even though Uganda is now expanding her education system and training institutions as far as her resources, supplemented by foreign aid, will allow. Formal education is a slow process, taking at least 9½ years in Uganda from the beginning of secondary school till the end of a three-year university course. From this, it can clearly be seen that any policy of expanding the local supply of skills must be very long term. Moreover, any decision to expand education and training facilities puts an additional strain on current resources of educated people, for it implies that educated people must be diverted into teaching and training instead of other branches of the civil service or other economic sectors. It also means that those students who would otherwise be available—as, say, primary school leavers or school certificate holders—to take up jobs, must instead remain within the education system for a further period. In Uganda, for instance, it has been estimated that about half the numbers of Ugandans who have ever gained a school certificate at any time in the past are at present in the education system as students or as teachers. Education involves the short-term withdrawal of skills from all other sectors of the economy as well as the long-term creation of skills for those sectors. Paradoxically, therefore, the corollary to an all-out expansion of education and training by a country in Uganda's position is, in the short-term at least, an even greater dependence on outside supplies of skills to meet current needs.

It is very difficult to arrive at any precise estimates of the gap between available skills in Uganda and those needed for the effective operation of the administration and economy now; or indeed between the skills that Uganda *expects* to produce in future from her own resources and those she will require if her development plans are to be implemented. As for the present situation, all the indications certainly are that there are severe shortages which can only be filled from abroad under technical assistance. The only exact figures are for the civil service, where in the Autumn of 1964 4,500 out of 22,000 posts were vacant, including almost one-quarter (280 out of 1,130) of the professional administrative posts and over one-quarter (1,400 out of 4,600) of the technical and executive posts. Of those actually employed in these grades, expatriates numbered 330 and 850 for the respective categories. Outside the civil service, however, it is less possible to be precise about vacancies because of the absence of any formal staff 'establishment' of the type that the civil service has. However, the Government's detailed survey of present manpower stocks and needs has now been undertaken by the planning authorities in connection with the Second Five-Year Plan to be published later in 1965, and an

attempt is to be made in Uganda to integrate manpower with educational and overall development planning. The precise estimation of the 'gap' between local supply and needs is likely to turn on somewhat arbitrary assumptions made about the relationship of high-level manpower to economic growth; but most of the specialists seem to agree that Uganda is likely to need much more technical help in the coming years than she receives at present if the Plans are to be fulfilled. In education, for example, the authorities have estimated that Uganda will need 970 expatriate teachers in 1970 compared with the 750 serving now.

Before independence, Britain was virtually Uganda's sole source of overseas skills and technical help. Public servants for the administration, whether local or expatriate, were appointed by the Governor and formally employed (and entirely paid) by the Uganda Government itself: but where personnel were required from abroad, these were generally Britons selected and recruited through the Colonial Office or the Crown Agents in London. For most of the colonial period, recruitment was generally on permanent and pensionable (i.e., career) basis, though latterly contract appointments became more common. It is worth noting that under this system, which lasted until the Overseas Service Aid Scheme was introduced in April 1961, the only sense in which Uganda was being assisted was with training and selection of expatriates: no financial contribution to their pay was received from abroad. It is, of course, doubtful whether even the selection service could actually be called 'assistance' to Uganda, since the Colonial Services were, in effect, the instrument of British control over its dependencies even though they were technically serving the overseas governments.

Some genuine technical assistance was provided by Britain under the Colonial Development and Welfare programme, however. This included the occasional supply of experts in connection with capital schemes, research services, mapping by the Directorate of Overseas (formerly Colonial) Surveys, geological survey work by Overseas Geological Surveys (formerly Colonial Geological Surveys), the training of Ugandans in Britain, and so forth.

Around the time of independence, however, many more donors apart from Britain started giving technical aid to Uganda, and the list of donors today is long and impressive. Thus at the beginning of 1965, there were in Uganda experts from the following international organisations and bilateral national donors: UN, FAO, IAEA, ILO, UNESCO, WHO, Britain, Canada, France, West Germany and Norway, USA, USSR. In some cases, the same country was supplying help through two or more agencies—e.g., USA through AID and the Peace Corps, Britain through the Ministry of Overseas Development

and Voluntary Service Overseas, and so on. Quite apart from this, a great variety of Foundations, Trusts, and voluntary agencies were financing personnel, research work, training, etc., either at Makerere University College or in other institutions. Then there are countries giving scholarships, amongst which the Ugandans list (in order of numerical importance late 1964) Britain, USA, India, West Germany, USSR, Yugoslavia, Sudan, Canada, Czechoslovakia, Pakistan, UAR, Israel, Bulgaria, Hungary, Ghana, Italy, Sweden, France, Denmark.

A number of different Uganda agencies deal with technical assistance on behalf of the Uganda Government:

- (i) expatriate civil servants come under the Establishments Division of the Prime Minister's Office, which puts in 'indents' to Overseas Governments and authorities (mainly in fact to Britain) as and when required and is responsible for matters concerning expatriates' terms of service;
- (ii) other technical assistance personnel and survey or consultancy services—i.e., advisory experts who do not technically enter the service of the Uganda Government—are the responsibility of the Central Planning Bureau (CPB). The CPB also has responsibility for all overseas training of experts' Ugandan counterparts. It also deals with all technical assistance from the UN Expanded Programme of Technical Assistance (EPTA) and Canada;*
- (iii) the Training Division of the Prime Minister's Office deals with overseas training of Uganda public servants—this is mostly a question of short courses and attachments abroad;
- (iv) the Foreign Scholarships Committee, with a joint secretariat from the Ministry of Education and the Ministry of External Affairs, deals with foreign offers of scholarships for *students* who are not yet employees of the Uganda Government, and want to obtain basic qualifications. Until very recently these foreign scholarships were the responsibility of the Committee which allocates Ugandan Government scholarships for overseas study—the Central Scholarships Committee; but, largely as a result of political criticism that Eastern Bloc offers were not being fully utilised, the division of responsibility was introduced.

* This is because the UN and Canada allocate to Uganda in advance a sum for technical assistance allowing the Ugandan authorities to decide what type of technical assistance (e.g., experts, training, scientific equipment, etc.) to draw against the total, and this of course raises issues of priorities in allocation. Other donors do not commit themselves to any specific figure but are prepared to deal with requests on an *ad hoc* basis as they are received. In their case, there is no theoretical limit to the number of requests that can be entertained and the question of allocation does not arise. Recipient governments, of course, like to feel that they have an 'entitlement' whose use they are free to plan and dispose of: on the other hand, it may be argued that they can sometimes get more from a donor by a series of requests than if there were an agreed sum at the start.

The large number of external donors of technical assistance does present many complications if the offers are to be accepted and the resources put to effective use by Uganda. Although technical assistance is given on a grant basis and not a loan basis—and therefore it often seems tempting to accept it for political reasons if for no better ones—it is not, in fact, by any means cost free to Uganda. In the case of expatriate civil servants supplied by Britain under the Overseas Service Aid Scheme Uganda contributes the local salary, as is, of course, quite natural and acceptable. But with advisory experts from abroad, a variety of different demands for services and facilities are required of Uganda by donors. Thus with regard to housing, of which there is a desperate shortage in Kampala and Entebbe, the Canadian and German experts expect to get housing free; British experts receive subsidised housing; UN experts pay the full economic rate but expect assistance in finding accommodation; the Americans arrange and pay for their own housing. The donor normally contributes the full salary of the expert and his travel to Uganda, but there are variations: for instance, the UN Expanded Programme of Technical Assistance requires Uganda to contribute 12½ per cent of the gross costs of the expert—which works out at £800–£900 a year for Uganda—and the Special Fund expects a contribution of not less than 30 per cent of the project and also requires 15 per cent of the gross cost of expert personnel to be paid in cash by the receiving government. Britain charges 15 per cent of the cost of consultancies. Because of the variations in procedure, which can be administratively very time-consuming, the East African countries are trying to introduce standardised terms of service for all overseas personnel—differentiating only between the operational civil servant and the expert adviser. A proposal along these lines was submitted to a conference of technical assistance donors held under the auspices of OECD and the East African Governments held in Nairobi in 1964 and met with a favourable response from the donors represented there.

A major problem for Uganda in taking advantage of all the various offers of technical help arises from differences between herself and donor countries in such fundamentals as language or economic and administrative structure. An extreme example of this is the case of the three Soviet economic planning experts working in the Central Planning Bureau in Uganda. They have two special Soviet interpreters with them, through whom they communicate with their colleagues. This, of course, is hardly a typical example: but it is more generally true that there are awkward problems of adaptation to the Uganda system of government and organisation for almost all foreign experts. The British naturally find this less of a problem than most others: but from Uganda's point of view it is naturally regarded as undesirable to

have too heavy a concentration of advisers from Britain, the ex-imperial power.

Often requests for experts cannot be met by donors at all quickly, for recruitment may prove lengthy and complicated. A definite temptation for a country with urgent needs which is faced by many donors is to duplicate requests in order to save time in recruitment. Uganda enjoys quite a good reputation with donor agencies for keeping them fully informed about duplicated requests on the few occasions when these have been made. On their side, the Ugandan authorities do find donors' delays in recruitment extremely troublesome and they often causes delays in launching new development schemes.

In similar ways, the multiplicity of donors creates its own difficulties with regard to overseas study and training. As with the supply of experts, the terms of overseas scholarships vary widely. Most donor countries reckon to provide the full tuition and maintenance of scholars once they are in the country of study, but some pay full travel costs while others don't. Moreover, the standard of maintenance varies widely and the Uganda Ministry of Education has had to consider on occasion whether it might not be necessary to 'top up' from its own resources the value of the overseas award. Again, just as with requests for experts, it is a complicated administrative task to match up potential candidates with the various overseas offers of scholarships. The current position is that Uganda has comparatively few candidates capable of meeting entrance requirements of higher courses abroad and of benefiting fully from them. This creates a dual problem. On the one hand, overseas donors of scholarships may reject as unsuitable the candidates submitted by the Ugandan authorities. On the other hand, the 'bargaining position' of the well-qualified young Ugandan is strong and he may be able to pick and choose more between various offers. This may often result in some 'low prestige' donor countries not having their offers accepted. Then again, because of delays, it may frequently happen that a boy who could have had an award from country A applies instead to country B and is unsuccessful: by which time it may be too late for him to take up the offer of country A. Many of these difficulties would be solved if there were a clearing house arrangement in Uganda covering all the major external donors of scholarships in association with the Ministry of Education; but in fact each likes to keep full control over the offer of awards, selection, etc., and so Uganda has to struggle on as best it can with the present system.

The question of the recognition to be accorded to overseas qualifications is likely to become progressively more important as the 'bulge' in overseas scholarships awarded in the early 1960's is reflected in greater number of Ugandans returning home on completion of their

courses. Clearly not all the diplomas and degrees awarded overseas are of equal standard and value: but to discriminate between them for purposes of promotion and salary increments is an extremely delicate task which is likely to cause the Ugandan authorities many headaches.

I Operational Personnel for the Public Service

As already explained, Uganda still depends quite largely on expatriates to man her civil service, despite the fact that rapid Africanisation has been taking place over the past five or six years. The traditional source of supply for these overseas public servants is Britain and, although Uganda has now enjoyed independence for three years, she still avails herself of the recruitment services offered by the British Government to help meet her requirements. Apart from Britons, Uganda employs a few other expatriates in her public service through aid arrangements. Thus the American teachers recruited under the Teachers for East Africa Scheme are formally employed by, and receive their basic salary from, the Uganda Government, though they are recruited through, and have their salaries topped up by, US AID. The United States is now considering providing more operational personnel to the civil services of African countries. The United Nations is also beginning to provide operational staff for established posts on the same basis through its Expanded Programme of Technical Assistance: again the personnel occupy established Uganda Government posts and receive the local salary from Uganda, which is then topped up from EPTA funds. The arrangement is, of course, similar to the Programme for the Provision of Operational Executive and Administrative Personnel (OPEX) scheme, though it is financed separately from it. But these UN arrangements are not expected to cover more than about twenty posts in 1965.

By contrast, the number of British personnel in the Uganda civil service was in the region of 1,200 at the end of 1964, the numbers having declined (through retirements) from about 1,700 at Ugandan self-government in March 1962. At that time (March 1962) most of the Britons in the Uganda Government service were on permanent and pensionable (career) terms, being members of Her Majesty's Overseas Civil Service (formerly known as the Colonial Service). This was the case with 1,200 of the 1,700 in Uganda in 1962. Since the early 1960's, however, career service recruitment has ceased and has been replaced by contract recruitment (normally for 21-27 months in the first instance). The position has thus changed radically, with under 500 now being on career terms and about 700 on contract. A rough breakdown by work categories at 31st December, 1964, shows:

<i>Work Category</i>	<i>No.</i>
Agriculture	218
Economic Planning	38
Education	370
Health	158
Industry, Commerce, etc.	159
Public Administration	64
Public Utilities	7
Social Services	123
Other	90

(The total of 1,227 also includes a handful of British 'experts' under SCAAP—Special Commonwealth African Assistance Plan—arrangements.)

The status of these Britons in the Uganda civil service is that they are employed by, and receive their basic salaries from, the Uganda Government. The role of the British Government (Ministry of Overseas Development) is to assist Uganda in recruitment and with financial support under the Overseas Service Aid Scheme for the 'topping up' of salaries and payments of their allowances.

The Overseas Service Aid Scheme was introduced in April 1961 and was designed to enable dependent and newly independent countries in the Commonwealth to retain and to continue to attract the services of the British officers on whom their civil services largely depended. It applied both to Britons already in post in April 1961 and to any subsequently recruited. Initially the Scheme was planned to last for ten years until 1971. The Scheme continues in force after countries gain independence if they wish it to do so. The financial help provided by Britain (via Overseas Governments) under the Scheme includes:

- (i) full payment of expatriate salary allowances (less local tax element);
- (ii) full payment of additional part of pension or contractual gratuity related to (i);
- (iii) full payment of children's education allowances;
- (iv) half the passage costs of the officer and his family;
- (v) half the compensation on premature retirement of permanent and pensionable officers.

In Uganda, the Scheme costs Britain a total of about £6.9m. in the first 3½ years up to December 1964—£1.4m. in April–December 1961, £1.8m. in 1962, £1.9m. in 1963, and £1.7m.* in 1964. (In addition, Britain has also contributed £11.2m. under OSAS in the years 1961–4 to the East African Common Services Organisation, of which Uganda is a member.) Quite a large part of the £6.9m. received by Uganda, especially in the early period, was accounted for by compensation and

* The dominance of OSAS in British technical assistance to Uganda is demonstrated by the fact that in 1964 the £1.7m. spent under OSAS compared with only £¼m. other British technical assistance expenditure.

this still represented £1.1m. out of £1.9m. in 1963 and £600,000 out of £1.7m. in 1964. The level of other (non-compensation) allowances now averages about £800-£1,000 per man year, and the total of such costs in Uganda actually rose between 1963 and 1964 from £840,000 to over £1m. The increase was accounted for partly by a rise in allowances which took place in 1964—the overseas addition (item (i) above) is now calculated at about 28 per cent of the basic salary—but also reflected a high rate of recruitment from Britain to the Uganda public service which largely offset retirements.

The value to Uganda of the Overseas Service Aid Scheme is considerable. At 30th September, 1964, OSAS accounted for some 1,097 people. Although this was only about 6 per cent of the total numbers in the Uganda civil service, OSAS personnel were much more heavily represented in senior posts accounting for some 30 per cent of professional and administrative staff and 27 per cent of those in technical posts. The cost of OSAS to Britain of over £1m. per year, including compensation, is the equivalent of 3 to 4 per cent of Uganda's budget. It is difficult to see how Uganda could have afforded to attract the personnel she needs from overseas if this help had not been forthcoming. Schemes like the Teachers for East Africa Scheme, where the financial support for British participation comes from OSAS funds, are playing a major role in sustaining Uganda's development.

Two restrictions on OSAS payments are now being lifted through the Overseas Development and Service Act of 1965. The first is the stipulation that OSAS only applies to central government employees: provision is now being made for it to be extended to any public service employee including those in universities, local governments, statutory corporations, etc. The second restriction now being lifted concerns the way in which payment is made. Until now, payment has not been direct to the individuals working overseas but has been through the overseas government. This arrangement has been somewhat embarrassing to Uganda and some other overseas governments, who have found it awkward to pass the large sums involved through their budgets which have to be voted by Parliament. The Overseas Development and Service Act will remove this difficulty by making it possible to make payments direct to individuals. Such an arrangement will also have the merit of relieving Uganda of the administrative work of making the payments.

It has even been suggested in Uganda that the British Government might have a separate contract with individual OSAS personnel. These personnel would then have one agreement about basic terms of service with the Uganda Government and another agreement dealing with expatriate inducement allowances, etc., with the British Government.

This new provision for direct payment could perhaps prove to be the harbinger of a new relationship between the British Government and the personnel it recruits under OSAS for overseas governments. Britain has always taken the view that it would be entirely improper for the British Government to have any form of contract or relationship with the civil servants of overseas governments since this would constitute interference in the internal affairs of another country. Most people would accept this as a desirable principle in so far as it relates to the content of the work of expatriate civil servants, whose sole loyalty must be to their overseas employer. But where this arrangement tends to break down is in the uncertainty it creates for the man (or woman) recruited on a short contract as to whether and where he will be able to obtain further employment after his contract expires. The point at issue is whether the British Government as the recruiter, and in some senses the sponsor, of Britons going overseas under OSAS does not in fact have some continued responsibility for those whom it has recruited, at least as regards their welfare and well-being in overseas countries and their future employment at the end of their contract periods. Unless the British Government takes some direct continuing interest in the employment plans of those it has recruited, there is a danger that, because of uncertainty about the future, technical assistance personnel may return home unnecessarily early to more certain job prospects. Already the turnover of staff employed on the two-year contract system threatens to become too great for efficiency—and this is especially true in education—so that any action which can be taken to encourage staff to renew their contracts and stay longer in overseas posts would be especially welcome. It seems more than likely that any continuing relationship between the British Government and those it has recruited for overseas service would—by modifying the sense of being ‘out on one’s own’ that many OSAS personnel in independent countries undoubtedly feel—contribute to an improved technical assistance system.

Of course, a primary responsibility for terms of service must still rest with the Uganda Government itself and there is no doubt that the possibility, now being considered, of having longer-term contracts might go a long way to ensuring a more adequate supply of personnel from overseas. The contracts would need to provide good financial inducements for the person ready to stay in Uganda for an extended period, and it is very possible that they would also need to be underwritten by Britain’s Ministry of Overseas Development; for it is not at all sure, in view of the turbulent history of some new states, that a six- or ten-year contract with an African government would be attractive enough on its own. Certainly those with no previous experience of Uganda would hesitate to sign for long simply ‘on spec.’;

though it is possible that those who have already been in the country long enough to know how pleasant life in Uganda can be would welcome the chance to settle their future employment for a number of years ahead.

Another aspect of the employment of British personnel overseas in countries like Uganda which appears to need modification is the arrangements for pensions and compensation. Before self-government and independence, Britain insisted that when expatriate career civil servants were replaced by locals, they must be compensated for loss of career by the overseas employing government, which must also pay the pension. This was despite the fact that the expatriates concerned had been selected through the British Government and that recruitment policy for the dependencies had been determined by the Colonial Office. In the event, the compensation payments turned out to be generous and poor countries found themselves faced with paying large bills as the price of 'buying out' foreigners and appointing their own nationals to civil service posts. Of course, most African countries, Uganda amongst them, could not meet the bill, originally estimated at a total of £8.5m. in Uganda's case—over £7,000 per head. Britain therefore agreed to give half the sum under the Overseas Service Aid Scheme and to lend Uganda the other £4.25m. These loans were made on an interest free basis with a six-year grace period and are then repayable over six years. But it is doubtful whether in fact Uganda will ever be able to repay them. It would seem more realistic as well as more equitable for Britain to decide to convert the loan to a grant and to take over responsibility for all future compensation payments.

The British Government might also take a close look at the pensions Uganda still pays to retired career service expatriates to see whether more relief might not be given here. The present overall pensions bill in Uganda is about £1m. per annum, three-quarters of which is paid in the United Kingdom to expatriates, 14 per cent goes to Asians, and 11 per cent to Africans. Britain is lending Uganda money to meet some of her pensions obligations. The loan amounting to £1.75m. is for the lump sum commutation of part of the pensions of expatriate civil servants and not for payment of Uganda's annual pensions bill. The loan is repayable over six years after a six-year grace period but carries interest at rates of $5\frac{1}{2}$ to $6\frac{3}{8}$ per cent, but here again the question arises whether it would not, in fact, be wise as a long term policy for Britain to take over the payment of pensions to all ex-colonial expatriate civil servants. Whatever the legal merits of the case, it seems a lot to expect of poor countries like Uganda that they should be asked to continue to pay out large sums of money to officials of the former colonial regime, largely in respect of work performed under the

colonial government. There would be much to be said for removing this potential source of ill-feeling towards Britain.

2 Advisory Experts and Consultancy Services

Advisory experts differ in function from the type of people Britain is supplying under OSAS. The experts receive their salaries wholly from donor countries and, unlike OSAS personnel, do not normally occupy established Uganda Government posts. In theory, the experts are only advisory and come to do a specific job on an *ad hoc* basis: though in practice many of them are in teaching and operational posts. For Britain in particular this sometimes has embarrassing implications as when, for instance, OSAS personnel want to retire with compensation and go back to the same job on 'expert' terms. This is always resisted, if only because 'experts' cost Britain £4,000-£5,000 per annum—three or four times as much as OSAS personnel.

As already mentioned, conditions for technical assistance experts vary somewhat between the various donors, which can create time-consuming administrative problems for Uganda; but the real burden from Uganda's point of view is that whilst salaries and travel to and from Uganda are normally fully paid by the donor agency, Uganda is normally expected to provide a counterpart who will eventually take over from the expert (though it sometimes does not prove possible to spare anybody) and pays certain costs arising locally. These costs include housing (in most cases), secretarial assistance and office accommodation, transport and hotel bills within Uganda, and so on.

The main suppliers of advisory experts to Uganda at the beginning of 1965 were as follows:

United Nations: 11, mostly in the fields of public administration, public finance, development planning and statistics;

Specialised Agencies: 36, including 12 from FAO, 13 UNESCO, and 11 WHO. The FAO team includes 3 working on a Special Fund project at Kasese, the others being involved with water development, entomology, forestry, fisheries, etc. The UNESCO group includes 11 staff allocated to a Special Fund project for the development of the Uganda Technical College. The WHO experts include several working on malaria eradication;

US Agency for International Development: 36. The US experts are partly on direct hire to AID and partly on contract, and are concentrated in the fields of agriculture and education, the main themes of the US aid programmes to Uganda. At the end of 1964, there were 8 on direct hire, all on agricultural work of various kinds, and the rest were under 4 main contracts. The contracts were with (i) West Virginia University for the supply of 11 agricultural advisors working at the Veterinary Institute

at Entebbe and at Bukalasa and Arapai Agricultural Colleges; (ii) University of Massachusetts to provide 7 staff for Tororo High School for Girls, built with US AID funds; (iii) Teachers College, Columbia University, for 6 staff for administration, research and teaching at Makerere in connection with the Teachers for East Africa Scheme; (iv) National Farmers Union for 4 advisers in the field of Agricultural Co-operation at Kampala; *Britain*: 17, supplied through the Ministry of Overseas Development.

These are not grouped round any particular projects and the subjects covered are Market Research, Development Planning, Community Development, Financial Training (2), Training for Co-operative Book-keepers, Training of Ginnery Fitters, Plant Pathology, Census of Industrial Production, Hospital Administration, Museum Education, Town Planning, Business Efficiency, Works Management, Prison Industries, Educational Statistics, Law Revision. In addition to these, Britain has also provided staff for short teacher-training courses and has supplied certain other consultancy and survey services as described below;

Canada: 25, including 14 teachers and 5 geologists;

France: 1, an export promotion adviser;

Germany: 1, working on a census of industrial production;

Ford Foundation: 2, comprising an engineer with the Uganda Electricity Board and a Planning Officer at the University of East Africa.

Although there were no *Israeli* experts in Uganda at the beginning of 1965, Israel has supplied trainers for special courses in Uganda on agricultural extension and youth leadership, and expects to conduct surveys of natural resources.

It should be noted that, in addition, a number of staff at Makerere University College, University of East Africa, were being financed by outside aid agencies, including international agencies, national governments, and private foundations. As the university enjoys a measure of autonomy these staff are not included in the above list.

As will be clear from the foregoing list of countries supplying advisers, one can make a broad distinction between the provision of teams of advisers, often in connection with particular projects or institutions which the donor may also be supporting with financial aid, and the provision of individual experts. The UN and Specialised Agencies have adopted both approaches, though the Special Fund has concentrated on a few major projects. Those already undertaken or in operation include an Aerial Geophysical Survey, the support of Uganda Technical College, an Irrigation and Pilot Demonstration Project and the East African Livestock Plan. New Special Fund projects approved in January 1965 were a Ground Water Survey in

Karamoja, an Industrial Management and Training Centre, Kampala, and a Lake Victoria Fisheries Research project (an East African project). Further possibilities for Special Fund support actively discussed with the competent authorities are for the development of a Forestry Faculty at Makerere, the establishment of an industrial estate and industrial area near Kampala, a beef production project and a co-operative training institute. These are to be considered by the Governing Council in January 1966. US AID has concentrated on providing teams of advisers to strengthen particular institutions. British experts on the other hand have by and large been a series of individuals. One exception to this is the sending of teams of teachers in the summer vacations in 1963 and 1965 to run in-service training courses for groups of Ugandan teachers. And in other cases the British Government has employed consultancy firms. For instance, the Economist Intelligence Unit was employed to do a survey of feeder roads in Uganda, and in another case the Marketing Development Company was engaged to advise the Uganda Development Corporation on marketing problems. Britain is also making available the specialist services of the Directorate of Overseas (Geodetic and Topographical) Surveys (DOS), and of Overseas Geological Surveys (OGS) to Uganda. The DOS is carrying through a mapping programme costing approximately £60,000 a year and totalling £300,000 for the five-year period from October 1962. Overseas Geological Surveys, part of the Geological Survey in Britain, is providing specialist services in Britain for Uganda to the value of approximately £7,500.

3 Volunteers

There are at present about 150 volunteers serving in Uganda under the various national programmes. The three main programmes in Uganda are those of the Norwegian Peace Corps, the British Voluntary Service Overseas Programmes, and the US Peace Corps, though a few other countries including Canada and Denmark have smaller contingents.

Norway had a complement of 63 Peace Corps volunteers in Uganda at the beginning of 1965. Of these, 6 were teaching, 8 were working in forestry, and 14 were nursing. Norway pays the full salaries of its volunteers, but Uganda provides free housing. Total costs, including overheads, to Norway work out at about £1,800 p.a.; Uganda's housing contribution comes to £200 p.a. The volunteers stay for two years and are administered by a Norwegian Peace Corps representative with his office in Kampala.

British volunteers in Uganda are under the auspices of Voluntary Service Overseas and are administered in the field by the British

Council. There are two categories—first, 'cadets', a term applied to those who have just left school (at about 18) and industrial apprentices, and second university graduates or equivalently qualified people. Both types of volunteer go out for just one year in the first instance. Uganda received 15 cadets in 1962, and 16 cadets and 9 graduates in 1963; at the end of 1964 there were 18 cadets and 23 graduates. It is hoped to send at least 25 cadets and 50 graduates in 1965. All but about half a dozen of the British volunteers are teaching. Cadets normally receive board and accommodation and a little pocket money from the Uganda Government, but most of the graduates are paid the full local salary and are then expected to pay all their own bills. The total cost of a graduate volunteer in Uganda has been calculated at about £1,600 and of a cadet about £1,200. Uganda pays half the cost of graduates, rather less than half in the case of cadets.

The US Peace Corps started in Uganda in January 1965 with a first consignment of 38. The period of service in Uganda is two years starting in January. The Peace Corps personnel are all teaching at present, most of them in the 24 new secondary schools opened by Uganda at the beginning of 1965. The total cost (including overheads in the US) of each Peace Corps man in the field is about £3,000 p.a.; Uganda contributes about £800 p.a. and the Peace Corps meets the rest. The Peace Corps has its own office in Kampala (separate from the Embassy, AID and US Information Service (USIS)), with 2 administrative officers and supporting staff, and it also specially employs an American doctor.

Half of the initial US Peace Corps group are either experienced teachers, with at least a year's teaching experience, or have had teacher training. The Peace Corps teachers are replacing the previous US supply (as the American share of the Teachers for East Africa Scheme) through Teachers College, Columbia University. They will be assignable to schools by the Uganda Ministry of Education in consultation with the Peace Corps. But despite the Uganda Government contribution, the Peace Corps personnel will not be regarded as Uganda Government servants in any sense.

4 Research

Much of the research help Uganda is receiving is channelled on an East African basis either through the University of East Africa or through the various East African research organisations. A number of countries and independent foundations are supporting research work at Makerere College, the Ugandan branch of the University of East Africa and at other colleges of the University. Britain, apart from her contribution to university research, also makes a major contribution in finance and staff to the various East African research organisations

(under the administration of EACSO), which undertake research in and for Uganda, Kenya and Tanzania. These research institutions were originally built up in colonial days with the help of Colonial Development and Welfare funds. Britain now makes direct financial contributions of about £400,000 per year out of technical assistance funds to the support of these East African institutions in addition to which she makes significant indirect contributions by paying part of the emoluments of expatriate research workers under the Overseas Service Aid Scheme and also by helping with the recruitment of scientists and provision of equipment.

Uganda and other East African countries benefit not only by the research support overseas made available by Britain, but also from services rendered by British home-based organisations financed by the Ministry of Overseas Development. For instance, much of the work of establishments like the Anti-Locust Research Centre and the Tropical Products Institute has been for the benefit of East Africa.

Equipment for research or training use in universities, technical colleges, etc., is normally included with technical assistance expenditures; equipment for productive use in agriculture or industry falls under capital assistance. It is not possible to put any sum on the total volume of help to Uganda by external donors in the form of equipment and books. Major donors of equipment and books have included the US, Canada, Britain and international agencies.

5 Study and Training

Of the 2,257 students abroad in December 1964, according to Ministry of Education estimates, 429 were on scholarships offered by foreign governments under aid programmes and a further 582 on Uganda Central Government scholarships.

Table 7 shows the country of study of the 2,257 students and of those on Uganda Central Government and Foreign Government scholarships. Table 8 shows the subject of study abroad of the Uganda Government and Foreign Government scholars.

As Table 7 shows, the Uganda Government receives offers of scholarships from a large number of external sources. In order to co-ordinate these and to administer the Uganda Government's own scholarship programme—on which about £½m. annually is now being spent—a Central Scholarships Committee based on the Ministry of Education was established in the mid-1950's. Until the end of 1964, its terms of references were:

'To control, award and administer all overseas scholarships, bursaries and associated expenditure financed from public funds voted for the purpose of the Ministry of Education: and to co-ordinate action on all other overseas awards, whether financed

Table 7
**Number of Uganda Students Abroad
by Country of Study, December 1964**

	<i>Total of which:</i>	<i>Foreign Government Scholarships</i>	<i>Uganda Government Scholarships</i>
United Kingdom...	1,411	110	491
USA ...	240	128	29
India ...	126	21	10
West Germany ...	68	16	—
USSR ...	57	18	—
Australia ...	39	—	30
Yugoslavia ...	36	17	—
Greece ...	30	—	—
Sudan ...	29	24	—
Canada ...	26	2	14
Czechoslovakia ...	20	2	—
Eire ...	20	—	7
Switzerland ...	18	—	—
Pakistan ...	16	10	—
UAR ...	16	15	—
East Germany ...	14	—	—
Cyprus ...	13	—	—
Congo ...	12	—	—
Israel ...	12	10	1
Ethiopia ...	7	—	—
Bulgaria ...	6	1	—
Holland ...	6	—	—
New Zealand ...	5	—	—
Hungary ...	5	1	—
Ghana ...	3	3	—
Sierra Leone ...	3	—	—
Zambia ...	2	—	—
Cuba ...	2	—	—
Rumania ...	2	—	—
China ...	2	—	—
Italy ...	2	1	—
Sweden ...	2	1	—
Poland ...	2	—	—
Turkey ...	2	—	—
France ...	2	2	—
South Africa ...	1	—	—
Denmark ...	1	1	—
Total ...	2,257*	429†	582

* Excludes some Uganda public servants on short training attachments overseas.

† Total of 429 includes an additional 13 Commonwealth scholars and 29 Commonwealth Teacher-Training Bursaries, held mostly in Britain.

Source: Uganda Ministry of Education.

from public funds or otherwise; having regard to the following:

- (a) the manpower needs of the civil service and teaching service are paramount. The award of the considerable majority of scholarships and bursaries will therefore be directed towards subsequent recruitment into the civil service and the teaching service;
- (b) awards will normally be for post-Higher School Certificate level courses at universities or equivalent institutions; or for specific sub-professional training;
- (c) awards will not be made in respect of courses or training available within East Africa, except where it is essential to supplement the total number of East African places available to Uganda students;
- (d) selection will be completely free from bias of any sort, and will depend on merit and academic suitability. Subject to these overriding requirements, awards should be spread as equitably as possible taking into account the overall requirements of the country.'

More recently, however, it has been decided to confine the responsibility of the Central Scholarships Committee to Uganda Government awards and to establish a new committee for awards offered by overseas governments. This is the Foreign Scholarships Committee which will have a joint secretariat provided by the Ministry of External Affairs and the Ministry of Education.

Apart from these scholarships for prolonged periods of academic study, many donors also give training awards which are administered by the Director of Training and the Central Planning Bureau. (Not all such training awards are included in Tables 7 and 8.) These are normally short courses to give additional experience or to upgrade the skills of Ugandan public servants. Sometimes they are part of 'package' technical assistance projects where the donor is also providing experts and equipment to develop some local institution; 'counterpart' training in donor countries may be given in these cases so as to enable Ugandan personnel to continue the project when the foreign experts are withdrawn.

Financial arrangements for foreign scholarships and training awards vary from donor to donor. The donor almost always pays all expenses in the foreign country, but arrangements for travel are not uniform. The more important donors like the UN, USA, and UK generally pay for international travel—though Britain does not pay the fares for Commonwealth Teacher-Training Bursars. But lesser donors of scholarships often expect Uganda to meet part or all the fares—some East European countries, for instance, like Uganda to pay the fares as far as Cairo, whence they may be able to make the rest of their journey

Table 8

Uganda Students Overseas on Uganda Government and Overseas Government Scholarships

Field of Study	Uganda Government Scholars				Overseas Government Scholars						
	Britain	Australia	USA	Others	USA*	Britain	Sudan	India	USSR	Yugoslavia	Others
Academic Arts	2	—	6	1	18	2	7	3	—	2	9
Academic Science	8	—	4	—	14	7	3	5	5	—	2
Accountancy	38	—	—	—	—	2	—	—	—	—	—
Administration	5	—	—	—	2	3	—	—	—	4	—
Agriculture	7	—	1	1	5	2	2	2	3	—	10
Architecture	1	—	—	—	1	—	—	—	—	—	—
Aviation	—	—	—	—	—	—	—	—	—	—	—
Banking	3	—	—	—	—	—	—	—	—	—	—
Broadcasting and TV	—	—	—	—	2	—	—	—	1	—	1
Commerce	—	—	—	—	—	3	—	4	—	—	2
Corporation of Secretaries Course	2	—	—	—	—	1	—	—	—	—	—
Dentistry	8	—	—	—	—	4	—	—	—	—	—
Domestic Science	3	—	1	2	2	—	—	—	—	—	—
Economics	13	—	4	3	12	5	—	—	3	6	4
Education Ordinary	79	—	5	14	7	13	1	—	1	—	27
Education Technical	13	30	—	—	—	—	—	—	—	—	7
Engineering:											
Building	13	—	—	—	—	—	—	—	—	—	—
Civil	5	—	—	1	2	1	1	—	—	—	3
Electrical	23	—	1	—	5	3	1	—	—	1	4
Radio and Telecommunication	4	—	—	—	—	3	—	—	—	—	—
Other	21	—	—	2	—	3	4	1	—	3	13

on the airlines of the donor country (thus saving the donor foreign exchange). Moreover, when the trainee is already an employee of the Government, the responsibility for both the man's salary (or at least allowances for his dependants) while he is away *and* for the salary of any replacement, falls on the Uganda Government. This may prove expensive, but of course the main cost to Uganda is not so much any financial contribution it has to make to the scholar or trainee going overseas: it is the 'cost' to the economy of removing or withholding an educated or skilled man from the labour force. At its present *stage* of development, Uganda is so short of trained personnel that it is often impossible to replace those who go abroad for study and training with an adequate substitute. The result is loss of efficiency in the administration. This is yet another example of how the receipt of foreign aid can involve expense for a developing country.

8—Conclusions

1. A major concern of donors *should be to ensure that aid is effectively spent on the purposes to which it has been committed* and that the recipient country is making every effort to mobilise its own resources for financing development. Aid should not hinder or postpone the essential internal structural changes that are needed in the economic and social framework of a developing country. Rather, if it is doing its work properly it will facilitate and promote these so that in the course of time the means of economic growth will be generated from within. The British Government has acknowledged this in its recent White Paper on the work of the Ministry of Overseas Development: 'The objective of the British aid programme is to help countries in their efforts to raise living standards. Our purpose is therefore to promote social and economic development . . . Aid is a means of promoting long term economic development. To be effective it needs to be given over a period and with due preparation to ensure that it is used effectively.'*

2. As the United Kingdom is the main external supporter of the Uganda Development Plan, a *heavy responsibility rests on the British Government to ensure that the assistance provided is appropriate for Uganda's needs*. It is therefore unfortunate that one of the principal means of channelling financial assistance to Uganda has been through Commonwealth Assistance Loan procedures under Section 3 of the Exports Credits Guarantee Department which tie the loan to the purchase of British goods. This system may be appropriate for those developing countries with serious foreign exchange difficulties, provided that they have a sound and relatively advanced cadre of technical and administrative skills able to absorb effectively the complexities of the equipment provided. But for Uganda shortage of foreign exchange is not yet a problem; shortage of technical skill, however, is, and the capacity of Uganda to plan and utilize to the full the financial assistance made available cannot always be taken for granted. True technical assistance programmes should take care of this difficulty but as at present operating they are uncorrelated with the financial aid given.

3. *The tying of much British aid to the procurement of British goods also has an unhealthy influence on priorities*. Indeed, when negotiations for financial assistance from the British Government take place, the main issues seem not to be what projects are most suitable for Uganda's development and how best they can be supported, but what part of what projects fits most conveniently into the conditions of the

* *Overseas Development: The Work of the New Ministry* Cmnd 2736, HMSO 1965.

loans that are being offered. This has undesirable effects on the Uganda administration. In the course of dealing with many different donors, the Ugandan civil servants have acquired a skill in aid negotiations and knowledge of what type of support individual donors are most likely to provide. There is a strong presumption that projects with a high import content find their way into the Plan because it is known that they stand a good chance of receiving external backing. It may be that some of the choices made are suitable for the advancement of the Uganda economy. But they may not be, and in any event what is undesirable is that considerations totally irrelevant to Uganda's needs have to be taken into account when plans for development are being made. In such circumstances, the Plan becomes skewed to meet the demands, not of a realistic appraisal of the country's economic requirements, but of the conditions laid down for the loans under negotiation. Capital intensive projects have therefore been pushed forward and equipment has been purchased ahead of building up the capacity, the organisation and the technique to use it effectively. This has meant that the mounting of a determined and powerful programme to improve the agrarian base on which Uganda's prosperity depends has not yet got under way. Much agricultural advancement comes not from the provision of sophisticated equipment from overseas, frequently reflecting a technology and type of farming operation more appropriate to an alien society, but from unspectacular yet vital developments in local structures and personal attitudes. Expansion of marketing facilities, the raising of an agricultural career in the eyes of the people to a position of greater respect than it occupies at present, the encouragement of progressive farmers, modifications to land tenure, incentives for individual investment on the land, the provision of advisory services, local research into scientific and technological improvements and in their application, all these and others are at the heart of agrarian reform. But much of this, if it is to be successfully mounted involves substantial local expenditures and a concentration of purpose on complex, scattered and unglamorous schemes. This aspect will be further examined in a subsequent ODI study.

4. If it is the case that procurement tied loans are not an appropriate means of assisting Uganda, a possible alternative would be for Britain, in association with other donors, to agree to underwrite the development plan by financing the difference between the public expenditure envisaged in the Plan and what can be financed out of local savings. But the identification of the investment-savings gap is itself influenced by assumptions about the amount of aid which is being, or likely to be received. If local savings in support of development in Uganda were already being raised to an extent that was politically acceptable and economically feasible, then underwriting the Plan as a whole would

be justifiable—provided always there was agreement on overall objectives, on the effectiveness of the Plan to reach these objectives, and on the ability of the government to carry out the programme. Given all this, the right priorities could be supported and the aid provided would supplement, not supplant, local savings. It would thus not undermine the essential changes in domestic tax structure, the development of suitable financial institutions, and the evolution of personal attitudes conducive to savings and investment. But in the circumstances of Uganda these preconditions of general programme support do not exist, and with tied loans being unsatisfactory, *the most rational basis for aiding economic development must be on a project basis.* By tying aid to specific projects—whether composed mainly of physical installations or of services or advisory work of various sorts—the donors' justifiable desire to have some identifiable control over the use to which public funds are put is met, but not at the cost of distorting the recipient's aid programme. Indeed, a fruitful and essential co-operative operation can evolve with both donor and recipient seeking to select projects that are 'aid-worthy'. What is considered aid-worthy is bound to vary between different donors, and there are valid social and political as well as strictly economic factors to be considered. What is vital, however, is that the task of identification and appraisal, which is of fundamental importance, *should be a joint undertaking by both donor and recipient.*

5. This requires expert advice on the requirements of the Uganda economy and it is here that the importance of strong and technically well-equipped overseas representatives cannot be over-emphasised. The advice given to the British Government would be based on a detailed knowledge of the country in which they are working, and it should evolve in association with the Uganda Government itself. Ideally it should be based on a continuing process of consultation among the interested parties and should not be the result of a hurried and sudden examination when negotiations for assistance become imminent. Of course, it is important that pertinent questions should be asked when a project is considered for aid. It must be recognised, however, that it is not always possible to answer such questions adequately. The feasibility of development schemes in Africa and their contribution to overall development are always to some extent a matter of judgment. This further underlines the importance of having on-the-spot, experienced, technically qualified staff who are responsible to the donor country. *A relatively small increase in the High Commission staff*—at an executive level—would release the senior officers from many time-consuming chores and thus enable them to play a far more effective role in the development of the Uganda economy. But further, it is unfair to saddle administrative officers with the whole burden of

responsibility of finding, appraising and evaluating the projects under consideration for support. This is a technical job and should be looked into by *pecially appointed professionals*. They would, in the course of their work, acquire experience in the economic problems of the country or region in which they are operating. Such officers would not only be able to assess projects as recommended in the government plan, but should themselves be able to suggest suitable projects that could expect to receive support from the British Government if the Uganda Government were prepared to endorse them. Aid is a continuing process involving a continuing dialogue among the people involved. Officers of the aid-providing agencies should spend as much time as possible in the field, observing the progress of schemes, searching for new opportunities, finding out where existing bottlenecks have occurred and where they can be put right. This in itself is technical assistance to Uganda, as the local civil service staff are desperately overworked, with a thin cream of efficient and experienced people who are frequently unable to give the time and thought required to such matters, involved as they are with pressing political problems, international conferences and the like. It would, too, enable the staff of the High Commission to devote some of their time to the very important task of seeing what other aid agencies are doing, how they are thinking, and where there are openings for support and co-operation. *There should, in fact, emerge a process of informal consultation among donors* that is clearly lacking at the moment. The job of the British aid personnel overseas should, in short, not be merely an administrative exercise in tidy accounting procedures but one of forward looking, skilled and experienced advice and co-operation, on what should become a mutual programme of development. For this to be done, adequate numbers on the spot are required, and the *officers should continue to be employed in one country or region for a considerable time* so that they have full experience of the country and people where they are working. The question as to whether these people should be integrated into the High Commissions or form part of a separate unit organised along the lines of the Middle East Development Division is a matter requiring further examination.

6. Obviously, if aid to Uganda were to be project-tied rather than procurement-tied, the effect of this on the donor's balance of payments would have to be taken into account. Clearly there would no longer be the rigid cushioning of the burden of aid on the balance of payments through linking it to the exports of the donor country; and to pretend that donor's balance of payments problems can be ignored is unrealistic and unwise. But the impact of project-tied aid on the balance of payments, although somewhat more severe than procurement-tied aid, can be considerably lessened if certain conditions are adhered to. It would be reasonable for British support of a particular project to be

conditional on the import content being supplied by Britain. This is already being done to some extent with the 1965 British loan to Uganda. But the main considerations determining the decision to give support *should be the economic potential of the project as such* and not its appeal as a promoter of British exports. Further, indirect import expenditure arising out of the project could be covered by inconvertible credits from Britain. But these devices, it must be recognised, are basically palliatives, and the general problem of aid and donor's balance of payments can be settled only through wide co-operation among the donors themselves, as it is their balance of payments difficulties with each other, and not those between them and the developing countries, that need to be solved.

7. The good results of careful and effective project selection can be seriously circumscribed if donors make too heavy demands on recipients in the matter of adhering to complicated administrative procedures. At present, *the already limited capacity to work out sound development projects in Uganda is seriously strained by having to meet the complex and varied requirements of different donors* for the presentation of projects to be approved for financing. After approval, the special sets of procedures, records and reports that are required can lead to further administrative complications and take operational staff away from more important tasks.

8. The fact that there are many different donors operating in Uganda complicates administrative procedures for both the donors and the recipient. But this is a situation the donors themselves must accept, as the Uganda Government has made its own political decision to diversify aid sources as part of its policy of non-alignment in foreign affairs. *A greater uniformity of conditions among donors* would, however, make for far greater efficiency. Further, if the donor representatives themselves could be associated at the earliest possible moment at the planning stage of those projects they are likely to support, they could then play a major part in presenting the application for assistance in a form required by the relevant head offices.

9. The transfer of substantial amounts of capital and technical skills requires careful and proper administration. Further its effective utilisation for development requires an efficient civil service machine in receiving countries. It is in this area that Britain's actual and potential contribution to Uganda's development is at its greatest as a result of the Overseas Service Aid Scheme. Under OSAS, over 1,000 British administrators, technical specialists and teachers are still serving in Uganda. As Africanisation proceeds, there will be an eventual decline in the volume of demand for OSAS personnel, but at present requests for personnel are continuing at a high level. The problem is to induce those already in service to stay longer, and to attract new

recruits. Amongst the devices which might be adopted to increase the length of service are:

- the offer of longer contracts by Uganda with underwriting of these by the British Government;
- increasing the attractiveness of longer-term service by a steeply graduated system of terminal payments, rising sharply for each further year completed;
- developing further the dormant contract system which enables the overseas civil servant to continue in his overseas post without the fear of losing his 'place in the queue' for employment back in Britain on his return.

These measures will need to be accompanied by a vigorous recruitment drive at home. In so far as extra finance will be involved to provide greater incentives, these costs will fall largely on Britain under present OSAS arrangements. But Britain should go further than this in her financial contributions under OSAS by taking over from Uganda *the full cost of compensation and pensions for former colonial service officials.*

10. Where capital aid is being given to Uganda, and particularly when it is given on a project basis as recommended above, the provision of *technical assistance should be integrated with the supply of financial help.* This should be so at all stages—at the planning stage, at the construction and operational stages, and in the training of local people to take over full responsibility for the management of projects to enable the technical assistance to be phased out. The new administrative arrangements for aid in Britain, which bring together capital aid and technical assistance under the Ministry of Overseas Development, should contribute to the combination of technical and financial assistance for particular projects.

11. A truly effective mobilisation of resources, however, *can come about only by concentrating on Uganda's economic problems in a wider East African context.* Indeed it is clear that if economic advance is to be accelerated or even maintained in East Africa a regional approach is essential. This has important consequences for any development programme, and external support of it. A particular project might itself appear as highly desirable to launch and support when seen in the context of Uganda alone. But when viewed as a part of East African development, a different picture frequently emerges.

Glossary of Abbreviations

AID	Agency for International Development
CDC	Commonwealth Development Corporation
CD&W	Commonwealth Development and Welfare
CPB	Central Planning Bureau
DFCU	Development Finance Company of Uganda
DOS	Directorate of Overseas Surveys
EACSO	East African Common Services Organisation
ECGD	Export Credit Guarantee Department
EPTA	Expanded Programme of Technical Assistance of the United Nations
FAO	Food and Agriculture Organisation of the United Nations
FFHC	Freedom from Hunger Campaign
IAEA	International Atomic Energy Authority
IBRD	International Bank for Reconstruction and Development (World Bank)
ILO	International Labour Organisation of the United Nations
OECD	Organisation for Economic Co-operation and Development
OGS	Overseas Geological Surveys
OPEX	Programme for Provision of Operational Executive and Administrative Personnel of the United Nations
OSAS	Overseas Service Aid Scheme
SCAAP	Special Commonwealth African Assistance Plan
UAR	United Arab Republic
UDC	Uganda Development Corporation
UNESCO	United Nations Educational, Scientific, and Cultural Organisation
UNICEF	United Nations Children's Fund
USIS	United States Information Service
WHO	World Health Organisation

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Overseas Development Institute

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