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E. Tumusiime-Mutebile

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Economic Reforms and their Impact in Uganda

by

E. Tumusiime-Mutebile, Permanent Secretary/Secretary to the Treasury, Uganda

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1. Introduction

After a long period of economic decline and civil strife, Uganda embarked on radical economic reforms in the late 1980s. Uganda is, of course, not alone in pursuing economic reforms. Many developing countries have implemented similar reforms, usually referred to as structural adjustment programmes (SAPs), although not always with the same degree of consistency or commitment as in Uganda. Critics of structural adjustment, including some in the academic world, have argued that these policies have failed to stimulate a sustained increase in economic growth and have worsened poverty, especially because of cutbacks in public social service provision. There is a strong belief among academic economists that market imperfections are pervasive in developing countries, which is correct, and that these imperfections can be mitigated by Government intervention, which is much more questionable.

Uganda's consistent record of structural adjustment provides firm empirical evidence that financial stabilisation and structural adjustment policies can stimulate sustained increases in economic growth and yield substantial benefits for the poor, in terms of poverty reduction and improved access to basic social services. The key points I would like to make in this lecture are:

- A consistent framework of macroeconomic stability and liberalised markets can stimulate private investment and support sustained economic growth, even in economies characterised by major structural constraints, such as shallow financial markets, weak private sectors and deficiencies in economic infrastructure. Market reforms can work in low income developing countries just as well as in more industrialised economies.

- If markets are liberalised to remove disincentives to agriculture and labour intensive production, economic growth will be relatively broad based, which ensures that sustained increases in per capita incomes benefit the poor and reduce poverty.

- Structural adjustment can facilitate large increases in the budgetary resources available to fund basic social services, through tax revenue enhancement and increased access to donor support. Real increases in spending on basic social services, which can directly improve the welfare of the poor, can be achieved if these sectors are given priority in budgetary allocations.

The paper is organised as follows. Section 2 briefly outlines the main components of economic reform in Uganda. Section 3 examines how these reforms have affected the growth in the economy, while section 4 examines their impact on poverty and income distribution. Government's record in funding basic social services is assessed in section 4. Section 5 discusses challenges facing Uganda, especially in regard to agricultural development.

2. The Main Components of Economic Reforms in Uganda

The economic reforms implemented in Uganda can be grouped into three main categories.

Stabilisation

Uganda has implemented macroeconomic stabilisation policies, mainly through strict control over public expenditure.

For most of the 1970s and 1980s Uganda suffered from severe macroeconomic imbalances, including high rates of inflation and balance of payments deficits, because the growth of nominal aggregate demand consistently outstripped the growth of real supply in the economy. The main reason for this was the printing of money to finance public sector deficits. In an economy with a very shallow financial sector, even relatively modest Government deficits which are financed by domestic credit creation – that is borrowing from the Central Bank - can lead to a large percentage increase in money supply, which fuels high rates of inflation.

Let me illustrate this point by recalling events in 1991/92. In that fiscal year, Government borrowing from the domestic banking system amounted to Shs 56 billion, which was just over 2% of GDP. At that time, the broad money supply amounted to less than 7% of GDP in Uganda. Government borrowing contributed more than three quarters of the 53% expansion of broad money in 1991/92, which fuelled consumer price inflation of 42%.

Macroeconomic stability was restored in 1993 only when Government imposed strict control over its own expenditures and maintained fiscal discipline. Consequently, Government borrowing from the banking system actually fell in 1992/93. The low rates of inflation achieved since 1993 are primarily attributable to budgetary discipline which has enabled Government to avoid borrowing from the domestic banking system.

Budgetary control has been achieved first, by ensuring that the aggregate expenditures contained in the annual budgets do not exceed the projected budgetary resource envelope, and secondly, by implementing a system of cash management to control expenditures within the fiscal year, which enables spending cuts to be made in response to shocks to the resource envelope when this necessary to maintain macroeconomic stability.

Liberalisation of Markets and Structural Adjustment

During the 1970s and 1980s the Ugandan economy was subject to a plethora of controls which severely distorted resource allocation and destroyed incentives for productive activity. For example, the controls on coffee marketing together with the overvalued exchange rate meant that the farm gate prices which coffee farmers received for their coffee fell to levels which made coffee production unprofitable. Not surprisingly, coffee production, Uganda's main export earner, contracted dramatically in response to these policy induced price disincentives.

Since the early 1990s Uganda has implemented reforms to liberalise markets in all key sectors of the economy including the foreign exchange market, coffee marketing, financial markets and the tax system. The external trade regime has also been liberalised with the removal of all non tariff barriers to imports and the reduction and rationalisation of tariff rates. In addition, Government has implemented a privatisation programme to divest itself from commercial enterprises. The objective of these reforms is to improve the efficiency of resource allocation and free up opportunities for private sector investment.

One common misperception about structural adjustment policies is that all Government controls are removed, even where there is a clear case for regulation. This is incorrect. Uganda has strengthened regulation in markets where there are strong grounds for regulation to protect consumers or the wider economy, such as with the prudential regulation of the financial system. We are also intending to create a regulatory body to oversee the privatised utilities, because these utilities will have a large degree of monopoly power in the market.

Public Expenditure Reform

The third key component of our reform programme entails reforms to budgetary management. Budgetary reforms aim to improve the efficiency of Government expenditure and to prioritise expenditures on the Government's major objective of poverty eradication. To improve budgetary planning and strategic resource allocation, Government has introduced a Medium Term Expenditure Framework in which budgets are determined within a rolling three year framework which sets out sectoral expenditure ceilings consistent with aggregate fiscal discipline and the need to ensure that outcomes of Government expenditure are obtained in a cost effective manner which ensures value for money.

Government policy is to concentrate its own expenditures on the provision of public goods and services which cannot be produced in the market on a commercial basis and which make a direct contribution to poverty reduction. Public spending priorities have been identified in the Poverty Eradication Action Plan (PEAP), a major document prepared in 1997 after extensive consultations with civil society in Uganda, and which was revised earlier this year. The key sectors identified in the PEAP are: primary education, primary health care, water and sanitation, rural roads and agricultural extension.

3. The Impact of Economic Reforms on Growth

Uganda has sustained rapid and broadly based economic growth since it began implementing adjustment policies in 1987. Real GDP growth averaged 6.3% per annum during the 13 years between 1986/87 and 1999/2000. Despite population growth rates averaging 2.9% per annum in this period, the sustained rates of real GDP growth have raised per capita output at an average rate of 3.3% per annum (table 1). During the 13 year period in which Uganda has implemented structural adjustment reforms, the size of the economy has more than doubled in real terms and real per capita output has risen by almost 53%.

What can account for the rapid sustained growth in Uganda, which was much higher than the average growth rate recorded by countries implementing structural adjustment programmes? One explanation for the economic revival in countries such as Uganda, which implemented economic reforms after long periods of economic perdition and civil war, is that the restoration of peace, security, economic stability and adequate price incentives, and an easing of foreign exchange shortages due to the resumption of foreign aid inflows, made it possible to bring back into production, relatively quickly, existing productivity capacity which had previously been under-utilised because of insecurity or the economic collapse. For example, Ugandan coffee production was revived on farms which had not been harvested because of unattractive farm gate prices or unreliable payments for the crop. This implies that, during the period of economic collapse the economy had contracted to a point inside its production possibility frontier, but quickly readjusted to a point on the frontier once economic and political stability was restored.

This explanation can account for the initial strong recovery of the Ugandan economy in the late 1980s and the early 1990s (when GDP growth rates jumped by about five percentage points from the average recorded in the preceding five years), but it

Table 1
GDP Growth, Private Investment and Inflation: 1986/87-1998/99

Years	**GDP Growth (%)**	**Per Capita GDP Growth (%)**	**Private Investment (% of GDP)**	**Inflation (%)**
1986/87	3.8	1.0	5.4	216.5
1987/88	7.6	4.8	5.2	167.9
1988/89	6.0	3.1	5.7	130.5
1989/90	5.8	2.8	6.9	45.4
1990/91	5.2	2.2	8.3	24.6
1991/92	3.1	0.2	9.0	42.2
1992/93	8.4	4.5	9.1	30.0
1993/94	5.4	2.2	9.9	6.5
1994/95	10.6	7.3	11.2	6.1
1995/96	7.8	4.7	12.5	7.5
1996/97	4.5	1.7	12.8	7.8
1997/98	5.4	2.7	11.5	5.8
1998/99	7.4	4.7	13.0	-0.2
1999/00	5.1	2.5	Not available	6.2

Source: Uganda Bureau of Statistics

cannot explain how the economy has managed to sustain GDP growth rates throughout the 1990s, long after most of the unused capacity must have been brought back into production, if it was still usable. While annual GDP growth rates have fluctuated because of the sensitivity of rain fed agricultural production to the weather, there is no evidence of any slowdown in growth rates during the 1990s. The sustained growth rates, after the initial revival of the economy in the late 1980s, are only consistent with substantial increases in the quantity of factor inputs, such as fixed capital, and/or improvements in the efficiency of resource allocation.

In contrast to the experience of many other countries, where investment was depressed during the period in which structural adjustment policies were implemented, investment rates increased after Uganda began implementing adjustment policies and continued to rise during the 1990s. In real terms, fixed investment increased by 90% during the 1990s, averaging 17.6% of GDP in the second half of the decade. Although the initial increase in investment was attributable mainly to Government investment funded by donor project aid, private investment rates increased strongly during the 1990s and accounted for 70% of total investment by the end of the decade. Private investment averaged only 5.4% of GDP in the late 1980s, but rose to an average of 8.6% of` GDP in the first half of the 1990s and 12.2% of GDP in the second half (table 1).

The policy reforms which stabilised the economy and liberalised markets contributed to the increased private investment. Since 1992/93, when inflation was brought under control through the restoration of budgetary discipline, consumer price inflation has averaged only 5.7% per annum. Private investment rates jumped by about three percentage points of GDP, with a relatively short lag of about two years after inflation rates had fallen, which suggests that economic stabilisation can generate significant real gains. In addition, fiscal restraint combined with substantial donor budget support has enabled Government to accumulate savings with the domestic banking system since 1992/93. This has freed up financial resources, within a monetary framework consistent with low inflation, for an expansion of bank lending to the private sector, despite the very shallow domestic financial system.

The consistency with which economic reforms have been implemented in Uganda has also had a positive impact on private investment. Many fixed investments are costly to reverse because of sunk costs. The value of these fixed investments is vulnerable to reversals in policies, such as trade policies, which affect prices or market opportunities. When Government credibility is low, private investors will be reluctant to commit resources to irreversible investments whose future profitability is dependent upon reversible policy reforms. The increase in private investment which occurred in the mid 1990s suggests that, by this time, the Ugandan Government had begun to establish a degree of policy credibility with private investors because of the consistency with which it had implemented reforms since the late 1980s. The time consistency of Government policy has become a valuable national asset.

4. The Impact of Economic Reforms on Living Standards and Poverty

The ultimate objective of Uganda's economic policies is the eradication of mass poverty. The impact of structural adjustment programmes on the poor often generates controversy, in part because of a lack of hard quantitative data in many countries to estimate changes in the incidence of poverty. In Uganda however, it is possible to track changes in poverty using the data on household incomes and expenditures which are available from an Integrated Household Survey (IHS) conducted in 1992/93, and four monitoring surveys carried out in four of the five following fiscal years. Although the surveys are limited to a six year period, the results are consistent with the macroeconomic data in that they indicate significant increases in real per capita incomes during the 1990s.

Table 2
Mean Per Capita Monthly Consumption Expenditures: 1992/93-1997/98

Shillings: constant 1989 prices

Year	Rural	Urban	Uganda
1992/93	4735	10752	5452
1993/94	4862	11645	5718
1994/95	5206	12067	6058
1995/96	5242	12246	6187
1997/98	5488	11979	6353
increase from 1992/93-1997/98	15.9%	11.4%	16.5%

Source: Appleton et al (1999)

In addition, the survey data demonstrate that the economic growth brought about by structural adjustment policies has not widened income inequalities, but has led to reductions in both absolute and hard core poverty.

Mean per capita consumption expenditures, for the country as a whole, rose in real terms by 16.5% between 1992/93 and 1997/98 (table 2 above). In the rural areas, real consumption expenditures increased by 15.9%, while in the urban areas the increase was 11.4%. Rural-urban migration explains why the rise in per capita consumption at the national level was higher than the rise in both rural and urban areas.

Table 3
Gini Coefficients for the Distribution of Consumption: 1992/93-1997/98

Year	Rural	Urban	Uganda
1992/93	0.333	0.434	0.382
1993/94	0.303	0.385	0.358
1994/95	0.331	0.415	0.379
1995/96	0.339	0.400	0.385
1997/98	0.317	0.368	0.358

a decrease in the gini coefficient signifies a reduction in inequality.

Source: Appleton et al (1999)

The household and monitoring surveys also provide data on the distribution of consumption. The gini coefficients of the distribution of consumption per capita, displayed in table 3 above, indicate a small reduction in consumption inequality for Uganda as a whole, and for both urban and rural areas, over the period 1992/93-1997/98.

However, these results should be treated with some caution because the trends in consumption inequality over the period covered by these surveys were erratic, and the reduction in inequality in the rural areas and at the national level was entirely attributable to changes occurring in the final year of the period. It is probably too early to establish whether the distribution of consumption has improved in Uganda, but there is certainly no evidence from the surveys to indicate that there was any worsening of inequality during the mid 1990s.

The gini coefficients indicate that, at worst, structural adjustment reforms produced a pattern of growth which was distributionally neutral. This was the result of two countervailing processes, one regressive and the other progressive. On the one hand, the wealthier sections of society, with better education and access to physical and financial assets, were better placed than the poor to take advantage of the expansion of income earning opportunities provided by economic growth and market liberalisation. On the other hand, economic policy reforms such as exchange rate devaluation, trade liberalisation, the liberalisation of coffee marketing and financial liberalisation shifted incentives towards sectors in which most of the poor earn their livelihoods, notably agriculture and other labour intensive productive activities, and also removed some of the opportunities for extracting rents, at the expense of the public, from privileged access to resources which primarily benefit the politically and economically powerful.

Policy reforms which are distributionally neutral can yield significant benefits for the poor if these policies also raise average incomes and consumption expenditures. This is what happened in Uganda. The increase in average per capita incomes and expenditures, because they were relatively evenly distributed between income classes, served to lift a substantial share of the population out of poverty.

To measure the incidence of poverty in Uganda, two poverty lines have been constructed. The first poverty line is equal to the income needed to meet basic food and non food requirements, and the second, lower poverty line is equal to the income needed to meet basic food requirements alone (Appleton, 1999). Those with incomes below the first poverty line are defined as being poor or living in poverty, and those with incomes below the lower poverty line are defined as the "hard core" poor. Table 4 provides estimates, derived from the IHS and the following four monitoring surveys, of the percentage shares of the population living below the poverty and hard core poverty lines.[1]

The incidence of poverty, at the national level, fell by 11.5 percentage points between 1992/93 and 1997/98, from 55.5% to 44%, while the share of the population living below the hard core poverty line fell by 10.7 percentage points from 35.8% to 25.1% in the same period. This means that more than two million people were lifted out of poverty over the course of six years, and almost as many people were lifted out of hard core poverty. There was a consistent fall throughout this period in poverty and hard core poverty in the rural areas, where 94% of the poor, and 96% of the hard core poor, live. Nevertheless, less than 20% of the rural poor were lifted out

Table 4
Percentage Shares of the Population Living Below the Poverty Lines

Percentage living below the poverty line

Year	rural	urban	national
1992/93	59.4	28.2	55.5
1993/94	56.7	20.6	52.2
1994/95	54.0	22.3	50.1
1995/96	53.0	19.5	48.5
1997/98	48.2	16.3	44.0

Percentage living below the hard core poverty line

Year	rural	urban	national
1992/93	39.2	11.4	35.8
1993/94	33.8	7.0	30.4
1994/95	31.8	9.3	29.0
1995/96	31.2	6.4	27.9
1997/98	28.0	6.5	25.1

Source: Appleton et al (1999)

of poverty, compared to more than 40% of the urban poor, between 1992/93 and 1997/98, despite the faster rise in consumption expenditures in the rural areas than in

[1] This is a head count measure of poverty, which provides information on the number of people living below a given poverty line, but not on the degree of poverty of those living below the poverty line.

the urban areas. This reflects the intensity of poverty in the rural areas, and suggests that there is a need for an even stronger shift in the pattern of growth in favour of the rural areas if rural poverty is to be eradicated.

Poverty reduction in the rural areas was mainly attributable to higher incomes accruing to cash crop farmers, who benefited from some of the key policy reforms implemented in Uganda, notably exchange rate devaluation and the liberalisation of coffee marketing with the abolition of the state monopoly on the procurement of coffee. This boosted farm gate prices for coffee from 10 US cents per kilo to 60 US cents per kilo, and stimulated a revival in coffee production. As a result, poverty among cash crop farmers fell by over 19 percentage points, from 59.6% in 1992/93 to 40.5% in 1995/96.[2]

The reduction in poverty among food crop farmers was less than six percentage points, from 64.1% in 1992/93 to 58.3% in 1995/96. The persistence of pervasive poverty among food crop farmers is attributable primarily to very low levels of productivity and hence income, resulting from a range of supply side constraints facing poor small-holder farmers. These constraints include the use of rudimentary farm technology (the rates of adoption of improved seeds, use of oxen for ploughing, irrigation and contact with extension workers are all very low), land degradation, ill health of farmers, and lack of accessibility to markets due to the poor rural transport infrastructure (Government of Uganda, 1999B). Adjustment policies have been much less successful in tackling these deep rooted supply side constraints in agriculture than in rectifying policy induced distortions such as those in foreign exchange markets and export crop marketing.

5. Funding Basic Social Services

A frequent criticism of structural adjustment programmes is that macroeconomic stabilisation is only achieved through fiscal austerity involving damaging cuts in expenditures on the basic social services needed by the poor. Uganda's record during

[2] Sectoral poverty rates from the 1997/98 Monitoring Survey are not yet available.

the 1990s supports the contention that fiscal restraint is crucial to maintaining low inflation but also demonstrates that fiscal restraint is not incompatible with increased real spending on basic social services if the Government places a high priority on public service delivery in the allocation of budgetary resources. As I have already mentioned, budgetary reforms in Uganda have involved a progressive reallocation of budgetary resources towards the key sectors for poverty reduction identified in the Poverty Eradication Action Plan. To illustrate this I will examine Uganda's record with regard to expenditures on education and health.

Table 5

Government Expenditures on Education and Health as Percentages of Total Government Expenditures and GDP

Year	Education Expenditure				Health Expenditure			
	As % of GDP		As % of Total Govt Expenditure		As % of GDP		As % of Total Govt Expenditure	
	Recurrent	Dev	Recurrent	Dev	Recurrent	Dev	Recurrent	Dev
88/89	1.2		12.7		0.3		3.1	
89/90	1.1		7.7		0.4		2.6	
90/91	1.1		7.8		0.4		2.6	
91/92	1.7		12.1		0.5		3.7	
92/93	1.3		15.0		0.5		5.4	
93/94	1.2		11.2		0.5		4.7	
94/95	2.3	0.1	18.2	1.1	0.9	0.09	7.1	0.7
95/96	2.1	0.1	17.1	0.8	1.02	0.11	8.5	0.9
96/97	2.8	0.1	21.3	0.8	0.8	0.18	6.1	1.4
97/98	2.9	0.1	25.3	0.9	0.8	0.10	6.5	0.9
98/99	3.0	0.5	23.4	3.5	0.7	0.10	5.7	1.0
99/00	3.1	0.8	20.9	5.4	0.8	0.20	5.0	1.4

Source: MFPED

Table 5 provides data on the shares of Government expenditures on health and education in overall Government expenditures (excluding expenditures under the externally funded development budget) and in GDP. As a share of GDP, both recurrent education expenditures and recurrent health expenditures increased almost threefold in the 11 years between 1988/89 and 1999/2000: from 1.2% of GDP to 3.1% for education and from 0.3% of GDP to 0.8% for health. There were also increased development expenditures between the mid 1990s and 1999/2000 (a sectoral breakdown of development expenditures for previous years is not available).

This implies that large increases in the real value of Government spending on health and education per capita were achieved during the last 11 years, given that real GDP per capita expanded by 41% during this period.

Uganda has been able to achieve these increases in Government spending on basic social services for two main reasons. First, the budgetary resources available to fund Government expenditures have grown rapidly, with domestic revenue collection, in constant prices, expanding fourfold between 1988/89 and 1999/2000. The increase in budgetary resources is itself attributable to the success of economic reforms in expanding the tax base, as well as reforms to tax policies and tax administration. Government's resource envelope has also been boosted by substantial inflows of donor budget support.

Secondly, Government has accorded greater priority within the budget to spending on basic social services and shifted inter-sectoral budgetary allocation towards education and health, in particular primary education. As can be seen in table 5, the shares of both education and health expenditures in the Government budget have approximately doubled since the late 1980s.

6. Challenges for Further Policy Reform in Uganda

Having stabilised the economy and established the conditions for broadly based rapid economic growth, the challenge now facing Uganda is to generate faster growth in per capita incomes and to make larger reductions in the pervasive poverty in rural areas. This will require matching the success of macroeconomic policy reforms with deeper structural and institutional policy reforms.

Because the vast majority of the poor still live in rural areas and earn their living from largely rain-fed small holder agriculture, it will not be possible to eradicate mass poverty without rural development and agricultural modernisation. It will be necessary for small holder farmers to raise their incomes by adopting improved farm technology and producing cash crops for the market. Raising productivity in agriculture will entail basic improvements in crop and animal husbandry, increased uptake of higher yielding, disease and pest resistant crops, the greater use of chemical and organic fertilisers and pesticides, cost effective water harvesting and irrigation infrastructure, and the use of better soil conservation techniques. Agricultural and rural development will also require public investment in rural infrastructure, especially feeder roads, rural electrification, schools and health centres.

Reforms must also support the development of rural markets. Small holders require access to reliable markets for their produce and for agricultural inputs if they are to be persuaded to specialise in higher value commercial crops, which is the foundation of productivity improvement and economic growth. Efforts must be made to support the development of competitive, efficient private sector activities in trading, processing and distribution, and in the provision of rural financial services. The Government has formulated a Plan for the Modernisation of Agriculture (PMA). The PMA outlines a strategy for the investment in rural infrastructure, human resource development, agriculture research and extension and rural financial market development which is required to assist small-holder farmers to adopt improved farm technology and produce for the market rather than for subsistence.

A second key area in which reform must focus is the efficiency of public expenditure and the quality of public services, which must be improved if the increased budgetary allocations to basic social services such as primary health care are to have maximum impact in raising the welfare of the poor. This will not be possible in the absence of far reaching pay reform, to bring public sector salaries into line with prevailing market levels. Mean salary levels for public servants are currently only 40% of private sector salaries for equivalent jobs, while for some key professionals, such as accountants, economists and engineers, public sector salary levels are only a third of market levels. With relative salaries as low as this, Government cannot attract or retain the most capable personnel, motivation of public servants is poor, and incentives to moonlight or engage in corruption in order to supplement wages are high. Pay reform must be linked to the introduction of results oriented personnel management, with clear standards and benchmarks for staff performance drawn up and rewards and sanctions linked to the achievement of these standards.

7. Conclusions

Economic reforms in Uganda have produced major improvements in the economy. Not only has the size of the economy doubled but real output per capita increased by more than 50% over the 13 years between 1986/87 and 1999/2000, after a long period of falling living standards. Economic growth was sustained through increased private investment rates and more efficient resource allocation, stimulated by the liberalisation of the economy. Household survey data complied over a six year period in the mid 1990s indicate that economic growth was distributionally neutral and that people in all income deciles enjoyed rises in real consumption expenditures. Consequently the growth achieved during this period served to lift 11.5% of the population out of poverty and 10.7% out of hard core poverty. Economic reforms have also expanded the tax base and thereby boosted Government's budgetary resource envelope, enabling Government to increase expenditures on basic social services by more than 100%, in real terms, during the 1990s.

A valid question to ask is why have economic reforms in Uganda proved more successful than in many other countries in Africa which have also implemented structural adjustment programmes, even though Uganda exhibits similar structural characteristics to most other countries in Africa. The answer to this question lies in the manner in which reforms have been implemented.

First, it is well known in economics that in a distorted economy, piecemeal reforms which remove only a few distortions may not improve welfare but that comprehensive reforms which remove distortions across the board will almost certainly improve welfare. Trade policy is particularly important because it affects resource allocation in the real sector. If the trade regime is not liberalised, reforms in other markets, such as the financial sector, may simply generate more resources for misallocation in the protected sectors, at the expense of efficient resource allocation in the economy. One of the key differences between Uganda and several other countries which have implemented reforms is that Uganda has implemented reforms more comprehensively across all sectors of the economy, and in particular has made more progress than most other countries in liberalising its trade regime. Uganda has removed all non tariff barriers and, for almost all imports, has reduced the maximum customs tariff to 15%.

A second important difference is that Uganda has been more consistent in implementing reforms over a sustained period of time than many other countries. This applies to both macroeconomic stabilisation policies, which have maintained low inflation for seven consecutive years, and to structural reforms. There have been no significant reversals of policy: no controls have been removed and then re-imposed and at no time has the Government reneged on the pre-announced set of optimal policies for implementation in future. This has been vital in fostering the credibility of economic policy which in turn has boosted private sector confidence. Private sector investors face many commercial risks which are unavoidable, but Government's record of consistent policy implementation sends a strong signal to private investors that they do not face the risk of sudden policy reversals.

Hence while the content of economic reform in Uganda has been similar to that in many other developing countries, it is the quality of reform in Uganda, in terms of its comprehensiveness and its consistency, which is responsible for reforms yielding more successful outcomes in Uganda than in many other countries. The challenge now facing Uganda is to deepen these reforms, especially structural and institutional reforms in crucial areas such as agriculture.

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W99:02 Martin Paldam and Gert Tinggaard Svendsen: Is Social Capital an Effective Smoke Condenser?

W99:03 J. Michael Orszag and Dennis J. Snower: Anatomy of Policy Complementarities

W99:04 Thorvaldur Gylfason and Tryggvi Thor Herbertsson: Does Inflation Matter for Growth?

W99:05 Marco Biamchi, Bjorn R. Gudmundsson, and Gylfi Zoega: Iceland's Natural Experiment in Supply-side Economics

W99:06 Haukur C. Benediktsson, Tryggvi Thor Herbertsson, Gylfi Magnússon, and Marta G. Skúladóttir: Generational Accounts for Iceland

W99:07 Axel Hall and Jon Thor Sturluson: Testing a CGE Model: The Tax Free Year in Iceland as a Natural Experiment

W99:08 Edmund S. Phelps: Equilibrium and Disequilibrium in 20th Century 'Macro': With Attention to the Share Price Boom of the 1990s

W99:09 Kenneth F. Wallis: Macroeconometric Modelling

W99:10 Tryggvi Thor Herbertsson, Marta G. Skúladóttir, and Gylfi Zoega: Three Symptoms and a Cure: A Contribution to the Economics of the Dutch Disease

W99:11 Tryggvi Thor Herbertsson and J. Michael Orszag: Issues in European Pension Reforms: Supplementary Pensions

W99:12 Tryggvi Thor Herbertsson, J. Michael Orszag and Peter R. Orszag: Population Dynamics and Convergence in Fertility Rates

W99:13 Ragnar Arnason: Costs of Fisheries Management: Theoretical and Practical Implications

W99:14 Ragnar Arnason: Economic Instruments to Achieve Ecosystem Objectives in Fisheries Management

W99:15 Ragnar Arnason: Property Rights as a Means of Economic Organization

W00:01 Jerry Coakley, Ana-Maria Fuertes and Gylfi Zoega: Testing the Persistence and Structuralist Theories of Unemployment

W00:02 Thrainn Eggertsson: Norms in Economics – With Special Reference to Economic Development

W00:03 Thorvaldur Gylfason: Growing Apart

W00:04 Jon Danielsson: The Emperor has no Clothes: Limits to Risk Modelling

W00:05 Thorolfur Matthiasson: The Icelandic Debate on the Case for a Fishing Fee: A Non-Technical Introduction

W00:06 Willem H. Buiter: Is Iceland an Optimal Currency Area?

W00:07 Alison L. Booth and Gylfi Zoega: Why do Firms Invest in General Training? 'Good' Firms and 'Bad' Firms as a Source of Monopsony Power

W00:08 Eduard Hochreiter: "Exchange rate regimes and capital mobility: Issues and some lessons from central and eastern European applicant countries"

W00:09 Thorvaldur Gylfason: Fix or Flex? Alternative Exchange Rate Regimes in an Era of Global Capital Mobility

W00:10 Thorvaldur Gylfason: Natural Resources, Education and Economic Development