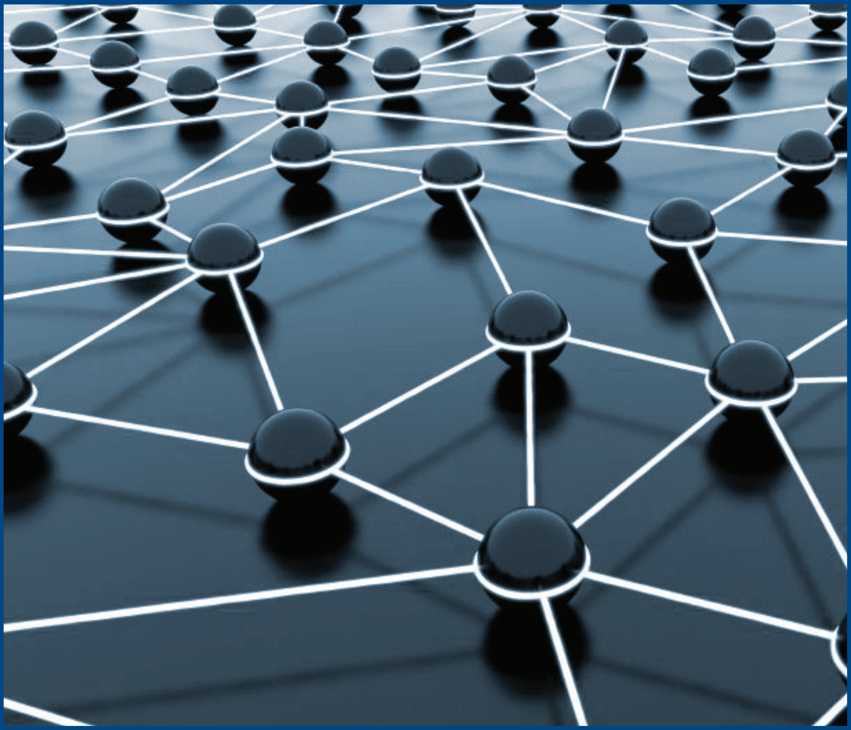

PRO-POOR DEVELOPMENT AND POVERTY REDUCTION IN UGANDA AND THE IDEA OF SOCIAL MARKET ECONOMY

ACTADE
AFRICAN CENTRE FOR TRADE AND DEVELOPMENT

Konrad Adenauer Stiftung

Pro-Poor Development and Poverty Reduction in Uganda and the Idea of Social Market Economy

Proceedings of a High-Level Roundtable Discussion organised by the African Centre for Trade and Development (ACTADE) with support from the Konrad-Adenauer-Stiftung (KAS)

Thursday, 3 November 2011, Serena Hotel Kampala

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CONTENT

INTRODUCTION

This publication compiles the input presentations and results of the discussions at a high-level roundtable on the topic „Pro-Poor Development and Poverty Reduction in Uganda and the Idea of Social Market Economy", held on 3rd November 2011 at the Serena Hotel in Kampala. The discussion was organised by the African Centre for Trade and Development (ACTADE) with support from the Konrad-Adenauer-Stiftung (KAS) in Uganda and brought together an exclusive number of 30 invited participants with leading roles and particular expertise in the areas of economic governance, development and poverty reduction.

The event aimed at facilitating a high-level dialogue on economic policies and to trigger a constructive debate on the principles of social market economy in light of the challenge of poverty reduction in the Ugandan context. It particularly addressed the question of whether some of the principles of social market economy can be applicable in the Ugandan context and provide a positive contribution to the struggle of poverty reduction, and whether an economic policy oriented along such principles could provide a viable strategy for enhancing pro-poor development.

The *Konrad-Adenauer-Stiftung (KAS)* is a German political foundation that works worldwide in the area of civic and political education. For over 30 years, KAS has been active in development cooperation in Uganda, undertaking programmes and activities geared towards fostering democracy, promoting respect for human rights and supporting the rule of law. The activities of KAS have in particular involved working with Ugandan partners including civil society organisations, government institutions, the media and politicians in contributing to the promotion of democratic governance.

The *African Centre for Trade and Development (ACTADE)*, who partnered with KAS in convening the high-level roundtable discussion, operates as non profit independent policy research organisation / think tank. The work of ACTADE has continued to concentrate on thematic areas and programmes including: Trade Policy and Economic Development; Climate Justice for Sustainable Development; Budget Analysis and Information Initiative; and Basic Needs Basket. The components of ACTADE programmes are: research, dialogue & debate, capacity building, information dissemination, and alliance building.

"Social Market Economy" is one of the current focal points in the work of the Konrad-Adenauer-Stiftung worldwide. Since the beginning of 2011, the portfolio of the KAS country office in Uganda includes the promotion of basic principles of social market economy as a new major objective and intervention area.

A first milestone under the new focal area, was the launch of a study on "Economic Policies in Uganda and the Principles of Social Market Economy" and the visit of Prof. Dr. Horst Köhler, former President of the Federal Republic of Germany and former Head of the International Monetary Fund (IMF), Uganda in June 2011. During his visit he discussed the concept of social market economy in the Ugandan context with outstanding Ugandan experts and government representatives in a conference under the title „The Role of State and Market for Sustainable Development in Africa". During and after the conference various stakeholders expressed their interest in and commitment to an ongoing dialogue on economic policies in Uganda. KAS Uganda will continue to facilitate such a multi-stakeholder dialogue in cooperation with the local partner ACTADE in order to have a constructive focus on the improvement of economic policies in Uganda, giving special consideration to the principles of social market economy as a potential inspiration. Thus, the roundtable discussion in November 2011 provided the starting point of a series of joint interventions by KAS and ACTADE which shall continue in 2012 and beyond.

This publication consists of three parts. Part one presents the main input paper for the roundtable discussion which was provided by Dr. Fred Muhumuza, Research Fellow at the Economic Policy Research Centre (EPRC) and Economic Advisor in the Ministry of Finance Planning and Economic Development. In his paper on the topic "The Principles of Social Market Economy and Poverty Reduction in Uganda" Dr. Muhumuza reviews the existing strategies for poverty reduction in Uganda in light of the principles of social market economy.

The second part presents a paper by Elly Twineyo, Executive Director (on leave) at ACTADE, on the discussion topic "Pro-Poor Development and Poverty Reduction in Uganda and the Idea of Social Market Economy". From the starting point of economic theory, Twineyo looks at the role of the government and the market with regard to poverty reduction and wealth creation and gives food for thought for the discussion.

The third part provides a synthesis of the open roundtable discussion which followed the presentations of the two papers. During the discussion it was highlighted that the principles of social market economy can provide a good orientation for improving economic policies in Uganda. Participants argued that some of the principles have indeed already been adhered to in Uganda - though implicitly.

However, it was also noted that whereas the existing economic policies, development plans and poverty reduction strategies provide good starting points, there appears to be a lack of effective and consistent implementation of the same. One of the strong recommendations that transpired during the discussion was for all stakeholders in the economy to clearly define their roles and responsibilities, particularly with regard to the relationship between the government and the private sector. It was argued that the government needs to improve the relationship with the private sector and provide a conducive environment for doing business within a consistent regulatory framework. The government should play a regulatory role, but without unnecessarily interfering with the market.

Beyond the roles of the government and private sector, participants also urged all stakeholders to widen the perspective and look at the general citizenry that would need sensitisation on economic policies and the principles of social market economy. It was argued that an economic system that promotes development and social justice needs to be based on a strong foundation of certain core values, which was currently still missing in Uganda. Therefore, future dialogues on economic policies should also put a strong focus on the underlying values in society.

By publishing the input papers and proceedings of the first roundtable discussion on social market economy, KAS and ACTADE hope to provide a source of reference that can further stimulate a continuous dialogue on economic policies in Uganda. Both organisations remain committed to continue promoting such a dialogue through a series of further interventions.

THE PRINCIPLES OF SOCIAL MARKET ECONOMY AND POVERTY REDUCTION IN UGANDA

Fred K. Muhumuza, PhD[1]

1. Introduction

The focus of the paper is to review the basic principles of the social market economy and show how their application can contribute to resolving the challenge of poverty reduction in Uganda. The performance of Uganda with regard to poverty reduction has been commendable, with the percentage of people living below the poverty line declining from 56 per cent in 1992, through 38 per cent in 2003 and down to 24 per cent in 2010. However, the absolute number of poor people has hardly changed over the period, declining from about 8.5 million in 1992 to 7.2 million in 2010. Similarly, the levels of inequality, measured by the Gini coefficient, have remained high or even deteriorated from 0.364 in 1992/93 to 0.366 in 1995/96 and later to 0.43 in 2002/03.[2] There was a slight improvement in the inequality index to 0.41 in 2005/06, which was reversed to 0.43 in 2009/10.

From the foregoing, it is clear that, if the government of Uganda is to achieve its vision of 'Prosperity for All', the current strategy has to be modified to make it more responsive to both the community and the national cause. Accordingly, the new strategy does not have to be a complete overhaul of the existing policy framework and approaches but perhaps to enhance the focus on inclusiveness and the general wellbeing of the entire population. In the past, from the late 1980s, Uganda has adopted a free market approach to development, where the private sector plays a leading role as the engine of growth. Whereas this strategy offered initial positive results by way of improving economic growth rates and provision of basic goods and services, it became clear that the benefits of the growth were not evenly distributed. The classical theory that growth is mandatory and will deliver benefits through the 'trickle-down hypothesis' did not materialise.

In the mid-1990s, the country instituted poverty assessment studies that informed the design of a series of poverty eradication action plans that were comprehensive in approach and with direct focus on welfare aspects of the grass roots. The first series of the PEAP[3] was launched in 1997 and represented significant increases in planned investments in the areas of education, health, water and sanitation, agriculture, good governance and physical infrastructure. Specifically, government launched the Universal Primary Education (UPE) programme that was intended to provide basic literacy and numeracy skills, among others.

1 Dr Fred K. Muhumuza is a Research Fellow at the Economic Policy Research Centre (EPRC) and Economic Advisor in the Ugandan Ministry of Finance Planning and Economic Development.

2 Sewanyana, S., Okidi, J., Angemi and Baringi, V. (2004) 'Understanding the Determinants of Income Inequality in Uganda', EPRC Research Series, No. 39.

3 PEAP, *Poverty Eradication Action Plan*.

During the same time, plans for the modernisation of agriculture were intensified, leading to the launch of a detailed multi-sectoral investment plan in 2000.[4]

Fifteen years later, the results of the various policies and implementation frameworks, including decentralisation, have not been widespread and their sustainability is under threat by the current global economic crisis and local challenges. The improvements in the market price signal that came with liberalisation did not offer enough incentives to attract investment resources to certain components of the agricultural sector; unemployment has continued to increase; and competitiveness of the economy continues to be undermined by significant constraints in the physical infrastructure, inefficient bureaucracy and corruption.

Looking beyond in search of what may work to change the situation, lessons from the German economy – the biggest and best managed in Europe – seem to offer a good starting point for alternative thinking. Bearing in mind that Germany was put to ruins by the middle of the last century when the World War II ended, the model of socio-economic development has not only delivered a large and versatile economy, but one that has offered tangible benefits to the entire population. The German version of development, which is based on the principles of the social market economy (SME), has indeed delivered what Ludwig Erhard, former Federal Minister of Economics after World War II, visualised in his bestselling book – *Prosperity for All* (*Wohlstand fur Alle*). The coincidence with Uganda's vision – the ruling party's manifesto – is indeed unparalleled!!

The rest of the paper is structured as follows. Section Two presents a brief description of the social market economy and highlights the key principles with a potential to enhance Uganda's quest for poverty reduction. Section Three contains the logic and structure of Uganda's poverty reduction strategies. Section Four highlights the key challenges to poverty reduction where the principles of the social market economy can be applied to improve the results. Section five concludes the paper.

2. A Description of the Social Market Economy (SME)

The concept of the SME evolved out of a need to find an intermediary between the two extremes of centralist socialism and uncontrolled capitalism.[5] While extreme capitalism would embody freedom of individuals to strive for improvement of their own situations following the natural, decent self-interest motivation, the SME demands that such freedom be combined with responsibility. The industriousness and inventiveness of individuals should be put into a context of partnerships and cooperation for the wellbeing of entire communities.

Unlike the extreme of centralised socialism, the pursuit of the concept of SME does not negate the individual's self-motivation for a better living. The SME recognises the particular potential of partnerships that amplifies the energy, creativity and resources of a nation by building a sense of belonging and togetherness among all citizens. While promoting the values of individual freedom, competitiveness and profitability, the concept of SME also demands consideration of justice, order, responsibility, solidarity, subsidiarity, and common welfare. These describe the core principles of the SME development framework.

4 *Plan for Modernisation of Agriculture (PMA).*

5 Girke, P., Forward to Twimukye, E. (2011), Reality Check: Economic Policies in Uganda and the Principles of the Social Market Ecnomy, KAS.

Principles of a Social Market Economy

A social market economy embodies principles that guide the development of a well-balanced system in which individuals are free to work to their fullest potential, while at the same time upholding the common good and social cohesion. These principles create a favourable environment for individual ingenuity, but with a strong public and social provision to address situations where the individual attributes fail to deliver for an individual. In this case the family, the community, and government support are invoked. The common principles considered most relevant to Uganda's current socio-economic situation in terms of growth and eradication of poverty are described below.

Freedom and individualism

The principles of freedom and individualism refer to the upholding of individual liberties and freedoms. It is envisaged that human beings and their right to a dignified existence should be at the core of socio-economic development. Thus, each individual has the right to get a chance of developing his/her potential, as well as the obligation to make good use of it in a responsible manner. The individual is free to make choices without undue interference by collectivistic approaches, as is the case in socialist communities. This is a positive attribute that brings out the best in people as individuals work to the best of their ability within the limits set by the social system, which calls for the state to put mechanisms in place to regulate the behaviour of individuals so that they conform to what society considers normal.

Justice and order

Implied from the above principle is the need for the state to create order within which justice can be dispensed. This means that the state should provide a structured economic order or set the rules upon which society operates and that individuals are given the freedom to do what they want but within those universally acceptable rules. The economy has to be governed by public and civil laws. In setting the rules, however, the state guards against the temptation to interfere with the market's self-adjustment in what would then amount to interventionism. This principle helps to set the dimensions within which society is organised, which puts predictability into how society behaves. The downside to be avoided is a situation where those in power seek to justify repression with the need for maintaining order in society, which amounts to a violation of people's rights.

Justice as a principle refers to the creation of a fair society where all individuals have equal opportunities. This ensures that there is justice, equality and fairness in all aspects of society. The areas where justice ought to be executed include: access to fair employment and remuneration, allocation of goods and services, satisfaction of human needs, and equal participation in the rights and duties of public welfare.[6] Thus, justice in a social market economy seeks to reward performance while at the same time minimising the differences in society and creating a harmonious society.

Responsibility

The principle of responsibility implies that, though individuals are free to act autonomously, their actions should reflect responsibility to the needs of the society in which they live. This will ensure that there is solidarity such that the disadvantaged in society, such as children, the sick and the old, are cared for. The traditional support system enshrined in family values and social networks would have to be deliberately

6 Hass et al., 2008.

pursued to qualify this principle in the social market economy. It follows, therefore, that one generation has to use natural, environmental and public resources in a responsible manner so as to ensure inter-generational sustainability. This principle is important in that it creates compassion at society level, which helps to avoid over-burdening the few individuals who might decide to go the extra mile in helping the disadvantaged.

Solidarity

Solidarity means that even when individual performance and reward are cherished in a society, feeling for others may be needed to ensure harmony and cohesion. Care for the needs, interests and challenges of others is an ethical issue and it ensures that there is solidarity to deliver common wellbeing. There are also incentives for individuals to be part of that solidarity, given the fleeting nature of wellbeing, in the sense that everybody contributes all they can with the hope that when they are in need society will cater for them (Twimukye, 2011).

Subsidiarity

Subsidiarity refers to the responsibility that human beings have for themselves, ensuring that no one should look to others for help but rather to themselves. This principle is important because individuals and a society that ensure that their sustenance is their own responsibility are likely to develop their welfare sustainably. The principle, however, should not be used to deny help to the vulnerable who cannot help themselves in some situations.

Common welfare

The principle of common welfare is related to that of solidarity where members need to help each other for the realisation of a general welfare that can be ensured by the public system. People should take part both in creating wealth and in sharing that societal wealth. The state has the task of imposing taxes and levies on individual wealth to provide public goods that will benefit society as a whole. The state has to manage the various welfare-equalisation institutions in a fair manner to avoid unfair collections on certain sections of society that eventually translate into benefits to an exclusive group of the privileged. The system must demonstrate Pareto efficiency in that it does not unnecessarily lower the welfare of one person to increase that of another. Overall, public sector decisions must maintain or raise the general level of welfare.

The individual wellbeing is intertwined with the general national welfare as a complex social mixture of material and immaterial goods, which reinforces the pride of a citizen to trade as a national of a given country. The national system should provide individuals with a framework conducive to pursuing their self-interest responsibly by ensuring a fair ground where even those with one disadvantage or another are still provided with a given decent standard of living that makes the whole community proud enough to be patriotic citizens with a strong resolve to live in harmony and to defend country and one another.

The Concept of Ordoliberalism

The role of the state, therefore, is to provide order that enables a liberal society to strive for freedom – 'Ordoliberalism'. According to Kohler, Ordoliberalism addresses the question of how best to balance state and society, public policy and private enterprise, power of the state and freedom of the individual, general welfare and exclusive profit-seeking.[7] Since markets do not always attract decent people alone, the state must ensure the existence of rules and public institutions that guarantee the rule of law and prevent individual persons from destroying the necessary fairness, without micromanaging the economy.

The political challenge is to keep everybody with the hope and conviction that their lives and those of their children will be better than today, by creating opportunities for gainful participation in the economy and protection through redistributive functions and modalities of taxation and provision of public goods. The functioning of institutions in the maintenance of rules and regulations should be predictable and transparent enough for even those who may not realise ample benefits today – currently confined to the bottom of the pyramid – to have the trust that their due share will come.

In a nutshell, the SME advocates the promotion of the values of individual competitiveness and profitability within an environment moderated by the state regulatory authority to ensure that no individual person is disenfranchised by the self-seeking profit motive of those with more economic endowment and momentum. In so doing, the state ensures a win-win situation for everyone since each person recursively needs the other in terms of provision of labour, market demand wage and, most of all, social cohesion and solidarity.

3. Strategies for Poverty Reduction in Uganda

The strategies for poverty eradication in Uganda have, over time, varied from direct to indirect approaches. First, there was a strong direct focus on growth, with the assumption that the benefits will directly or otherwise trickle down to the whole population as long as every household was part of the free market-based development process. The government set out to provide a conducive macroeconomic environment to enable the private sector to use its ingenuity, creativity and self-drive for profits to spur the economy.

Second, after realising that some people were not getting significant benefits, the government adopted a proactive strategy that would specifically target the poor households. There were programmes such as the Programme for the Alleviation of Poverty and Social Costs of Adjustment (PAPSCA), thet Poverty Alleviation Project (PAP), *Entandikwa* (or seed capital) and, later on, the Poverty Action Fund (PAF).

The Economic Recovery Programme (ERP)

The programme was launched in 1987 with a view to freeing the markets to determine producer and consumer prices, stimulate production, rehabilitate the infrastructure base of the economy, and control inflation. The special focus on high inflation in particular was its widespread negative impacts on long-term planning, savings and investing and entrenching of poverty through reduction in real incomes.

The Structural Adjustment Programmes (SAPs) of the late 1980s were a category of growth enhancement policies based on what was commonly called the Washington Consensus of free markets with little or no state intervention. During this time, the policy thrust was to revamp growth by realigning the structure of the economy from overconsumption of non-tradable commodities to investment in tradables and the generation of exports through the provision of market incentives that had been rendered ineffective through overvaluation of the currency. In addition, government sought to reduce the budget deficit by downsizing the public sector through the retrenchment of civil servants, demobilisation of soldiers and privatisation

7 Speech by Horst Kohler, 'Cooperation and Solidarity: Opportunities for an International Social Market Economy – Experiences from Germany', Tanzania. www.kas.de, 15 June 2011.

of loss-making state-owned enterprises (SOEs). Some of the SOEs had, through inefficiency, contributed to the scarcity of goods and services that was denying the population a chance to realise a decent living.

The results of the above strategic polices were mixed in terms of growth and poverty reduction. Economic growth increased from very low levels to 10.6 per cent in 1994, export revenues increased from less than US$ 300 million in the late 1980s but remained in the range of US$ 576.5 million in 1995 to US$ 478.8 million 1999, except in 1996 when US$ 701.7 million was realised. Inflation reduced from 34.2 per cent in January 1993 to less than 10 per cent in 1997. Domestic revenues were still very low, leading to an increasing fiscal deficit and hence continued reliance on donor funds for a sizeable part of the budget – over 60 per cent. It is worth noting that most of the performance was, until this time, measured in terms of macroeconomic indicators and sectoral transformation.

Poverty Eradication Action Plan (PEAP)

In 1997, the first of several Poverty Eradication Action Plans (PEAPs) was launched, representing a strategy in which the government invoked a special focus on directing its budgetary resources towards directly poverty-reducing expenditures. The Poverty Action Fund (PAF) was also introduced soon after as a modality for preventing budget cuts in activities with a direct impact on poverty.

The PEAP was based on thematic areas or pillars that included:

(i) Creating a framework for economic growth and structural transformation;
(ii) Strengthening good governance and security;
(iii) Increasing the ability of the poor to raise their incomes; and
(iv) Improving the quality of life of the poor.

It was reported that sustained economic growth was central to poverty eradication and should necessarily be accompanied by structural transformation that involved the modernisation of agriculture and the growth of industry. There was a strong belief that sustained economic growth could only be delivered by the private sector, with the government concentrating only on the delivery of an economic environment that is conducive to sustained private sector activity. Later on, it was reported that the growth pattern of the 1990s, and also of the subsequent years, was building up an environmental burden, which would eventually be borne by the poor who have to depend more heavily on natural resources (MoFPED, 2003).[8]

To increase the ability of the poor to raise their incomes within a private sector-led free market environment, the government wished to address aspects of access and ownership of key assets that were proving to be a big impediment to improving the welfare of poor households. The government intended to address challenges that the poor in terms of having limited access to physical infrastructure in the areas of rural roads, energy, markets, and financial services.

Improving the quality of life of the poor was considered an ultimate objective of the government and called for enhanced focus on the provision of basic services, particularly health care, education, safe water and sanitation. Although access to social services had improved, the quality of these services was still very low. Generally the situation was worse in the northern parts of the country where insecurity was still rampant.

8 MoFPED (2003) *Uganda Poverty Status Report, 2003*, Ministry of Finance, Planning and Economic Development.

In 2000, the government enhanced its pro-poor growth strategy and emphasis on the private sector as a major driver of the economy by launching the Medium Term Competitiveness Strategy (MTCS) for the Private Sector and the Plan for Modernisation of Agriculture (PMA) as tools to address bottlenecks to private sector development and sustained growth. Within the PMA, the government singled out the National Agricultural Advisory Services (NAADS) programme to directly assist the poor farmers with knowledge, advice and learning through demonstrations so as to improve agricultural technologies and productivity. It was recognised that there was need for coordination of these programmes with other initiatives in health, education and deepening of decentralisation through the establishment of strong and effective local governments (LGs).

The government was also committed to tackling corruption and poor accountability mechanisms, significant barriers to doing business and overall growth. Other recognised constraints to economic growth included: unreliable or non-existent utility services, weak judicial processes, limited access to markets on account of a poor transport infrastructure and lack of market information, especially at farm level. Finally, there was limited access to affordable microfinance and long-term financing as well as an excessive regulatory burden imposed by the government upon private businesses.

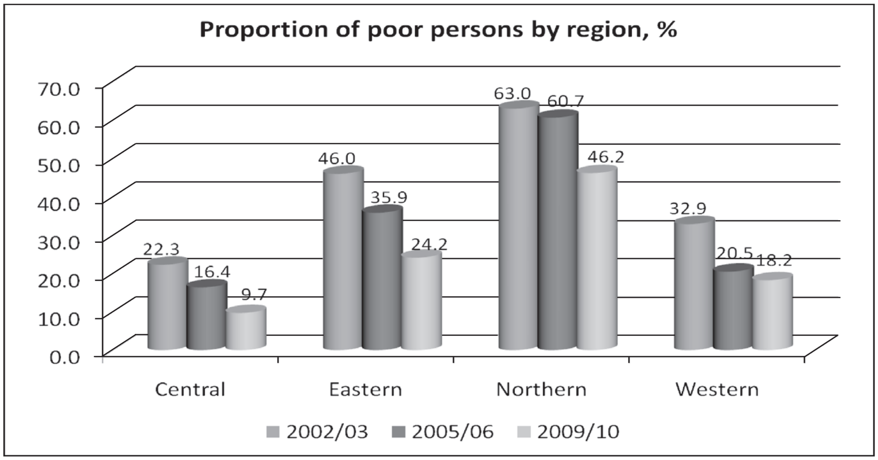
4. Performance and Results

Just like the previous set of interventions associated with the earlier structural adjustment policies, the results of this second set of interventions have been mixed. The country's earnings from the export of goods and services have increased from US$ 735 million in 1998/99 to over US$ 2.8 billion in 2008/09.

However, significant challenges still remain, not least in areas of achieving high growth rates that are in line with poverty reduction targets, resilient macroeconomic stability in the light of the global economic meltdown, and building institutions to secure maintenance of both social and economic order. For example, the infrastructure challenges are still highly significant both in terms of transport and energy. The quantity, but more so quality, of basic social services are still very poor, especially for the low-income groups who cannot afford to go to the private providers. Corruption continues unabated, and the rule of law and the delivery of justice involve lengthy delays, although there is growing confidence, as shown by the growing number of cases that are taken to court.

The reduction in poverty has come from a permanent increase in consumption income, which has risen at an annualised rate of 2.2 per cent and 1.9 per cent for urban and rural areas respectively since 1992/93. The recent decline in poverty was largely a result of strong economic growth and, more recently, the return of peace in the northern part of the country. The decline in poverty in northern Uganda of 14 percentage points between 2005/06 and 2009/10 represents half of the country's decline in poverty over the same period.

Figure 1: Recent poverty trends by region of Uganda



Source: EPRC, 2011[9]

Specifically, recent poverty reduction has been a result of the following factors: (a) diversification of household sources of income, especially growth in non-farm income; (b) growth in both wage employment and wages; (c) peace in the north; and (iv) improvements in agricultural productivity.

Previously, mainly in the 1990s, poverty reduction was due to redistribution partly as a result of better performance of agricultural markets following the liberalisation of commodity markets. However, this process contributed to the widening of inequality, as shown by the increasing value of the Gini coefficient (see Table 2 below).

Table 2: Gini income inequality indicators

	1992/93	**1994/95**	**1997/98**	**1999/00**	**2003/03**	**2009/10**
Rural	0.326	0.321	0.311	0.332	0.363	-
Urban	0.395	0.398	0.347	0.426	0.477	-
National	0.364	0.365	0.347	0.395	0.428	0.43

Source: Appleton (2001); Appleton and Ssewanyana (2003)[10]

However, despite the downward trend in poverty as a percentage of the total population, the absolute number of Ugandans living in absolute poverty has remained high since 1992. The decline of 7.8 per cent, corresponding to a reduction of 1.28 million persons between 2005/06 and 2009/10, implies that 7.16 million persons are still living below the poverty line (Table 3). Besides, this decline was lower than the 1.4 million people who were registered between 2002/03 and 2005/06.

9 Preliminary analysis results for UNHS 2009/10 data, issued by the Economic Policy Research Centre (EPRC) in January 2011.

10 Sewanyana, S., Okidi, J., Angemi and Baringi, V. (2004), 'Understanding the Determinants of Income Inequality in Uganda', EPRC Research Series, No. 39.

Table 3: Recent trends in absolute number of poor people

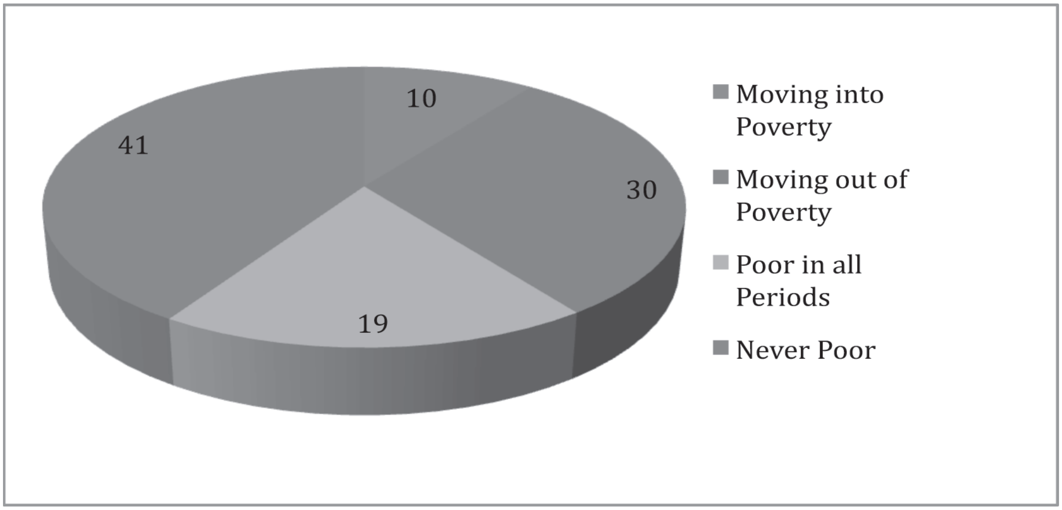
	2005/06	2009/10	Changes
National	8.44	7.16	1.28
Rural	7.87	6.75	1.12
Urban	0.57	0.41	0.16

Source: EPRC, 2011

Furthermore, the income poverty reduction was uneven across geographical locations, with the northern region accounting for the majority of the poor, and the head count in the region remaining higher than the national average.

The above figures seem to confirm the persistence of the chronic poverty problem that was observed through the decade of the 1990s. Analysis of data from 1992 to 1999 indicated that 19 per cent of the people were poor in all periods while 10 per cent were moving into poverty (see Chart 1 below).

Chart 1: Poverty dynamics in Uganda: 1992 – 1999 (percentages)



Source: Lawson *et al.* (2003)[11]

11 Lawson, D., Mackay, A. and Okidi, J. (2003), Poverty in Uganda – Basic Dynamic Trends

Pro-poor Growth Efforts

While pro-poor growth would be expected to come from the intensification of investments and the growth of sectors of the economy where the majority of the poor are domiciled or are expected to move to, and also use the resources the poor have in abundance – mainly unskilled or manual labour – the situation in Uganda has been different. Over the years, the major drivers of the economy, which have had very high annual or quarterly growth rates, have been in the areas of construction, services, trade, communication, transport and financial services (see Table 1).

Table 1: Sectoral composition of GDP and annual growth rates (at factor cost)

Sector	**1995/96**	**1997/98**	**2000/01**	**2006/07**	**2009/10**
Sectoral Composition of GDP (%)					
Agriculture	45.7	42.7	37.4	16.9	14.7
Industry	-	-	20	25.1	25.0
Manufacturing	19.7	14.4	8.8	8.2	
Construction	7.5	7.5	6.2	8.4	
Services			38	49.6	51.6
Annual Growth Rates (%)					
Agriculture	8.4	2.5	4.6	0.1	2.4
Industry/Manufacturing	19.7	14.4	6.1	9.6	6.5
Services			7.2	8.0	7.4
Overall GDP			5.9	8.4	5.5

Source: MoFPED, Background to the Budget, & UBoS, Statistical Abstracts, various years

The fact that the growth of the economy has been dominated by sectors that only offer indirect benefits to the poor should be a major cause for concern. The bulk of poor people in Uganda are directly dependent on agriculture for food and incomes to secure non-food items. Even the people who live in the urban areas have to depend on low food prices to maximise welfare from low earnings. On a macro level, agriculture is still a major source of the country's foreign exchange earnings despite the diversification that has seen increased earnings from other sources such as trade in services.

In terms of employment, the growing sectors have offered little to the bulk of the population, as only about 6 per cent and 12 per cent of the people are employed in industry and services respectively. Thus, the structural changes have not significantly and consistently supported the bulk of the population that remains in agriculture either through increases in production and productivity or the creation of jobs elsewhere to encourage labour migration from the sector. While agriculture's share of GDP has halved over the last decade and a half, the sector share of employment could only reduce by 10 percentage points, and the sector still provides the primary employment for about 70 per cent of the labour force.

According to Fox *et al.* (2010), the growth rate of value added in industry of 14 per cent per annum could only increase employment by 3.6 per cent per annum.[12] While the labour force grew by 2.9 per cent, from the early 1990s to the present, non-agricultural jobs grew by only 6.3 per cent. Non-agriculture wage and salary jobs only grew by 4.4 per cent between 1992-2005/6, because of employment reductions in the public sector in the first half of the 1990s. The private sector tried to compensate for these layoffs by creating new wage and salary employment at the rate of 7.3 per cent per annum.

Traditionally, the primary sources of growth since the 1990s have largely been: the degree of investment (i.e. accumulation of both physical and human capital), factor productivity and structural transformation. Specifically, total investment grew from a five-year average of 11.9 per cent in 1990/91 to 19.7 per cent of GDP by 2003/04. Factor productivity (FP) grew even faster at the beginning of the 1990s compared to the earlier periods.[13] To accomplish the task of creating jobs that increase growth and incomes, labour productivity needs to increase in all sectors through investments and improvements in technology and production processes to prevent a decline in real earnings. Promoting a higher standard of basic educational attainment for labour force entrants is one example of policy measures that can raise productivity.

5. Challenges to Poverty Reduction in Uganda

Despite the significant progress made, further reduction of poverty, especially chronic poverty associated with households that are perpetually trapped in the poverty cycle, will require a lot more effort in policy implementation. The failures are associated with both inadequate 'hardware' and 'software' aspects.

The hardware aspects relate to inadequate infrastructure, limited financial resources, lack of education and skills for the majority of the people, and poor production technologies. According to MoFPED (2003), the determinants of poverty include: asset ownership, access to public goods (health, education, and infrastructure), civil strife, and population – especially the size of the family.[14] The size of landholding and the security of tenure made a significant contribution to whether the household was likely to be poor or not. Lawson *et al.* (2003) shows that asset depletion is particularly prevalent in households that are chronically poor and those moving into poverty, that appear to make distress sales to avoid sinking into poverty. Accordingly, the failure to resolve the security of land tenure by the majority of the poor is a major constraint on welfare improvement.

The software aspects relate to a weak social, political and economic environment within which policies, plans and strategies are made and executed. This aspect, which is even more related to the SME principles, appears to be more of a critical concern than the resultant lack of physical infrastructure such as roads, energy, and the associated high cost of doing business or low productivity in agriculture. The main challenge seems to be in areas of establishing the requisite rules, regulations and procedures, and putting in place credible institutions to secure the public interest. The rampant cases of corruption and poor realisation of value for money have consistently undermined both the quantity and quality of the services required to provide welfare improvements.

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12 'Sharing the Growth in Uganda: Recent Labor Market Outcomes and Poverty Reduction' This note was prepared by Louise Fox, with support from Isis Gaddis, Donald Makoka, and Gaelle Pierre.

13 Zorya, S., Kshirsagar, V., and Gautam, M., (2010), 'Agriculture for Inclusive Growth in Uganda' Draft for Disscussion. AFTAR, Sustainable Development Network, Africa Region.

14 MoFPED (2003) Uganda Poverty Status Report, 2003.

The quality of education and health services, for example, has not enabled the poor to obtain the basics of quality that characterise the minimum initial conditions for fair and gainful participation in the economy. Assessments of the quality of education in terms of literacy and numeracy indicators continue to indicate low performance, implying that children are not getting adequate training that would enable them to obtain the training and skills they need to increase productivity of their labour and associate incomes.

Similarly, corruption and poor implementation of government programmes imply that the redistributive function of government that relies on taxation of the more privileged for the provision of public services is not as effective as desired. The common good is being captured by a few elites through abuse of office and with high levels of impunity, given the weaknesses inherent in state institutions. The ability of the state to protect the public interest needs to be enhanced so that effective prosecutions and recoveries of public resources can be delivered in order to set precedents that can act as deterrents to future bad individual behaviour.

From the foregoing, it would appear that the major constraint on growth and poverty reduction is associated with weak ethical behaviour that amplifies the individual interest to the detriment of that of the whole community. Such behaviour has indeed thrived amidst weak institutional structures put in place by the state to offer a fair and effective regulatory environment for individual interactions within a competitive market system.

Not seeking for the common good has undermined the resilience of the economy in the face of global and local shocks, and resulted in the deterioration of macroeconomic stability indicators such as inflation, exchange rates and national foreign exchange reserves. The national debt, foreign and domestic, though still sustainable, seems to be rising at a faster rate given that, in the past, it was initiatives such as HIPC and MDRI that contributed to its reduction to manageable levels. The weak macroeconomic indicators have a tendency of affecting the poor more by way of reducing real incomes and increasing vulnerability and frequency of episodes of social unrest.

6. Conclusion: Lessons from the SME Principles

A review of the performance of various policies and strategies that Uganda has pursued over the last two decades clearly shows that a different approach to the delivery of the development agenda is needed in order to realise comprehensive poverty reduction. Over the years, the country has both adopted the free market economy where the private sector was expected to play a leading role, and introduced wide-ranging state interventions in the social sectors and the provision of basic physical infrastructure, especially in the areas of transport and energy.

The failure to realise the much-needed results for every citizen and the seemingly declining sense of nationalism and patriotism indicates an urgent need to adopt key principles of the social market economy. Notable among these are the principles of justice and order, which would allow the free practice of individualism in a responsible manner for the benefit of a common good/welfare. It is clear that Uganda lacks common values around which to build a social sense of belonging that can guide the building of social-economic market structures. Apart from the voluntary practices of corporate social responsibility and a few individual acts of charity, one does not see much in terms of individual corporations or persons blending the social objectives into individual plans.

In order to strengthen individual responsibility to the general society where one innovatively creates wealth, the state must revisit the current structure and nature of its institutions in connection with the delivery of a range of public services. The presence of weak institutions was indicated in the National Development Plan (NDP) as a core part of the binding constraints on development. The government needs to ensure an environment that offers freedom for individuals to pursue their economic dreams but in a socially responsible manner. The current trend characterised by widespread corruption as well as the seeking of unfair tax exemptions is a manifestation that Uganda is a society that will benefit from the adoption of SME principles. In addition, the vulnerability of the economy to current internal and international economic pressures shows limited in-built resilience, which is characteristic of the weak integration of both social and economic structures that can only be the result of a cohesive society.

The current intervention of the state has not yet created enough incentives to deter the individual pursuit of personal gain that is characteristic of a purely free market economy, at the expense of the entire community. The state has to play a crucial role in enabling the realisation of Ordoliberalism – an environment that enables a liberal society to strive for freedom jointly and in a responsible manner. State agencies and agents have a duty to portray strong nationalistic values that transcend short-term personal gains and focus on long-term national aspirations. Accordingly, the state should balance its interventions through public policy with initiatives by private enterprise and prevent exclusive profit-seeking by individual entities with sufficient initial/current endowments.

Redressing the distribution of initial assets for wealth creation such as human skills, land and critical social networks will be a vital component that ensures that future economic growth will be inclusive of all society. For the rest of the population who may not be able to participate in the growth process at a given time, efficient redistribution mechanisms in terms of taxation and delivery of public services will be required. Effective market controls are needed to condition individual profit-maximisation behaviour and enable the transfer of some of the personal gain arising from own-creativity to the entire society that contributes to the creation of such wealth. Uganda needs to build societal values to guide the refinement of her ideology of development, and then establish institutions that will enable the society to jointly pursue the desired vision – prosperity for all citizens.

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PRO-POOR DEVELOPMENT AND POVERTY REDUCTION IN UGANDA AND THE IDEA OF SOCIAL MARKET ECONOMY

Elly Twineyo Kamugisha[15]

1. Introduction

As a basis for this contribution, the PESTLE matrix is used in order to show what an economy needs to consider while developing. It is a useful and accepted tool for development analysts and political economists. It looks at the macro-environment of a country from the angles of political, economic, social-cultural, technology, legal, and economic factors.

Table 1: The PESTLE matrix and the economy

Political	• Ideology • Peace and stability • 'Visible hand' – to create an enabling environment
Economic	• Economic system • Market operations - 'invisible hand' • GDP per capita; purchasing power parity • Jobs • Poverty levels
Social	• Literacy levels • Education • Respect for social norms

Technology	• Obsolete versus modern technology
	    • Hand hoe versus tractor
	    • ICT (email, Twitter, sms, etc) versus postal mail

Legal	• Rules and regulations • Private property rights • Courts • Private property rights • Ownership of business • Laws on employment, investment, establishing businesses, anti-trust laws/anti-monopoly laws, etc.
Ecology/natural environment	• Trade-off between trade/business and nature (cost/benefit analysis) • Climate change

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2. Wealth Creation versus Poverty (and the Role of the Private Sector)

Who creates wealth and where?

The role of the private sector is important for creating wealth, in enhancing the rate of economic growth, employment creation and generating incomes for most Ugandans.

Wealth is created by individuals, firms or households at firm or household level. Wealth is not created by the government. With the exception of welfare support for the chronically poor, the government cannot create wealth for individuals. Those individuals have to work and earn incomes and buy assets, thereby creating wealth.

The government can put in place poverty reduction strategies. These – as already discussed by Dr Muhumuza – include in the Ugandan case, for example, the Economic Recovery Programme (ERP) and the Poverty Eradication Action Plan (PEAP) as well as measures such as the Poverty Alleviation Project (PAP), the Poverty Action Fund (PAF), the National Agricultural Advisory Services (NAADS) or the Plan for Modernisation of Agriculture (PMA).

Is the market important?

> It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.
>
> Adam Smith, *The Wealth of Nations*

The idea of the self-regulating market was first introduced by Adam Smith as the **invisible hand**.

In economics, the **invisible hand** (also known as **invisible hand of the market**) is the term economists use to describe the self-regulating nature of the marketplace (first introduced by Adam Smith as a concept in *The Theory of Moral Sentiments,* written in 1759). The theory of the 'invisible hand' states that if each consumer is allowed to choose freely what to buy and each producer is allowed to choose freely what to sell and how to produce it, the market will settle on a product distribution and prices that are beneficial to all the individual members of a community, and hence to the community as a whole.

The reason for this is that self-interest drives actors to beneficial behaviour. Efficient methods of production are adopted to maximise profits. Low prices are charged to maximise revenue through gain in market share by undercutting competitors.

Investors invest in those industries most urgently needed to maximise returns, and withdraw capital from those less efficient in creating value.

3. Poverty Reduction Strategies and the Role of Government

The role of government in a market-led economy should be clear: create an enabling environment. Do not interfere unnecessarily with the operations of the market. The market is a good distributor of resources. Buyers and sellers know what they want. They exchange goods and services based on an agreed price (usually referred to as consideration in contract law). The government should only come in when there is market failure – and leave when this has been addressed. The table below shows the role of government in promoting growth.

Table 2: Role of government in economic growth

Government	Economic activity in the economy
Facilitating	Help investors register businesses; incentives; public trade/investment promotion agencies
Influencing	Via monetary and fiscal instruments and policies; national planning; infrastructure;
Regulating	Via laws; rules and regulations

The government role in promoting economic growth can, therefore, be seen at the sectoral level:

Infrastructure: roads, ports, airports and harbours

The role of government is set up the infrastructure. In situations where it does not have the resources, it can undertake public-private partnerships (PPPs).

Defence and security

The government has the responsibility to invest in the protection of citizens and the security of the country's borders.

Agriculture

This is the biggest primary employer of Ugandans, especially in the rural areas. Around 70 per cent of Uganda depends on agriculture as the primary employer. Its contribution to GDP has been declining yet it still single-handedly employs the biggest part of the population.

Table 3: Sectoral composition of GDP and annual growth rates (at factor cost)

Sector	1995/96	1997/98	2000/01	2006/07	2009/10
Sectoral composition of GDP (%)					
Agriculture	45.7	42.7	37.4	16.9	14.7
Industry	-	-	20	25.1	25.0
Manufacturing	19.7	14.4	8.8	8.2	
Construction	7.5	7.5	6.2	8.4	
Services			38	49.6	51.6
Annual growth rates (%)					
Agriculture	8.4	2.5	4.6	0.1	2.4
Industry/Manufacturing	19.7	14.4	6.1	9.6	6.5
Services			7.2	8.0	7.4
Overall GDP			5.9	8.4	5.5

Source: MoFPED, Background to the Budget and UBoS, Statistical Abstracts, various years

The theory of economics says that it bodes well when the contribution of agriculture to the GDP declines while that of services or industry improves at the same time. A challenge, however, arises when the GDP contribution declines and the employment in the sector follows suit. It is important that the bigger number of employees be in that sector that contributes more to the GDP. This, however, has not happened in Uganda. Therefore support is still very much needed to promote this sector.

The author, as a former trade promotion official, makes the following proposals for boosting agricultural productivity and employment: increasing export-oriented investments and production; commercialising agriculture by encouraging small-scale group cooperation in production and marketing, commercial farms and out-growers; and modernising agriculture (moving very far away from the hand hoe).

4. Market Failure and Government Intervention: Can the Market always be a Perfect Distributor of Resources?

At times markets fail to serve society efficiently and effectively. Factors in the macro-environment affect market performance. The market approach has often been criticised because there are limitations of the market as an effective distributor of goods and services. The criticism of the limitations of the market economy exposes the need to rethink the pure market economy approach.

Joseph E. Stiglitz, a Nobel Prize-winning economist, in his book *Making Globalization Work*[16] states that whenever there are 'externalities' – where the actions of an individual have impacts on others for which they do not pay, or for which they are not compensated – markets will not work well. Some examples:

16 Stiglitz, J.E. (2006) *Making Globalization Work.*

- Markets, by themselves, produce too much pollution.
- Markets, by themselves, also produce too little basic research. (Government interventions were responsible for financing most of the important scientific breakthroughs, including the internet and the first telegraph line, and many bio-tech advances.)

Government plays an important role in banking and securities regulation, and a host of other areas: some regulation is required to make markets work. Government is needed at a minimum to enforce contracts and property rights.

The real debate today is about finding the right balance between the market and government (and the third 'sector', i.e. non-governmental, non-profit organisations). Both are needed and should complement each other.

Not the market alone?

According to Dani Rodrik, the tens of thousands of workers that pencil factories in China employ would most likely have remained poor farmers if the government had not given market forces a nudge to get the industry off the ground. Given China's economic success, it is hard to deny the contribution made by the government's industrialisation policies. He asserts that it is the interventionists who have succeeded in economic history, where it really matters.

Economist Jeffrey D. Sachs argues that

> when the preconditions of basic infrastructure (roads, power, and ports) and human capital (health and education) are in place, markets are powerful engines of development. Without those preconditions, markets can cruelly bypass large parts of the world, leaving them impoverished and suffering without respite. Collective action, through effective government provision of health, education, infrastructure, as well as foreign assistance when needed, underpins economic success.[17]

Despite the criticisms and limitations of open market operations, it is still the market, not government, that acts as an independent distributor. It is the market that will distribute goods and services without favouritism and bias. When market failure crops up, government should intervene in, not interrupt, the market operations. Therefore there is need to '[find] the right balance between the market and government'.[18]

17 Sachs, J.D. (2005) The End of Poverty. How We Can Make It Happen in our Lifetime.
18 Rodrik, D. (2012)Milton Friedman's Magical Thinking.

5. Pro-Poor Development and Poverty Reduction in Uganda and the Idea of Social Market Economy

Uganda has embraced several policy options and strategies since the late 1980s. It has achieved unprecedented levels of economic growth. However, there are still high levels of inequality. The total number of abject poor in the country is more than 7 million (UBOS, 2011). There is need to look at the social market economy principles and see whether a market economy, but one with a 'humane face', can help us reduce the numbers of the poor.

The concept of the social market economy grew out of the need to find an alternative between 'the two extremes of centralist socialism and uncontrolled capitalism'.[19] It is the middle of the two extreme ideologies. While extreme capitalism would embody the freedom of individuals to strive for improvement of their own situations following the natural, decent self-interest motivation, the social market economy demands that such freedom be combined with responsibility. The hardworking, creative or innovative individuals should be put into a context of partnerships and cooperation for the wellbeing of entire communities. Human rights, democracy and the ideals of respect for all human beings are observed while implementing the market-based operations of buying and selling. The profit motive is never ignored, yet the underprivileged are supported.

6. Conclusion

We should continue the dialogue on these ideas. After all Germany is currently the best-managed economy. The German middle class accounts for around 60 per cent of the population. Germans learnt their lessons from the past.

There is need to continue the discussion on the principles of the social market economy and the market. Can we find the balance between the role of government and that of the private sector? In doing so, we, however, have to be careful about involving government in doing business again – and ensure that it does not compete with the private sector (firms, households or individuals).

19 Girke, P., Foreword to: Evarist Twimukye (2011) Reality Check: Economic Policies in Uganda and the Principles of the Social Market Economy, KAS

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HIGH-LEVEL ROUNDTABLE DISCUSSION ON 'PRO-POOR DEVELOPMENT AND POVERTY REDUCTION IN UGANDA AND THE IDEA OF SOCIAL MARKET ECONOMY'

- SYNTHESIS OF THE DISCUSSION -

By Davies Rwabu

Welcome Remarks by Dr Bonny Kyaligonza (Executive Director, ACTADE)

Dr Kzaligonza welcomed all participants to the round-table discussion and urged them to openly debate the subject as their ideas would enrich the discussion. He noted that the work of ACTADE is guided by research and that through open debates some of the goals of ACTADE are easily fulfilled. He noted that as an organisation, their aim is to support the government of the Republic of Uganda in its quest for development. The organisation's work revolves around engaging government and the private sector in development and poverty reduction issues. He noted that wealth distribution is a key strategy for achieving development. As such, ACTADE works with the Ministry of Finance, Planning and Economic Development, cooperatives, academia, the youth and the media, among others. In Uganda, he noted, ACTADE has closely worked with the *New Vision*, the *Monitor* newspaper, *The Observer* newspaper and the *New Times* of Rwanda, among others. He also emphasised that ACTADE's liaison with the media was because of the critical role they play in transmitting information and also shaping opinion.

He emphasised that Uganda has a lot to learn from the principles of a social market economy and that, therefore, the debate was very welcome and timely.

As an input into the discussion he particularly posed the question whether the German Wohlstand für Alle (Prosperity for All) was similar to the Ugandan Bonna Baggagawale (Prosperity for All). Wohlstand für Alle was the title of a famous book by Ludwig Erhard, former Federal German Minister of Economics after World War II, which elaborated on the principles of the social market economy.

Opening Remarks by Mr Longino Tisasirana, Executive Director, National Planning Authority (NPA)

Mr Tisasirina thanked ACTADE and KAS for the invitation to give opening remarks and to participate in the High-Level Roundtable discussion on a topical issue that is significant for development. He highlighted the background to the National Development Plan. He intimated that stabilisation policies on the economy have been around for 20 years and noted that some aspects seem not to work while others have been successful. With regard to the remaining challenges, he argued that the social market economy approach could provide solutions.

He informed the participants that the 1960s were characterised by policies that favoured government interventions. The 1970s were chaotic, resulting in the economic war. Then the 1980s saw the ascendancy of the recovery programmes to improve on the economy after it had shrunk. The Structural Adjustment Programmes (SAPs) were, therefore, a foundation for privatisation and there was economic regulation as well. He recollected that in 1997, the Poverty Eradication Adjustment Programme (PEAP) was initiated and the emphasis was on poverty, targeting mainly policies in the social sector such as education, health and rural water, among others, until recently in 2010. He further elaborated that PEAP's initial life span was up to 2007, but was extended up to 2008-2009. After 2009, the government of the Republic of Uganda introduced the National Development Plan (NDP), which was launched in 2010 and approved by the Parliament of Uganda in November 2010.

He highlighted that the new policy is a quasi-market economy, which implies elements of a social market economy. He added that the PEAP period was dominated by privatisation and economic liberalisation in which government offered an environment that was conducive for the private sector to develop. He also noted that currently the NDP recognises that the private sector needs to be supported since it is still young. He reiterated that the private sector cannot manage on its own and thus government involvement is needed. He concluded that the modalities of this support need to be discussed.

He further explained the need for the government to intervene when markets fail. He added that this was because the government had an interest in the social welfare of its citizens. Acording to Tisasirina, government intervention would also be needed in dire circumstances to regulate the economy. Therefore the discussion on the social market economy was timely and appropriate. He applauded China as a key example of a country that designs and implements five-year development plans and whose government is directly responsible for guiding and shaping development.

He concluded his remarks by posing a number of questions that the roundtable discussion should address: Did government liberalise too early? Should there be a review of the policy options? How should the government of Uganda get involved? Should it be intervention as opposed to interference? Should the government play an oversight role or should it be actively involved? What is the long-term economic policy versus the policy of the ruling government? Should the government's role be enforcement or action?

Open Discussion with Invited Participants

During the open discussion, participants highlighted the following:

- It was noted that the linkage between the social market economy and the Ugandan context is not yet properly understood and that there was need for continued reflection on the subject through research and encouraging debate among all stakeholders.

- Uganda seems to have already been implementing some of the principles of a social market economy implicitly, which makes it possible for the country to adopt it if conscious actions are taken by the relevant organs.

- There is need to clearly identify the roles of the different stakeholders and determine the responsibilities of each of them at the different levels such that it becomes clear what decision-making roles are determined at what level for the success of the concept of social market economy.

- Politics and economics have to go hand in hand for the ideals of a social market economy as a model of development to be successful in Uganda.

- There is need for continued partnership between the private sector and the government for a social market economy to flourish. It was argued that Uganda could borrow a leaf from the concept of running cooperatives. In that line, it was noted that cooperatives could add a lot of value especially if organised on the basis of farmers groups.

- The National Development Plan includes public-private partnership where, for instance, if the government has no resources to provide certain services, the private sector is supported and encouraged to provide them.

- It was argued that the current National Development Plan takes into account many ideas of a social market economy in one way or the other and only requires more effective implementation.

- Participants emphasised that there is need for a policy that is understood by everyone to guide development in Uganda.

- There is a greater push from the private sector, which is an encouraging prospect in Uganda, thus necessitating the creation of an environment that is conducive for the private sector to flourish in line with the ideals of a social market economy.

- Participants saw a need for an equitable level of access to government funding to help propel equitable development in Uganda.

- It was requested that the government of Uganda should revive the Uganda Development Corporation, an institution that will be charged with directing the nature of investment in the country.

- It was urged that where the private sector delays in providing services that benefit the poor, the government should always get involved so as to secure the welfare of its citizens, and that the government should also finance ventures that are expensive since the private sector may not have the resources; or that the government should form public-private partnerships where shares are allotted to the private sector.

- It was argued that the government's role should change from practising direct management to providing a conducive environment.

- It was also noted that during the era of cooperatives management was poor. The managers were merely administrators who used the cooperatives to enrich themselves and their close associates yet they are significant in the development of the livelihoods of the poor. Their revival and survival is guaranteed if they are managed by members and are organised on the basis of farmers groups

- There is need for an economic system that has a human face and the social market economy would be ideal in such circumstances. However, it was noted that the economic-political nexus is less talked about. There is need to address this seriously. Political will is important for the success of a social market economy. The political system should enable the social market economy to thrive.

- There is need for proper laws to enable the ideals of a social market economy to work in practice. This calls for balancing economics and politics, instituting rules and procedures that nurture a social market economy in Uganda that is not a federal state

- There is need to build consensus on the kind of Uganda that is ideal for everyone. So the involvement of everyone is important. Policies like decentralisation were noted to have failed and only benefited the centre and not the people. There is need to reform the decentralisation policy to benefit from the ideals of a social marketing economy.

- There is need to focus on agriculture since most of the population is engaged in agricultural activities. The bulk of the poor are engaged in agriculture and still use crude methods and tools for tilling the land such as the hand hoe. There is thus need to rally the population to development through agriculture.

- It was argued by some discussants that there appears to be a lack of political will to transform the country. Without political will, the economic issues become hard to address successfully. Even where there is political will, there seems to be laxity on the part of the government to implement programmes.

- It was noted that the social market economy is a balance between capitalism and socialism. There is need for a deliberate discussion on how the social market economy can work optimally. This calls for a review of policy. The government should be involved in key areas that impact on the welfare of its citizens.

- It was also argued that most of the principles of a social market economy were already in place in one way or another – except under a different name. Therefore it would not be hard to implement the ideals of a social market economy.

- Implementation of a social market economy is likely to be affected by the weak human resource capacity in place. There is thus need to consciously develop the human capital element for the successful implementation of the ideals that fit a social market economy.

- There is need for the strengthening of institutions in Uganda. It was noted that the private sector is grappling with hardships because government institutions are too weak to carry out their obligations.

- Steps should be taken to promote the ideals of a social market economy in the East African region since, as a regional block, the prospects for increasing the volume of trade and for the growth of markets are high.

- A social market economy can flourish where there are national values. Apparently, this seems not to be the case in Uganda. There are no agreed core values; and independence was not obtained on the basis of political values. Instead dishonesty and selfishness seem to be tearing the country apart, thus the rampant corruption.

- There seems to be no social contract. Politics is supposed to organise public institutions. This, according to some discussants, is failing in Uganda currently.

- Uganda needs to ensure that poverty is reduced by striking a balance between intervention and interference, supporting public-private partnerships, influencing growth, and providing an enabling environment since lack of it makes people poorer. In the presence of good infrastructure the market will flourish.

- It was recommended that economic growth should follow the path of democracy. Democratic governance should be strengthened in the country. This should also include the strengthening of government institutions

- There is need to understand the ideals of development, such as making policies and laws that function for the good of a free social market economy in Uganda. Without relevant laws good policies may never be implemented and protected.

- It was argued that the history of impunity affects the creation of a social market economy. There is unfairness in the treatment of individuals, making it hard for the poor to access justice systems, equitable distribution of wealth is a myth, and there is a lot of individualism at the expense of collectivism. There are no individual values, nor are societal and institutional values cherished in Uganda.

- There is need for extreme caution while engaging in public-private partnerships because there are ruthless individual business persons out to benefit privately from government resources at the expense of the public good; lest the citizens are affected and continue to be poor and get poorer.

- On the way forward, it was noted that the social market economy model provides a grand discussion on what concepts to adopt that would work for Uganda; it provides a direction on how to move together as a country; and it defines the parameters for every stakeholder's responsibility – where the laws must work.

- There is need to sensitise the population to the ideals of a social market economy, share concrete information such as the budgeting process, and have in place clear policies that regulate the prices of essential products such as sugar and salt.

- It was noted that the principles of a social market economy will inevitably be affected by the banking system in place that is extremely capitalist and are determined to cover their loan remittances at all costs without regard for the customer. It was also noted that microfinance institutions are even worse. This makes wealth distribution impossible.

- There is need to involve civil society organisations in mobilising communities to sensitise them to the ideals of a social market economy in Uganda.

- It was argued that the education system in Uganda should be revised such that it is practically oriented to cater for the needs of the poor, the agriculture sector, and the industrial sector because what is needed is a skilled human resource and not just a theoretically based human resource. The participants urged the strengthening of vocational education as a means of achieving self-employment in the country and also to transform the informal sector.

- The discussants urged the African Centre for Trade and Development and Konrad-Adenauer-Stiftung to sensitive the population to the need for social contracts. The social contract imposes on the citizens the responsibility to understand the need for a value system in Uganda.

- Participants reiterated the need to support the agricultural sector since over 70 per cent of the population is directly or indirectly involved in it through implementing favourable policies and increasing funding.

- It was noted that policies and interventions were never implemented or never considered, without prior research. Many policy frameworks have been developed but have remained on paper; instead other policies not based on informed research have been favoured and the reasons why they were introduced have not been investigated. Participants urged that the idea of a social market economy should not suffer a similar fate.

- The participants finally urged decision-makers to find a 'social market economy' that works for Uganda. This would be one that incorporates the ideas of a social market economy and addresses the needs of the poor in a bid to reduce poverty and thus enhance development in Uganda.

Closing Remarks by Mr Sam Wanyaka, Director, Budget Office of Parliament, Republic of Uganda

Mr Wanyaka thanked Konrad-Adenauer-Stiftung and the African Centre for Trade and Development for organising the roundtable discussion and all the presenters and discussants for articulating their ideas on the topic. He noticed that there was a convergence of ideas and belief that the social market economy would resolve points of inefficiency in the political and economic system in Uganda.

He informed the participants that there was commitment within parliament to deliver policies that impact on the poor and uplift their welfare, thus reducing poverty in Uganda. He therefore promised to market the idea to parliament since the ideals of a social market economy attempt to resolve the current 'man-eat-man' situation and create a 'man-eat-society' one that calls for collective responsibility on the part of all stakeholders.

He noted that the current state of affairs exacerbates the syndrome of individuals or groups hoodwinking the government by supplying inadequate statistics and thus getting government not to plan adequately, ending up making promises to the citizens that it fails to fulfil. He also noted that there are individuals who divert services to private use and therefore do not contribute to the public good – the welfare of the people. This practice undermines the provision of welfare to the citizens. He emphasised government's commitment to serve the people but lamented that this commitment is undermined by the middleman who is out to fleece the citizens.

He noted that government needs to address constraints such as lack of access to trade, unfair trade and implementation practices, interference in normal business, and lack of enforcement, among others.

Information sharing is also inadequate. He urged that there is need for the continued existence of avenues such as the roundtable discussions to generate information for implementers – for instance, parliament – so as to design policy that favours the ideals of a social market economy. He also called for the National Development Plan to embrace the ideals of a social market economy and ensure that the budgeting processes take into account the National Development Plan. He also called for the implementation of the National Development Plan through the national budget.

He noted that there was difficulty in generating consensus on certain issues stemming from political inclinations, which is something that all political actors need to address seriously such that the economic policy can find a proper direction. He also urged the political leadership to reflect on the ideology of a social market economy in their political parties if the government is to understand what the citizens want.

He finally thanked the members for taking interest in the discussion and the organisers for starting the debate on the social market economy. He declared the meeting closed and urged for the continuation of similar deliberations in the future to get the ideas of a social market economy actualised.

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