AN ANALYSIS OF POLITICAL REGIMES MODEL ON ECONOMIC DEVELOPMENT IN UGANDA: 1963-2013

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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DEDICATION

I dedicate this thesis to my parents David Huria and Frashia Nduta who one gave me advice that will forever be immortalized in my memory " Education is the only true and invaluable inheritance that we can bequeath you with" and my brother Victor Huria who continues to inspire me acquire more knowledge.

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ABSTRACT

The consistent shift in Uganda governance structure over the years, since independence, encouraged the leadership in power to influence political instability and promote socio-economic decay in the country. The economic and social decay was largely was associated with unstable governance and lack of proper leadership. This analysis points out the reasons for absence of commitment by leaders to democratic practices and constitutional rule which may enhance economic growth. The emergence of United States as a global monitor and the Bretton Woods Institutions [International Monetary Fund (IMF) and World Bank (WB)] should be at the forefront to ensure the unstable economies are monitored to avoid spillover effect. The Bretton Woods Institutions attempted to stabilize Uganda economy through introduction of structural adjustment program to the country in the early 1980s to the re-enforce it in the 1986-1990s when President Yoweri Kaguta Museveni got into power. The inconsistent previous regimes leadership in power led to various leadership taking advantage of the economy, which impacts negatively on infrastructure, financial sector, trade, and other sectors. Uganda regime has focused more on security of its country in comparison with other sectors. The state therefore has the responsibility of ensuring everything concerning it to operate effectively within its territory. The Thesis therefore assesses the various existing macro-economic measures used globally to measure economy stability; analyzed the link between different regimes in Uganda and their activities and their impact on economic stability, and as well determined the best method of leadership to boost economic stability in different contexts. This was achieved through a case study approach of Uganda's stable economy and its impact on citizen's wellbeing. This was ensured through the use of qualitative research approach. The analysis was executed using content analysis of the cases study macro-economic factors in the country.

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LIST OF ABBREVIATIONS

AU: African Union

EAC: East African Community

EFW: Economic Freedom in the World Index

IGAD: Intergovernmental Authority for Development

IGADD: Intergovernmental Authority on Drought and Development

IGO: Intergovernmental Organizations

IMF: International Monetary Fund

INGO: International Non-Governmental Organizations

KADU: Kenya African Democratic Union

KANU: Kenya African National Union

OAU: Organization of African Union

OECD: Organization for Economic Co-operation and Development

WB: World Bank

WGI: Worldwide Governance Indicators

WTO: World Trade Organization

CHAPTER ONE:

1.0 BACKGROUND OF THE STUDY

The post-world war one of the 1919 brought change in the international arena. The shift not only focused on state behaviors that were products of war hence leading to urge for peace. Kodaman and Akcay (2013) analysis indicate that, those who experienced the negative consequences of war never wanted to go through the experience. In this period, the Idealists developed logical assumptions in attempt to curb emergence of another war. According to Kodaman and Akcay, Idealist assumptions focused on acceptable International Law by state and with sanctions, and included international institutions which involved every state globally indiscriminately and carried out international disarmament (2013). On the other hand, the Classical Realist assumption purported that war was unavoidable as well as necessary course due to human nature (man is naturally bad). This assumption promoted the nation-states aspect where regimes competed with each other for power through either submission, or engagement in war at international system. However, as Sousa (2018) identifies emergence of new errors in the 1950s-1960s great debate surrounding the behaviorist versus the traditionalists, the 1970-1980 debate surrounding the inter-paradigm approach, and finally since 1990s, there has been debates revolving around the reflective versus rationalists. These approaches in the post-World War I and II symbolized realism emergences and the Idealism-Liberalism failure to curb world war.

According to Keohane the formation of League of Nations and later the United Nations-UN brought a new co-operation aspect where issues shifted from idealism to focus on environmental, security, military, climate change, and economic issues. These new issues defined how regimes

operated in the international system towards solving new issues such as integration, regionalism, Non-Governmental Organization, International Organizations, and non-state actors. Therefore, regimes at international platform took different shapes which shape their way of operation. However, the historical and cultural context led to regimes taking the best preferred leadership style to gain advantage over its competing state. Though the anarchic world led to new political cooperation in the international system, Ted (2014) indicates that, Africa has always been termed as a Dark Continent and bedrock of conflict. However, this notion has been changing with the emergence of international institutions such as Organization of African Union –OAU (25 May 1963), African Union-AU (1994) Intergovernmental Authority on Drought and Development-IGADD (1986), and Inter-governmental Authority for Development-IGAD (1996). The intention of these institutions globally and in the African and sub Saharan Africa region is to enhance co-operation among various emerging issues (Curtis and Koivisto, 2018).

The East African community (Kenya, Uganda, Rwanda, and Burundi) formed an economic co-operation in 1964 targeting at solving major issues surrounding the regional body. This economic co-operation is intended to undergo Free Trade Area/Preferential Trade Area, customs union, common currency, common market, economic union, and political union. Though the members of this regional body have succeeded in accomplishing some of the set integration measures prescribed to various leadership tactics, some of the members ascribed to authoritarian kind of leadership. The Authoritarian type of leadership can be traced since 1977 to 1979 during President Idi Amin's leadership and 1986 when President Museveni got into power in Uganda, an element which is accredited to economic rejuvenation of the country's economy since 1986 to date. This is marked by implementation of the SAPs with support from the WB and IMF. Uganda has experience a mixed democratic election outcomes and coups which brought leaders

into power like President Sir Edward Luwangula Walugembe Mutees II (09 Oct 1963-02 March 1966); Dr. Milton Obote(15 April 1966-25 Jan 1971); President Idi Amin Dada, Field Marshall (25 January 1971-11 April 1979); Yusuf Kironde Lule (13 April 1979-20 June 1979) ; Godfrey Lukongwa Binaisa (20 June 1979-12 May 1980); Apollo Milton Obote; Tito Okello Lutwa, General, and Yoweri Kaguta Museveni, General(1986 to date). Therefore, Uganda's economy has been subjected to seven short-lived regimes and eighth long lived regime each with different leadership orientation that impacted on the country's economy positively or negatively.

1.2 PROBLEM STATEMENT

According to Bylis, Smith, and Owens (2017) the 1648 Westphalia's Treaty which provides a framework for international system existed was created in Europe (2017). Bylis, Smith and Owens note that the treaty provided state sovereignty where states started to develop in power. The actors within the international system were characterized by Multinational Corporations (MNCs), international organizations (INGOs), intergovernmental organizations (IGOs), Nation states, as well as groups and individuals that are active but lack legal recognition. The other aspect is the element wealth distribution, mutual dependence and vulnerability which make regimes to increase their potential in dealing with other states. Though involvement of state in regionalism is intended at superseding trade liberalization, the same institution's power which is limited towards sovereignty of a state. Therefore, the type of regime in a state cannot be controlled by regional bodies to be in a position to boost areas of co-operation such as economy.

Therefore, the consistent shift in Uganda governance structure over the years, since independence, encouraged the center state for political instability as well as socio-economic decay in the country. As David Apter presents in his book of analysis '*the Political kingdom in*

Uganda,' the economic and social decay was blamed largely on unstable governance and lack of proper leadership. This analysis points out the reasons for absence of commitment by leaders to democratic practices and constitutional rule which may enhance economic growth. The emergence of United States as a global monitor and the Bretton Woods Institutions [International Monetary Fund (IMF), and the World Bank (WB)] should be at the forefront to ensure the unstable economies are monitored to avoid spillover effect. The spillover effect method is reflected in the Iqbal and Strass' article *Bad Neighbors: Failed States and their consequences* stating that the spillover effect or contagion approaches to presents best the method of analysis of failed or weak states (Iqbal and Strass, 2008). However, Walter Rodney ideology in *How Europe Underdeveloped Africa* (1989) views colonialism enclave production which is propagated by the Bretton Woods institutions as the cause of sluggish economic growth in Africa.

The Idi Amin and lately Museveni's regime has focused more on security of its country in comparison with other sectors, first to satisfy irredentist behavior and second to curb possible coupe from Lord Resistant Army, thus, this has led to reduction in institutions capabilities towards economic stability. Therefore, development as per Amartya Sen's idea intends to expose and reinforce the contribution of the various freedoms as agents of change towards economic, political and social activities for development. The state has the responsibility of ensuring everything concerning it to operate effectively within its territory.

The study presents a new line of thinking, where state economy stability is highly influenced by the type of Authoritarian regime in place. Uganda lacking stable government over the years, facing coups, and currently under the authoritarian leadership, has highly defined the country's economic status in the East Africa Community (EAC) region. The economic stability is mostly linked to two aspects; supply determinant and demand and efficiency. The supply factors are

composed of capital goods, natural resources, technology, and human resources. These factors have a direct impact on the value of service and commodities. Secondly, a country's economic stability is mostly pegged to GDP, public expenditure, public or private investment, capital formation, employment rates, and exchange rate. Despite these factors having diverse implications on state's economy, the political leadership has been under focused as a potential element that greatly impact not only economic stability but also determinant of economic stability. Uganda's economic stability has experienced instability caused majorly by short lived leadership and authoritarian leadership that has derailed the economy while in some instances the leadership has contributed in re-building the once vibrant economy. This study focuses on the various regimes in Uganda's regime and mostly, the authoritarian regime in Idi Amin's leadership and Museveni's leadership., and its impact on economic stability. As a result, this brings up the question on whether the type of regime defines the economic development and stability within a region.

1.3 OBJECTIVES OF THE STUDY

- To assess the various existing macro-economic measures used globally to measure economic stability.
- To analyze the association existing between different Uganda Authoritarian regimes (Idi Amin, and Museveni) in Uganda and their activities and their impact on economic stability.
- To determine factors which led regeneration of Uganda's economy in the 1980s and 1990s

1.4 RESEARCH QUESTIONS

1. To what extent do restructuring of macro-economic policies as per existing regime affect country's development record?
2. How do change in regime and leadership affect economic development in Uganda?
3. What is the best regime type to boost economic stability in Uganda?

1.5 SCOPE AND LIMITATION OF THE STUDY

This study focuses on the economic state stability, model of economy in a specific state, and the impact of type of regime and regime change. Therefore, the study concentrates on Uganda's regimes due to the economic trends reflected in the two major regimes of president Idi Amin Dada during the 1970s and president Kaguta Yoweri Museveni in the 1980s to 2000s. This ranges from democratic election and elected leaders to authoritarianism and manipulated elections in the country. The country being surrounded by vast natural opportunities ranging from, fertile agricultural grounds, to lucrative fishing area in Lake Victoria, and plenty oil and mineral field has its economy lagging behind some of its EACs' partners. These issues call for regime shift since 1960s have impacted greatly on the country's' current economic stability in comparison with its counterparts in EAC.

The study was limited to the period of 1962 to 2013 focusing majorly on the President Iddi Amin Dada's regime and President Yoweri Kaguta Museveni's regime in Uganda and the impact of the leadership style on the economic stability as well as citizen's wellbeing. The analysis was carried out through reviewing various reports such as World Bank, Central Bank of Uganda, IMF, Ministry of Finance and Economic Planning, Economic Report and Country Profile, among others. This approach provided a wide scope of information which could not be achieved through

primary data collection. Therefore, the study never used primary data collection depending on the size of information required within the short time given, thus readily available report provided a better approach for analysis of Uganda's authoritarian regimes, economy and citizens wellbeing.

1.6 IMPORTANCE OF THE STUDY

The findings of this study will assist financial institutions to know the best way to avoid economic shocks caused by leadership transition. The regional body such as EAC will also be in a position to know how to manage government of different regimes and to better understand the connection between regime type, policies, transitional and economic stability in Uganda. Moreover, student in higher learning institutions taking international relations will be in a position to get research material on the topic.

1.7 JUSTIFICATION OF THE STUDY

The period between 1963-2013 in both Kenya and Uganda has experienced emergence of various regimes with different kind of leadership. This ranges between democratic, authoritarian, to dictatorship. The importance of economy not only at the national level but also to the regional and international levels has led to donors, international institutions, and other investors to focus on stability. Therefore, regime transition not only in developing states but also in developed states has great influence in the stability of third world states development record; the future political stability is in question, leads to globally accepted currency's stability to fluctuate affecting global currencies. As a result, entrance of new regime determines whether a State's economy will grow in all facets or diminish or remain constant.

1.8 THEORETICAL FRAMEWORK

1.8.1 Regime Theory

Wijen and Ansari (2006) affirms that regime theory attempts to give an explanation of collective decision formulation and implementation focusing on management and required resolution of global conflict via regimes development. Regimes, according to Wijen and Ansari, can be described as “social institutions consisting of agreed-on principles, norms, rules, decision-making procedures, and programs, around which actors’ expectations converge in specific issue areas within the world system” (Wijen and Ansari 2006, pp. 1082-1083). The platform or regimes which is equated to international institutions which have been legalized into explicit regulations, involves generally multi-level governance elements surrounding specific common interest or issues. This ranges from environment, proliferation of arms, trade, finance, economy, politics as well as other areas of concern.

1.8.2 The Economic Theory of Regulation

Stigler (1974) indicates that the economic approach of regulation was crafted. Georges Stigler approach was informed by two essential insights. The assumption in the theory indicates that, the government coercive power can be utilized to present valuable benefits to specific groups or individuals in economic management where the expression of power in the economic environment can be perceived as a product whose provision is controlled by the supply and demand laws (p. 99). Secondly, the assumption brings out the cartels theory which may assist in identifying the supply and demand curves. The cartelization theory indicates that reluctance of actors to collaborate in sustaining price monopoly is probably open to be manipulation where the

number of sellers whose operations have to be organized is small. The small size tends to limit the cost of reaching an agreement (1999, p. 8).

On the other hand, Posner notes that the fewer the number of potential beneficiary of regulations the much easier for the beneficiary to coordinate their operations towards acquiring the regulation (1974, p. 23). This makes it harder for any of the cartels to go against the interests of its group without weakening the system created. There members have a homogeneous interest in the presented regulation making it easier for them to achieve their common goal not leading to harm to any of its members or members that may lead them to defect. Defection cause more harm to the members who may intern defect making the situation much harder for the already defected member (Posner, 1974).

The existence of various regimes ranging from democratic during independence to coupes and authoritarian leadership has shaped the existence of cartels who weaken the economy. This led to the black market thriving weakening the country's currency and economy. The existence of regulations to revamp the economy also enhanced the cartels interest in the economy as more funds was pumped into the economy by foreign states and international financial institutions. However, the evolution of regimes made it harder for radicle economic policies to be implemented to maturity. However, the 1986 regime enacted strong policy which was geared towards eliminating cartel who supported the black market and implemented the structural adjustment policies as required by the international financial institutions hence experiencing economic growth in the 1990s.

CHAPTER OUTLINE

Chapter one focuses on the background of the study, problem statement, research questions, scope of the study, and importance of the study

Chapter two will focus on the literature review where various literatures from various scholars focusing on the issues will be analyzed.

Chapter three of the study will focus on research methodology where the best preferred research methodology will be used to analyze the study objectives and come up with findings for discussion.

Chapter Four will analyze and come up with research findings through discussion issues gathered from the research methodological process.

Chapter Five will focus on the recommendation and conclusion of the research findings.

CHAPTER TWO

2. 0 LITERATURE REVIEW

2.1 Introduction

This chapter analyses different literature presented by other authors focusing on regimes impact on economic stability. The literature analysis will be conducted under the identified research objective of the study.

2.2 International Economic Indices and National Economic Indices

Development in definition may be presented differently by different scholars and institutions. However, Amartya Sen presents development as a multidimensional process which involves major changes in social structures, popular attitudes, national institutions, and the acceleration of economic growth, as well as minimization of inequality gap and poverty eradication. Various scholars believe that economic growth has taken a leading role in many people's minds by increasing their per capita income and wealth. However, Amartya Sen in book "*Development as Freedom*" (2011) argues that, income and wealth should not be perceived as ends in themselves but as instruments for other purposes. He perceives the concept '*Development*' as an integrated process of expansion of substantive freedoms that interlink with one another. In this context, every aspect of the concept freedom deserves keen focus. Therefore, development concept focuses beyond the commonly related economic growth. This is because it enhancing the lives that individuals lead as well as the freedoms they enjoy. The aspects covered incorporate the functioning of individual's capabilities.

Bosch, Espasa, and Olle (2012) who notes that issues surrounding actions in public sector forms one of the most essential methodological approach to approximate fiscal flows in a government.

However, there lacks a generally accepted approach used to analyze fiscal flows. Bosch, Espa, and Olle (2012) presents three approaches embraced in analysis; the cash-flow; benefit; as well as economic gains. According to the author, cash flow perspective concentrates on the point of revenue collection and where disbursements are executed or materialized. However, Bosch questions Rugeris' approach by noting the shortcoming in tax allocation as per their location of collection. Nuria Bosch presents that taxed revenues should be assigned to the territory where the economic potential that is taxed is located hence the tax allocation process would appear more symmetrical and homogeneous with the expenditures as allocated within the cash-flow model. On the other hand, Rugerri brings out the benefit model by stating that the concentration shifts to the individual resident who receives the government service benefit and bears the burden in taxing their financing. Therefore, the fiscal incidence becomes the point of interest for analysis of regime type impact on economic stability.

Ruggeri finally presents economic gain approach in analyzing economic stability in a country by indicating that economic gains present the government with central revenues on the aspect of where the burden is felt. Moreover, the approach focuses on the economic gains which is already allocated and aspect presented interims of purchase of commodities (goods and services) acquired from a region. This is measured through the income generated within the region by major expenditure (Bosch *et a*l. 2010). Rodden and Olle (2012) treats fiscal flows within inter-region as a result of redistribution approach from the bourgeoisie to the proletariat regions. In this approach, the 'fiscal flows' usually will be perceived to be catalyzed by the agreement reached in the State's constitution, a platform where the powerful political elites of rich or the poor regions will be determined. Rodden and Olle (2012) terms this kind of redistributive

approach as programmatic; as the central authority is coaxed to agree to specific objective principles hence will implement income-oriented allocation formulae.

The second approach, as outlined by Bosch *et al*. (2010) presents 'inter-regional fiscal flows' as a result of the tactical approaches of politicians at the central point of governance. In this aspect, Bosch *et. al*. uses 'tactical redistribution' terminology to refer allocation of decisions in the central authority and not coerced by any normative guideline but governed entirely by 'short-term electoral considerations' (Bosch *et al* 2010, p. 5). Hatemi-J (2008) brings in a new approach by noting that, there exists different reason that might impact on the underlying variable leading to emergences of visible changes in a country's daily operation at the international arena .The changes may take the structural approach due to technological shocks, economic crises, institutional evolution, regime and policy changes (Hatemi-J, 2008). This context may be felt in a situation where the period for the structural changes becomes longer.

Francis and Daudi (2016) as well agree with Dawood (2015) but brings in a new approach, they present that various global indices signifies the international appearance of a state. The variance is evident through human development index, Accountability and Voices, presence of peace and political stability, regulatory quality, government effectiveness, corruption management, and rule of law, and Institutions competency as judged through Economic freedom in the Global Index (Francis & Daudi, 2016). As Francis and Daudi (2016) elaborates further, every indices may possess negative or positive impact on economic, social, as well as political future of states as per the score that a state acquires, enabling shifting of existing external actor's (donor states, foreign investors, and international bodies) perception towards a specific state. This is seen in the case of Ginsburg (2000) approach as cited Francis and Daudi (2016) indicating that in the contemporary arena, the association of economic development and law is at the peak of

development of policy formulation, as international institutions, government agencies, and nonprofit making organizations campaign for the need to strengthen the rule of law in least developing states (2016).

The rule of law is presented by Agrast et al. (2008) as cited by Francis and Daudi (2016) as new device created to analyze states' compliance with the law. The index is crafted in a way that provides business leaders, governments, civil society, and non-governmental institution with global data.

2.2.1 Human Development index

The Human Develop Report of 2009 defines Human Development index as a summary of composite index which measures a state's average success into three major approaches of human development: knowledge, health, as well as decent living standards (Human Development Report, 2009).

2.2.3 Worldwide Governance Indicators-WGI

Francis and Daudi (2016) believes that the WGI as "research dataset summarizing the views on the quality of governance provided by large number of enterprise, citizen and expert survey respondents in industrial and developing countries" (2016, p. 229). Francis and Daudi (2016) indicates that the datasets are withdrawn from several large numbers of survey institutes, think tanks, experts and citizen survey participants from developing and developed economies. The information collected from several think tanks, survey institutes, international institutions, private sectors, and non-governmental institutions. The discussion takes the shape of Government Effectiveness, Accountability of Voice, Regulatory Quality, corruption control and

rule of law. Francis and Daudi (2016) provides about -2.5 associated with weak to 2.5 linked to strong governance performance.

2.2.4 Institutional Quality Index-Economic Freedom in the World Index-EFW

The Economic Freedom of World Report of 2012 elaborates that EFW index measure the states' support economic freedom. The process of analysis considers forty-two variables to construct an index summary and to calibrate the economic freedom degree in five broad aspects; Poverty Rights and Legal System; Government size; International Trade engagement; sound money; and Regulations. Francis and Daudi (2016) identify design of EFW as an approach to calibrate the extent in which policies and institutions within a state are in line, with the protective function. A higher rating therefore will indicate a higher level of economic freedom (10;10 marks the highest score while 0 is the lowest score).

2,3 Macro-economic economic indicators

2.3.1 Economic instrument

Any tool or method used by an organization to achieve general developmental goals in the production of, or in the regulation of, material resources. Incentive measures bring about an intended behavior or outcome as an alternative to command and control measures - legal codes and prescriptions (Krugman, Obstfeld, & Melitz, 2018). Economic instruments, as normally defined, are market based in the sense that they influence indirectly the quantitative supply and demand decisions through altered cost-price relations. They keep the market price-cleared and let those polluters with the lowest abatement costs select themselves in response to the signal provided.

Economic instruments are fiscal and other economic incentives and disincentives to incorporate environmental costs and benefits into the budgets of households and enterprises (Publishing,

2018). The objective is to encourage environmentally sound and efficient production and consumption through full-cost pricing. Economic instruments include effluent taxes or charges on pollutants and waste, deposit-refund systems and tradable pollution permits.

2.3.2 Economic policy instruments

Economic policy instruments refer to macroeconomic quantities that can be directly controlled by an economic policy maker. Instruments can be divided into two subsets: a) Monetary policy instruments and b) Fiscal policy instruments.

Monetary policy

Monetary policy is the process by which the monetary authority of a country, typically the central bank or currency board, controls either the cost of very short-term borrowing or the monetary base, often targeting an inflation rate or interest rate to ensure price stability and general trust in the currency. Further goals of a monetary policy are usually to contribute to the stability of gross domestic product, to achieve and maintain low unemployment, and to maintain predictable exchange rates with other currencies (Cobham, 2015). Monetary policy is how central banks manage liquidity to create economic growth. Liquidity is how much there is in the money supply. That includes credit, cash, checks, and money market mutual funds. The most important of these is credit. It includes loans, bonds, and mortgages.

2.3.3 Types of Monetary Policy

Central banks use contractionary monetary policy to reduce inflation (Zdrahal, 2017). According to Fisher one of the contractionary measures are pursued using devices such as raising interest rates and selling securities through open market operations (Fisher, 2013). This approach is used expansionary monetary policy to lower unemployment and avoid recession. They lower interest rates, buy securities from member banks, and use other tools to increase liquidity.

Six Tools of Monetary Policy

All central banks have three tools of monetary policy in common. Most have many more. They all work together in an economy by managing bank reserves (Zdrahal, 2017). The Central Bank has six major tools. First, it sets a reserve requirement, which tells banks how much of their money they must have on reserve each night. If it weren't for the reserve requirement, banks would lend 100 percent of the money you've deposited. Not everyone needs all their money each day, so it is safe for the banks to lend most of it out.

The Central Bank requires that banks keep 10 percent of deposits on reserve. That way, they have enough cash on hand to meet most demands for redemption. When the Central Bank wants to restrict liquidity, it raises the reserve requirement. The Central Bank only does this as a last resort because it requires a lot of paperwork.

The Central Bank's third tool is its discount rate. That's how it charges banks to borrow funds from the Central Bank's fourth tool, the discount window (Zdrahal, 2017). The Central Bank sets the discount rate a half-point higher than the Central Bank funds rate. The Central Bank prefers banks to borrow from each other.

Fifth, the Central Bank uses open market operations to buy and sell Treasury's and other securities from its member banks. This changes the reserve amount that banks have on hand without changing the reserve requirement.

Sixth, many central banks including the Central Bank use inflation targeting. It clearly sets expectations that they want some inflation. The Central Bank's inflation goal is 2 percent for the core inflation rate. People are more likely to buy if they know prices are rising.

Fiscal policy

In economics and political science, fiscal policy is the use of government revenue collection (mainly taxes) and expenditure (spending) to influence the economy. According to Keynesian economics, when the government changes the levels of taxation and government spending, it influences aggregate demand and the level of economic activity. Fiscal policy is often used to stabilize the economy over the course of the business cycle (Zdrahal, 2017).

One of the factors that shapes the country's economic direction is fiscal policy. The government uses fiscal policy to influence the economy by adjusting revenue and spending levels (Zdrahal, 2017). In the United States, both the executive and legislative branches of the government determine fiscal policy. Fiscal policy is based on the theories of British economist John Maynard Keynes, which state that increasing or decreasing revenue (taxes) and expenditures (spending) levels influences inflation, employment and the flow of money through the economic system. Fiscal policy is often used in combination with monetary policy, which in the United States, is set by the Central Bank Reserve, to influence the direction of the economy and meet economic goals.

The success of the economy is commonly measured by a few factors, one of which includes gross domestic product (GDP), which is the value of goods and services produced by a nation within a year. Another factor is aggregate demand, which is the sum of goods and services produced by a nation purchased at a certain price point (United States & De, 2016). The aggregate demand curve dictates that at lower price levels, more goods and services are demanded while there is less demand at higher price points. Fiscal policy affects these

measurements, with the goal to increase GDP and aggregate demand in a sustainable manner. According to Investopedia, it does this by changing three factors:

Business tax policy

Taxes that businesses pay to the government affects profits and the amount investment. Lowering taxes increases aggregate demand and business investment spending.

Government spending

Aggregate demand is increased by the government's own spending while individual taxes can be termed as those taxes levied on individuals, such as income tax, and the exercise is likely to affect contributors personal income and how much they can spend, injecting more money back into the economy. Therefore, fiscal policy typically needs to be changed when an economy is running low on aggregate demand and unemployment levels are high (United States & De, 2016). The two main tools of fiscal policy are taxes and spending. Taxes influence the economy by determining how much money the government has to spend in certain areas and how much money individuals should spend. For example, if the government is trying to spur spending among consumers, it can decrease taxes. A cut in taxes provides families with extra money, which the government hopes will, in turn, be spent on goods and services, thus spurring the economy as a whole. Spending is used as a tool for fiscal policy to drive government money to certain sectors needing an economic boost. Whoever receives those dollars will have extra money to spend – and, as with taxes, the government hopes that money will be spent on other goods and services.

Expansionary and contractionary fiscal policy

There are two main types of fiscal policy: expansionary and contractionary. Expansionary fiscal policy, designed to stimulate the economy, is most often used during a recession, times of high unemployment or other low periods of the business cycle. Government may opt to lower its spending capacity through to cut down cost or lowering taxes, or both during recession (Shaw, 2014). The goal is to put more money in the hands of consumers so they spend more and stimulate the economy. Contractionary fiscal policy is used to slow down economic growth, such as when inflation is growing too rapidly. The opposite of expansionary fiscal policy, contractionary fiscal policy raises taxes and cuts spending (Publishing, 2018).

How fiscal policy affects business

Businesses directly see the effects of an economy's fiscal policy whether it's in the form of spending or taxation. Businesses can see investment opportunities from government spending as well as private investment (Krugman, Obstfeld, & Melitz, 2018). This commonly happens during an expansionary policy, when more money is flowing into the economy from the government and from other sources since taxation is also low. When a balance between price and demand are met, then businesses can expect to thrive and grow.

A contractionary financial policy may kick in to prevent inflation when that balance is broken and demand and prices fall (Krugman, Obstfeld, & Melitz, 2018). Businesses typically reign in their growth due to rising taxes and take measures to stay in the black with less money flowing through the economy. Depending on their location, businesses face several levels of taxation including local, state and Central Bankeral. Businesses must contend with how their state and local government taxes them and it interweaves with Central Bankeral fiscal policy.

2.4 Leadership and economic development

Brady and Spencer (2010) identify analysis platform to achieve successfully maintained economic growth, development strategies, as well as dynamics components, to need incorporation of 3 aspects;

> …an economic component dealing with the issue of which models of growth and development work best and … the kind of policies tend to support sustained growth model; an institutional component dealing with the question of which institutions enhance and facilitate economic growth and development and how those institutions come into existence and become stronger…; a component that deals with the politics of growth, such as inequality (2010, p 2).

Therefore, a right mix of institutions, politics, and economy that supports development and growth, should consider an open-economy development strategy that supports both knowledge and international demand. This is because competition is enabled to operate and produce structural adjustments that compose the microeconomic dynamic that underpin the high growth. In addition, Brady and Spencer (2010) state that institutions characterized with rule of law, openness, or some level of predictability, incentive structures, and competent bureaucracy that ensures that leaders are focused on long term citizen's wellbeing. In the same context, Brady and Spencer (2010) identify existence of sets of stable structures and political interactions that encourage the right model to operate in terms of sustained investment. This platform is further supported by presence of power rotation and adaptation to endogenous emergence of essential interest groups that work towards sustaining peace. Brady and Spencer (2010) affirm that there is a possibility of any given country to realize the three dimensions.

2.4.1 Authoritarian Regimes Rule

Dawood (2015) identifies presence of authoritarian leadership within an institutionalized oligarchy as a composition of major structural hurdle to enhancing economically friendly democratic regime. The oligarchs, according to Dawood, is made up of businesspersons, 'godfathers', self-ruling politicians, political fixers, x military personnel, as well as elite bureaucrats sharing a unitary interest towards supporting oligarch power. This is despite the fact that the oligarch may not present democratically founded regional ethnic constituencies, and professional as it thrives below the constitutional provisions (Dawood, 2015). As a result, the regime may encourage information monopoly, pragmatic allies, power focused on friendship, as well as 'patrimonial distribution of patronage to sustain and reproduce the ruling oligarchy' (Dawood, 2015, p. 65). This type of regime may lead to destabilizing a country's economic stability through compromising the financial structures in a country. Miller (2017) notes that there has been success in authoritarian regimes economically citing regions such as Eastern Europe and Latin America with leaders such as Alberto Fujimori, Vladimir Putin, and Hugo Chavez engaging in grabbing power and consolidating authority which was required by the citizens. Miller (2017) as well presents the current American president, Donald Trump's policy proposal which presents a vivid future for the country.

However, Xiao's (2018) article indicates that using democratization as a platform for justifying economic growth misses potential leadership aspect existing among authoritarian turnovers such as in Iran and Cuba during 1979 and 1959 respectively which dominated the developing world. Xiao's approach focused on the authoritarian turnover in absence of democratization by focusing the limited impact the leadership on economy and noting the importance of party regimes to authoritarian systems, and aspect linked to the level of political institutionalization (Xiao, 2018).

Xiao might have shared Frantz Fanon's view on the party's being owned by the citizens thus representation presents citizens interests in specific society (Adam, 1993)

2.4.2 Human Development, Democracy, and Authoritarian regimes

Gerring, Thacker, and Alfaro (2012) bring out the major question on whether democracy enhances the wellbeing of its citizens. Gerring, Thacker, and Alfaro (2012) indicates, it has been assumed by writers that the democratic institutions catalyze a political evolution that favors the interests and needs of the less privileged citizens in the country. Despite the fact that there has been criticism on the effectiveness democratic model in economic development, there has been consensus on the role of democracy as enhancer of human development (Brown and Hunter, 2009). The logic behind this concept is founded on the view that popular participation by citizens in government activities empowers local ordinary citizens, and the poor in society hence forcing authority to be accountable on emerging interests (Gerring, Thacker, and Alfaro, 2012). This view was supported by economists and scholars like Aristotle and Madison who believed that there is clear evidence that is democracy serves as a mechanism for redistribution' (Gerring, Thacker, and Alfaro, 2012, p 1). However, Rose (year) notes that this approach has been closely contested with emerging argument disputing the existence of positive link between the type of regime and different measures of human development which may in some circumstances may not be robust. This is because there has been emergence of qualitative studies presenting dramatic growth in human stability throughout the 20th century under the control of authoritarian regimes such as, in Communist states and in the East Asian Newly Industrialized Countries (NIC). However, the democratic states in the developing countries have been marred with persistent wealth disparities and extreme poverty conditions. This gap is reflected in states such as sub-Saharan Africa, some Latin American states, and in India (Thacker, and Alfaro, 2012). In

addition, some of the effective approaches used during democratic process and perceived previously to have an impact on the poor's welfare seemed ineffective in the contemporary studies. The hope of growth linked to democracy was evident on Organization for Economic Co-operation and Development (OECD) states promise of democracy participating in increasing social expenditure by enhancing the welfare of low income earners, however, correlation between human development and public spending outside OECD region (Thacker, and Alfaro, 2012).

Nayyar (2008) focuses on macroeconomic impact on developed and developing state's economic stability. The conventional issues industrialized countries on macroeconomics was focused on sustaining the short term equilibrium with an objective of offering full employment and realize price stability through monetary and fiscal policy instruments. As a result, the slump in growth led to shifting of focus to increase of productivity and growth of economy in the long run (Nayyar, 2008). However, the third world countries conventional approaches on macroeconomics focused on long term economic growth to solve their economic stability thus putting emphasis on investment and savings. This approach shifted from savings and investment to macro-management in the short term plan as many developing economies faced economic crises. The approach pursued by developing states was meant to macroeconomic strengthening as per short term goal which had impact on midterm plans focusing on structural reform and economic development in the long run. These approaches, according to Nayyar (2008), present alternative approaches to orthodox stabilization policies in macro-management of economies under crisis.

2.5 Economy state in Uganda

Gaye (2016) analysis on economic report note that during 2015/16 financial year, the economy of Uganda experienced several developments with expectation of economic management challenges. Some of this challenges included conducting election as well as sluggish economy and consecutive decline in prices of commodity (Gaye, 2016). The subsequent change could be related to China's policy adjustment and challenges experienced in growth among the emerging big markets like Brazil. Therefore, the 2015/16 period the Ugandan regimes begun implementing new policy enhancing some adjustment strategies. As a result, some level of macro volatility could not be avoided even where there existed election uncertainty in the country, such as in 2011 election when there was an increase in inflation into a 2 decade high. These volatilities were construct of the Uganda policy makers. On the other hand, monetary policy was doing well, however, by 2015 September, the Ugandan Shilling experienced depreciation against the American dollar by more than 40 % in comparison to 2014 period. Gaye (2016) note that this shift of the Uganda's currency had not been felt since the liberalization of the forex market in 1994. In the same approach, Gaye identifies that the increase in the inflation rate reaching 8,5% by 2015 October while there was a rapid increase in interest rates on government securities as well as for lending to the private sector in the process of re-adjustment of the financial market towards tighter liquidity conditions. Despite the notably success in policy shift and implementation in the country containing spillovers, the mixed impact of the emerging volatility on private sector investment s was quiet extreme, an aspect which was reflected in reduction in domestic banks and external funding. In addition, the credit growth rate in the private sector dropped from 24% per year in the first quarter of the financial year to 8.7% in the 2016 March (Gaye, 2016), an indication of tighter money conditions. Though there was shift in the economy

trend, the shillings volatility did not prevent agents from borrowing in terms of dollars despite some of these traders engaging in activities that generate income in terms of dollars.

2.5.1 Regimes and Macroeconomic stability

The developing economies have over the years experienced much higher macroeconomic instability in comparison to the developed economies. This trend is predicted to have worsened, however, the developing states volatility in third world states main macroeconomic aggregates reduced during the 1990s. In this context, the standard deviation of gross domestic product (GDP) per capita growth declined from 4% during the 1970s and 1980s to approximately 3% during the 1990s, despite remaining comparatively higher to the industrialized states figure of 1.5%.

According to Simmie and Martin (2010) indicates that the current emergence of interest in resilience has partly been attributed to a reaction towards certain unexpected activities and shocks that has impacted on specific types of; public policy response' (p.27). A perceived source of disaster can create material impact on specific mechanisms and forms of resilience which may include " the scope and scale of state response rapid" as rapid an expected events presents very different organizational and policy challenges which varies from cumulative stresses and slow paced (Simmie & Martin, 2010). The subjection of a state to disruption and interruptions may be experienced during economic recession period, or the emergence of unexpected rise in a major competitor, unpredicted closure of firm, technological challenges among others. In this approach, how states economies respond as well as adjust to these disruptions and disturbances may inject a formative impact on how the state stabilizes and evolve.

2.6 Uganda Regimes: A focus on two decades economic stability

According to Muwonge and Obwona (2003), predictable and low inflation is one of the required environments that each economy intends to develop or sustain in order to entrench a macro-economic framework which is conducive for economic development. Muwonge and Obwonga further identify other conditions such as "an appropriate real estate; a stable and sustainable fiscal policy; a competitive real exchange rate and a balance of payments that is regarded viable" (2003, p. 65). Therefore, most African economies, especially the sub Saharan Africa that implemented the Structural Adjustment Programs (SAPs) emphasized strongly on macro-economic stability restoration. In this aspect, Uganda brings out a case where resource pressured economy shifts away from 'hyperinflation to low and stable inflation' in just a decade (Muwonge and Obwonga, 2003, p. 65).

During 1980s and mid 1990s Uganda inflation occurred between 2 to 3 digit figures. However, the 1970s and a better part of the decade of 1900 Uganda was surrounded with economic-mismanagement as well as near breakdown of productive sectors in the country that contributed towards surge of inflation (Katenge and Ssingerere, 2010). Uganda has experienced economic and political reforms which have assisted in reversing inflation trends. This is reflected as from mid 1990s strong commitment were propagated by the government of Uganda to sustain macro-economic stability and as well lay down concrete foundations to impact on positive growth. Therefore, stable and low inflation averaging less 10% in a year marked the current Uganda economy status (Mwonge and Obwoga, 2010)

2.6.1 The Pre and Post 1980s

In later years of the post-independence period, economic policies in Uganda had become deregister where the state controlled economic and social matters (Ggoobi, 2016). In 1969,

Ggobi presents the case where the Ugandans locals tried to present a bid to possess power to manage their economic affairs. This 1960 -70 period was dominated by Asia and British migrants who engaged in major economic sectors that supported the country's' economy in the post-independence period. This, as Ggoobi (2016) illustrates, led President Milton Obote's UPC government attempting to stabilize the economy thorugh introduction of socialism policy in the Common Man's Charter of the 1970. This resulted to nationalization of various multinational organizations' and implementation of specific in-ward oriented policies founded on central planning, import-substitution, and licensing (Ggoobi, 2016). In Ggoobi (2016) view this approach should serve as s a good lesson to its successors such as the NRM government, where addressing of economic challenges should not be executed through policy reversal.

Ggoobi (2016) illustrates that the final insufficiency in Uganda's economy stability re-emerged with the emergence of Idi Amin in 1971. The actual turning point in Uganda's economic stability was reflected when Idi Amin declared the economic war. This was experience on August 4, 1972, when Amin revoked under decree 17/1972 the residence permits of the Asians of Indian, Pakistan and Bangladeshi origin, and gave them ninety days to leave the country with a maximum of 1,000 shillings or 50 pounds.

As a result, the economic war proved too costly for Uganda both in the short-term and in the long-term. In addition, the approach gave Uganda a very bad reputation internationally. It as well deprived the State of Uganda some of the most productive human resources, as the Asians were engaged in commerce, agro-industry and manufacturing (Ggoobi, 2016). However, this expulsion, and the nationalization of British-owned businesses in 1973, did little to improve income distribution on the welfare of the common man in Uganda. Instead, Katusiime Agbola,

and Shamsuddin (, 2016) notes that instead of enhancing the citizen's welfare the program culminated Uganda's post – independence prosperity. These measures set Uganda on a deterioration path which led to the emergence of economic distortions such as price control, smuggling, and excessive printing of money to finance fiscal deficits. This also led to Foreign exchange markets being under government control. Ggoobi (2016) analysis points that these distortions led to inevitable disintegration of formal private sector, and as well dwindling of the economic stability. The overthrowing of Amin's government led to Uganda's economy reaching unexpected level of decay.

This period was marked by emergence of new regime of Kaguta Museveni who gained leadership through a coup. As Mwonge and Obwoga (2010), indicates, the period before 1981 reforms, Uganda was characterized with complete disintegration of several major productive sectors. During economic reforms process of the 1980s, the Uganda Government with external help from the Bretton Woods institutions; World Bank (WB) and the International Monetary Fund (IMF), initiated the first reform measures in 1981. The initiated Structural Adjustment Program cover fiscal period 1981/82 and 1983/84 availing SDR 373.2 million (GoU as cited by Mwonge and Obwoga, 2010). However, the economy slumped during the 1981/83 period where money supply reduced to approximately 25% in comparison to 27% in 1981, an aspect partly contributed by failure by the authority to work within the provided program target set by the donors as well as the renewed outbreak of civil war. The emergence of new democratic elected regime under Milton Obote in 1982 led to initiation of dual exchange rate mechanism at two phases with an aim to boost export competitiveness. Museveni's government reintroduced the dual exchange system as a counter to the foreign exchange shortage caused by parallel market influenced by thriving black market economy (Kasende and SSemogerere, 2010).

Despite capturing power in 1986 January, the NRA/NRM inherited a country and an economy in ruins. Ggoobi (2016) notes that the level of inflation had reached 240 percent, while GDP growth had declined to 0.3 percent, itself being driven by the subsistence sector. In the Three were rampant shortages of consumer goods such as sugar, soap, clothes, blankets, bed-sheets, shoes, and others. The economic hardships worsened in the initial months of the NRM government. This was on the account of lack of consensus on some key areas of macroeconomic management, in particular the choice between a closed and an open economy. The new regime favored the control model (reintroducing price controls, revaluation of the shilling, fixing exchange rates, and stopping export and import of particular items). The policies turned out to be a mistake as this fueled more macroeconomic instability and worsened external volatility. Shortages worsened the black markets (the *Kikuubo boys*) and smuggling reemerged, etc.

However, unlike Amin and other rigid leaders, the NRM leaders reflected great flexibility in their approach to stabilize the economy. Their 1986 mistakes taught them some hard lessons and by 1987 they resorted to a new program that was required for the country's economy. In May 1987 the NRM government, supported by the International Monetary Fund (IMF) and the World Bank, introduced another Economic Recovery Program (ERP) aimed at freeing the economy of government failures, raising growth, and reducing inflation among other objectives (Ggoobi, 2016).

Subsequently, several reforms were implemented, key of which included: currency reform measures of 1987, setting up of the Uganda Revenue Authority (URA) in 1991, creation of the Uganda Investment Authority (UIA) also in 1991, privatization of the State-owned enterprises beginning in 1992, abolition of export taxes in 1992/93, and the floating of the exchange rates in 1993. Others were; the merger of Ministry of Finance with Ministry of Planning and Economic

Development in March 1992 which helped to restore fiscal discipline, as well as the granting of semi-independence to Bank of Uganda to shield it from undue political pressure. This helped to restore monetary discipline.

These reforms brought economic sanity back to Uganda. In the subsequent decades, the economy achieved high and sustained economic growth, averaging 7 percent per annum; inflation rate fell from the triple digits of 1980s to an annual average of 5 percent; household poverty reduced from 56 percent in 1992/93 to 19 percent in 2014/2015. Private investments rose from below 9 percent of GDP in 1992 to 31 percent in 2014/15 The reform period also saw an impressive improvement of human development indicators (education outcomes, primary health care, water and sanitation, housing etc.).

In 1986 under a new regime of Kaguta Museveni, the Bretton Woods institutions supported the second phase of economic reforms. The involved in multilateral and bilateral actors in 1987 economic reforms lead to gradual and prudent economic reform policy. This has led to tangible economic development including acquiring macro-economic stability as well as liberalization of the capital account, foreign exchange, and interest rates during the beginning of 1990s (Mwonge and Obwoga, 2010). The period of 1990, as pointed out by Mwonge and Obwoga, (2010, p. 22) Uganda experienced disintegration of prices of major commodities such as coffee by 56%. According to Siggel and SSemogerer (2004) this led to attempt to save the sector through eliminating export taxes hence leading it to boom in 1994 due to Brazil’s coffee supply decline in the international market. Other measure pursued to counter inflationary pressure was to reducing government expenditure by 68% during 1991/92 fiscal year, cutting on borrowing from Uganda Central Bank as well as shift to market oriented foreign exchange system via the auction

mechanism and determination of interest rates through market base system (Siggel and Semogerer, 2004).

These measures under authoritarian leadership shaped the economy to stability unlike with the previous regimes, including Museveni in Uganda since independence. This dynamic in Uganda's economy questions the capacity of specific types of regimes to promote stability within the economy and increase citizen's wellbeing.

2.6.2 Uganda untapped economy limiting human welfare

The Uganda economy has had a potential of becoming one of the strongest economies in the Sub-Saharan Africa. Aided by a highly favorable climate, good soils whose fertility level may easily be enhanced, a rich culture and mineral base, lakes and rivers which provide abundant fresh water and fish, and a rich flora and fauna, Uganda has historically been referred to as the Pearl of Africa. The country also has abundant potential for hydroelectric and solar energy. Despite this great potential, Uganda has been unable to fully harness the gifts of nature to transform her economy into a modern society (Katusiime, Agbola, and Shamsuddin, 2016). The country is yet to develop the agricultural sector towards revolutionizing its agricultural sector and embark on industrialization program. About 68 percent of Ugandans are still in subsistence farming, growing a few crops and keeping a few animals and birds for their own survival. This has led to the study questioning whether the change in regimes and the type of regimes in Uganda's historical has played a key role in destabilizing or stabilizing the economy of the country towards enhancing human welfare in the country.

Study Gap

The standards used to measure states economic stability mostly ignores the role played by the type of leadership in a regime and the impact of short lived regime on economic stability. Most

studies view authoritarianism to automatically lead to economic instability while not focusing the possibility of the same type of authoritarian leader with a positive characteristic engaging in transforming the economic instability to growth and stability.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the study the most preferred methodology for the study where there is identification of research design, data collection method, data analysis, and ethical issues in the research. Therefore, the study pursued a descriptive research design and putting into consideration qualitative data collection method where secondary data was associated with selective deduction of the right content for the study. Therefore, the study pursued selective content data analysis approach where various reports were analyzed and required data retrieved through deductive approach.

3.2 Research Design

The study pursued a case study approach to assess the impact of various Uganda regimes since independence has had on the economic stability. This took a qualitative approach where the regimes in the historical Uganda were analyzed and their impact on the economy. The study pursued a case analysis on Uganda's regimes and the impact on economic stability with intention of boosting country's' development. The study makes a connection between regime type, change in leadership, and the influence on the country's' development. This cooncention is measured using Authoritarian type of regime in various period of 1970s in Idi Amin Dada and the 1986 to 2000s Museveni's regime and the impact of the leadership on the Uganda's economy.

3.3 Data Collection procedures

The study pursued a qualitative method where secondary data was acquired through USIU Library and electronic resources such as scholar journals and article as well as institutions report on Uganda's economy in various regimes. The reports were acquired from institutions such as the World Bank, International Monetary Fund as well as other Non-Governmental Organizations and civil society reports.

3.4 Data Analysis procedures

The study pursued a content analysis approach from different reports prepared by the civil society and the institutions in Uganda's regimes and their impact on the economy since 1970s to 2000s in the two major authoritarian regime of president Idi Amin and President Yoweri Museveni. The study focused on the regime type, political liberty, and measures of economic stability such as human index and macroeconomic measures as variables to measure influence of regime on the country's stability. The presence of enabling democratic environment presented an opportunity to develop a set of institutions with good qualities that can impact on sustenance of economic stability in the country despite the regime type. The existence of independent institutions presented a regular regime turnover which as well gave an opportunity for citizens within a country to exercise their democratic right with anticipation of impacting discipline on politician's behavior. However, the presence of authoritarian leadership marked the absence of constitutional power on incumbent leader hence presenting a natural analysis on opportunities that cause economic outcome.

Munck and Verkuilen (2002) note that the absence of a fully acceptable measure of the type of regime has led to provision of limited choice when one is provided with large sample composed of several states over a long period. Therefore, the study opted to measure regimes quality in a

differentiated approach towards influencing the economic stability of a country. This provided a measure on variables linking authoritarian or democratic "authority pattern" institutionalization impact on a country's stability. This approach took into consideration how executives rise to power, the level of checks on leaders (executive) power, as well as the type of political competition. The platform gave an ample approached focusing on historical coverages and sovereign polities hence enabling to put into consideration on democratic standards in a specific country annually and the duration of operation.

3.5 Ethical Issues

The study will recognize scholars whose work has been used in the study through refencing and citing their works. The study sought permission to access specific materials which may require the authority's permission hence ensuring that approval of access to information is necessitated.

CHAPTER FOUR

4.0 FINDINGS AND ANALYSIS

Pre-independence Economy

Uganda was presented as one of the rigorous economies during independence as well as in the 1960 and one of the major driving factors was agriculture that accounted about 2/3 of the country's Gross Domestic Product (GDP) (Table A1 and A2). In addition, the country in the 1960s experienced a substantially recommendable export performance during the 1960s and early 1970s, however, the import trend shifted negatively 1977, 1981, and 1986 subsequently major to Indi and Kenya (Table A3). Table A3 further points out on the above average performance of Uganda on import in its traditional friends (United Kingdom, United States, Japan, India, and Kenya).In this period manufacturing sector occupied a limited role but was growing consistently and revamped the national economy with consumer goods and basic inputs(Table A1 and A2). Moreover, the transportation system of the country which was composed of railways, roads, air transport and port, was largely perceived as one of the finest in Sub Saharan region of Africa. In this context, the railroads and tarmacked roads linked the sea port of Mombasa and Uganda. In addition, the airport interlinked key towns in Uganda with the rest of East Africa such as Tanganyika and Uganda. The Entebbe airport boasted the current international airport standards and steamer ferry services were operated in river Nile and the lakes. The fact that most of the Ugandan relied on subsistence farming is a clear indication that most of the country's population highly depend on the informal economy which is not equally competent as the commercialized farming.

Uganda’s major cash crops composed of coffee and cotton made up 76% of the export economies (Table A4). The major destination for Uganda’s exports prior to independence included ‘India importing cotton, composing 20% of the total export, United States imported Coffee at 15%, and Kenya imported sugar and other products composing 12% of the Uganda’s economy.’ On the alternative, Uganda’s imports from Kenya also became significant aspect composing 24% of the total country’s’ imports (Table A 3 and A4).

During Uganda’s independence, in 1962, the country joined East African Currency Board in collaboration with Tanganyika and Kenya. In this context, the currency board became the legal responsible currency issuer of coins and notes, making the first East African currency to be at per with that of the United Kingdom’s currency (shillings). Inflationary funding where fiscal deficits occurred was not perceived as an option due to the fact that the pre-independence fiscal gap being correspondingly limited, amounting to about 0.1% of the country’s GDP during the 1965 to 1986 period. This provided a stable platform for East Africa member state search as Kenya.

Prosperity rate in Uganda translated into strong and stable social welfare services provided by the government. The health sector in the country had grown into one of the continent’s most extensive sectors and had started health as well as nutritional programs targeting low income individuals in the country. Moreover, literacy level was reflected through secondary and primary education levels being characterized by 95 percentage of pupil-tutor ration that was below the continents average mark set in Africa during 1960 (Table A5).

Table A1. Industrial Origin of Gross Domestic Product at Factor Cost, 1960–86.
(percent of real GDP)

	1960	*1965*	*1971*	*1977*	*1981*	*1986*
Agriculture	63.8	53.2	51.1	54.4	55.1	63
Manufacturing	4	6	7.3	6.4	3.9	3.3
Construction	2.6	1.9	1.7	1.1	0.6	2.9
Transport, communications, and commerce	12.1	17	16.8	12.3	10.6	17.1
Government	4.3	6	6.9	10	14	6.5
Other monetary	13.2	15.9	16.2	15.8	15.8	7.2
Nonmonetary	27.2	32.9	30.0	30	39.8	39.2

Sources: IBRD (1962), EIU Country Profiles (various issues).

The table A1 above presents the real Gross Domestic Product percentage of Uganda's operations as from 1960s towards 1981. In this analysis of the GDP impact on industrial origin at factor cost identifies agriculture as forming the major avenue for boosting a country's GDP as from 1980. This is an indication of the importance of agriculture in boosting human and state development in the country. Therefore, the 1960 to 1965 marked a period of maintenance of status quo where the natives inherited governance structures from the colonial masters who emphasized on agriculture practices as key to feed themselves. This partly explains why there was consistency in the level of local's engagement in agricultural practices throughout the major regimes (President Idi Amin Dada regime and president Museveni's regime at initial stages.

The percentage of Uganda's development performance could be reflected through agricultural sector taking above average growth of 53.2 per cent in 1965 and 55.1 in 1986 while the rest of the percentage is shared by mining and quarrying, manufacturing, construction, transport, communication and commerce, government, and electricity, gas, and water. The total

contribution of the various sector in 1983 reached 1.0% GDP as per annual growth rate. The manufacturing sector, mining and quarrying, and construction formed another substantial factor that plays a big role in a state's development despite existence of authoritarian regime, provided the leadership does not tamper with the operation of the country's main sectors.

Table A2. Industrial Origin of Gross Domestic Product at Factor Cost, 1965 and 1986.
(at 1966 prices)

	1965		*1986*	
	millions of USh	*percent*	*millions of USh*	*Percent*
Agriculture	3,077	53.2	3,968	55.1
Mining and quarrying	111	1.9	7	0.1
Manufacturing	373	6.4	314	4.4
Electricity, gas, and water	60	1.0	95	1.3
Construction	107	1.8	54	0.8
Transport, communications, and commerce	982	17.0	702	9.8
Government	345	6.0	932	13.0
Other services	732	12.6	1,126	15.6
GDP	5,787	100.0	7,196	100.0
(o/w nonmonetary)	1,904	32.9	2,867	39.8
Average annual growth rate of real GDP, 1965–86:	1.0%			

Sources: Quarterly Economic Report and Country Profile (EIU).

In the average annual growth rate of 0.1% in Uganda's real GDP during 1965 and 1986, the agricultural sector formed majority percentage of 53.2% in the 1965 and 55.1% in the 1986, a percentage above average in comparison to the rest of the sectors such as mining and quarrying, manufacturing, construction, electricity, gas, and water, and other services. This shows, as per Table A2, that the country's' development record was highly contributed by Agricultural sector since independence to date. The distribution of various sectors participation in Uganda's economic development had a direct impact on the citizen's wellbeing, as positive or negative

impact of the gross domestic product influenced on the income and consumption rate in the country as well government position to implement developmental programs in the country.

Table A3. Major Trading Partners, 1960–86.

	1960	*1971*	*1977*	*1981*	*1986*
Exports *(percent of total)*					
United Kingdom	16.2	21.8	17.5	13.7	15.6
United States	15.3	20.1	37.8	40.2	29.1
Japan	2.7	9.8	3.2	5.6	3.8
India	20.1	7.4	nil	0.0	0.0
Kenya	12.3	8.7	0.4	0.7	0.3
Imports *(percent of total)*					
United Kingdom	18.7	24.6	9.1	14.3	13.5
United States	n/a	5.4	0.7	1.9	1.5
Japan	8.7	10.3	3.2	1.5	5.7
India	2.2	3.6	2.6	5.3	7.6
Kenya	23.7	21.5	56.6	33.0	37.4

Source: IMF, *Direction of Trade Statistics Yearbook,* (various years).

Uganda has been benefiting from close ties with foreign states such as United Kingdom, United States, Japan, and India while Kenya has been a key neighboring country that likes foreign states have promoted Uganda's exports. However, Kenya in Africa continent and India as a foreign state had been playing as a preferred Uganda's export destination while Kenya becomes the major importer of Uganda's products during the 1960s and early 1970s. However, the irredentist behavior of President Idi Amin Dada in the 1977 and the deportation of business men with Indian background, led to both governments shying away from engaging with Uganda and only Kenya to a very minimal extent with Uganda's export in the 1986. Therefore, the irredentist behavior in President Idi Amin's regime towards its neighbors, such as Kenya, and undiplomatic business handling towards the Indian community impacted negatively on the agricultural sector

which is the main source of income for the country. However, despite entrance of a new type of authoritarian regime (President Yoweri Kaguta Museveni) with new characteristic that supported development and structural adjustment programs to boost economy, Uganda's export and import at the initial stages performed minimally.

Table A 4. Production and Trade, 1960–86.

	1960	*1965*	*1971*	*1977*	*1981*	*1986*
Coffee						
Production *(thousands of tons)*	113	218	191	156	128	160
Percent of total exports	40.8	42.0	50.7	92.9	98.0	96.6
Cotton						
Production *(thousands of tons)*	210	243	75	14	4	18
Percent of total exports	35.9	23.1	17.6	2.6	0.9	1.2
Copper						
Production *(tons)*	14,515	16,870	16,900	2,500	nil	nil
Percent of total exports	8.9	11.0	8.3	0.0	0.0	0.0
Sugar *(percent of exports)*	3.6	1.2	1.0	0.0	0.0	0.0
Tea *(percent of exports)*	3.5	3.3	4.7	2.1	0.1	0.8
Total Exports *(percent of GDP)*	27.4	3.3	1.8	1.0	4.6	10.3
Total Imports *(percent of GDP)*	17.1	25.7	17.2	4.1	nil	16.7

Sources: IBRD (1962); World Bank (1993); IMF (1995).

The above table A4 Uganda's production capacity and trade during 1960 to 1986 brings out the importance of coffee as an agricultural product. The level of coffee production and export has been growing exponentially as from 1960s to 1986, however, a major slump in the export capacity was experienced a major shift in cotton production and export during the 1977 period which led to reduction in its production. The shift in the 1977 was closely linked to Idi Amin's irredentist behavior and chasing away Indians from Uganda thus creating hostile relations with India. The same negative growth was experienced in copper and sugar production during the 1977 to 1986. Therefore, it can be argued that the leadership mode of operation in authoritarian

regime highly influences the development of a county economically. This is reflected in President Idi Amin's policy in the late 1970s that impacted negatively on Uganda's relations with its neighbors and foreign states who have been traditionally friends, and thus despite entry of a new regime in the 1980s and 1986, recovery of the state development record takes place slowly.

Due to the shift in policy in various regimes engagement in developing the state, human wellbeing is as well touched in the process through improvement of adult literacy rates, teacher pupil ration, and increase in Ugandans life expectancy. However, the existence of harsh authoritarian leadership, as reflected in the 1977, derailed previous effort in distribution of the number of physician per population and drop-out rate from learning institution. However, in post President Idi Amin's regime in the 1979, the two indicators started stabilizing due to leadership will to develop institution, despite the regime being authoritarian.

Table A5. Selected Social Indicators, 1960–85.

Indicator	*1960*	*1970*	*1980*	*1985*
Pupil teacher ratio (primary)	30.7	33.5	33.6	34.5
	(42.6)	(43.1)	(41.2)	(39.2)
Drop-out rate		22.4	24.3	24.3
		(43.4)	(36.6)	(37.5)
Adult illiteracy	65	60	52	57
	(85)	(70)	(63)	(48)
Population per physician *(thousands)*	15.0	9.2	26.8	21.9
	(39.4)	(31.8)	(22.9)	(23.8)
Life expectancy	44	50	54	48
	(38)	(45)	(47)	(51)

Sources: Barro and Lee (1993) data set; World Bank, *World Development Report* (various years).

Note: Averages for Africa in parentheses.

According to Table A7 analysis, the countries revenues has been dwindling from the highest of 12.9 percent during the 1960s to a low rate of 5.3 per cent, an aspect which is highly influenced by existence of turmoil in post-independence period. The development in Uganda is further reflected in table A7 through fluctuation of government expenditure rate, with the highest being 17.2 percentage between 1971 – 1975, but level of government spending reduced drastically in the consecutive regime, especially president Museveni's leadership of 1986, a platform borrowed from his predecessor president Milton Obote's democratic regime's adoption of structural adjustment programs. Consecutively, the period of 1971 to 1975, in Authoritarian leader President Idi Amin Dada, the government experience highest budget deficit of -7.2 percentage in comparison with pre and post president Amin's leadership.

Table A7. Central Government Operations, Selected Years.

	1960	*1971–75*	*1976–80*	*1981–86*
Central government *(percent of GDP)*				
Revenue	12.9	10.0	8.3	5.3
Grants	1.1	0.1	0.1	0.4
Expenditure	13.9	17.2	10.4	8.2
Deficit (−)	−0.1	−7.2	−2.0	−2.4
Claims on central government *(percent of domestic credit)*	n/a	63.9	69.2	53.7
Domestic credit *(annual growth rate)*	n/a	29.3	32.9	65.3

Sources: IMF (1995); IBRD (1962).

Uganda has been conducting business with various countries globally in attempt to boost its economic capacity and pay its debts, acquired to rehabilitate the war torn in the wake of decline in the international coffee prices, through increasing its foreign reserves acquired during trading.

The urgent need to rehabilitate the war torn region and reduction of global coffee prices reduced receipt of export thus pushing the government to opt for externa financing leading to the sharp increase in 1987 stock of debt (Mbire and Atingi, 1997).

The United Kingdom, United States, as well as Japan have maintained consistent contact with Uganda in export as from 1960s to 1980s. However, India who has been a major trading partner in the 1960s shifted its cooperation in the 1970s completely and later cutting trade ties completely with Uganda hence impacting on Uganda's economic stability. On the same capacity, Kenya who is the neighbor in East Africa Community has been increasing its trade cooperation with Uganda where Uganda has been highly importing from Kenya in comparison to the export to its neighbor (Table A3 above).

Table A8 below focuses on the 1960 to 1986 exchange rates in Uganda's economy. It is evident that reflects the strength of exchange rate and is effectiveness. The period after Uganda's independence to the period of Idi Amin regime in 1977, the rate was not very competitive. The exchange rate was highest in the 1980, 1981 and 1982 due to the impact of harsh authoritarian regime that destabilized development in the country, however, the exchange rates dropped to favorable rates as from 1984 to 1986 partly due to the IMF attempt to inject structural adjustment programs in Uganda. This programs assisted president Museveni's regime in the 1986 to have a foundation to restructure institutions and spur reliable development that not only impact on human wellbeing but also the country's' growth.

Table A8. Exchange Rates, 1960–86.

	Official (USh/US$)	*Kibanda* (USh/US$)	*Real Effective* (1987=100)
1960–74	7		
1977	8		
1980	8		435
1981	85		308
1982	106		107
1983	240		83
1984	520		57
1985	1,400	4,000	74
1986	1,400	12,000	78

Sources: Bank of Uganda and International Monetary Fund.

Note: Official and *kibanda* rates are end of year. The real effective rate is annual average.

Economic and Political Background: 1962-1985

The 1962 October 9th saw Dr. Milton Obote becoming the first prime minister in the Uganda. His regime was surrounded with diverse unfavorable events, such as patronage leadership as well as southern Bantus repression and constitution suspension, became the main origin of power that defined a country's economic shift. As per the table A6, the economy in Uganda performed relatively competitive during the period of 1960s in relation to real GDP growth which averaged at 4.8% per annum from the period of 1965-1970. During the 1965-1970 regimes in Uganda, production of cash crop was quite competitive where cotton and coffee production in 1965 and 1970 was at 243,000 and 218, 000 respectively. The production of copper during the late 1960s

was at historical high of above 16,000 tons per annum. In the same period of 1965s manufacturing industry which was deemed small grew from 6 % to 7.3 % by 1971(Table A1 above).

Table A6. Selected Economic Indicators, 1965–86.

(percent)

Indicator	*1965–70*	*1971–75*	*1976–80*	*1981–86*
Real GDP growth	4.8	0.2	–3.5	3.0
Real per capita GDP growth	2.5	–2.5	–6.0	1.6
Gross domestic investment *(percent of GDP)*	14.4	10.9	6.0	7.2
Gross domestic savings *(percent of GDP)*	16.0	11.1	6.0	4.6
Inflation	4	17	59[a]	78

a. Average annual inflation rate for 1976 to 1978.

Sources: Sharer and others (1996); IMF (1985 and 1995).

The financial sector, such as the Uganda banking institution, transformed into engaging in the central bank role in 1966. However, it withdrew from engaging with East African Currency Board thus crafting a new Ugandan currency, termed as Uganda Shilling, which competed equally with United Kingdom shilling till 1973 period. The transformation of the bank to take over control of the function of controlling the commercial banks via exchange rate management and through credit control stabilized the country's financial sector during the 1960s. This provided a platform for the regime to assess who was liable to access credit and be denied access to credit. Consequently, national governments responsibility to borrow money to finance fiscal deficits started increasingly crowding out private borrowing, thus leading to domestic credit

annual growth rate increasing quickly from about zero rate during 1960s to above 20% during 1967 (Table A 7 below).

Table A7. Central Government Operations, Selected Years.

	1960	*1971–75*	*1976–80*	*1981–86*
Central government				
(percent of GDP)				
Revenue	12.9	10.0	8.3	5.3
Grants	1.1	0.1	0.1	0.4
Expenditure	13.9	17.2	10.4	8.2
Deficit (−)	−0.1	−7.2	−2.0	−2.4
Claims on central government	n/a	63.9	69.2	53.7
(percent of domestic credit)				
Domestic credit	n/a	29.3	32.9	65.3
(annual growth rate)				

Sources: IMF (1995); IBRD (1962).

Idi Amin regime (1971-1979)

However, the emergence of a successful coup conducted by General Idi Amin in the 1971 and impacting threats and killings aligned to political and tribal approach had a great impact on Uganda's economic stability. The drastic shift in the economic stability during the 1970s had been attributed by Amin's action of expelling 70,000 Asians of Pakistan and Indian origin after receiving aid from Saudi Arabia and Libya. The drastic flop of economy is attributed to the fact that most Asians had an active role in agribusiness, commerce, and manufacturing hence forcing them to leave the country. These actions led to collapse of the once vibrant economy where the growth of real GDP averaged 0.9% per annum during the first half year of 1970. However, the second phase of the other half was extremely detrimental, as the real GDP dropped to an average of 3.5% per annum as from 1976 towards 1980 as the per capita income slumped to mark one of the lowest global levels (Table A 6 above).

In the 1977 period during Amin's regime, there was drastic drop in cash crop production with cotton production reducing to about 14,000 tons, marking a 6% difference to the levels reflected in 1965 period (Table A 4 above). Despite India taking a larger share of Uganda export products in the previous regime reflecting consistent stability in cotton export, the forceful expulsion of their citizens and reduction of production of cotton in Amin's regime, may have led declined in Indian interest in importing Uganda's products (Table A3 above). As reflected by Muwonge and Marios (2003) identify that the Uganda's Asian population being targeted by Amin's regime used to manage tea and coffee estates thus their expulsion led to reduction of the production capacity. This was facilitated further by the fact that the Uganda's smallholders were not in a position to neither fill the gap nor produce with the prevailing unrest. In the same trend, in 1977 copper production dropped to about 15% of its previous levels in 1971 and 1979 that saw copper production rate diminishing to getting into a cease production level (Table A4 above). This shift in production highly affected the growth of manufacturing sector (Table A1) and as well on the income levels of individuals in the sector as well as the country's foreign reserves (Table A4 above).

The country registered a sequential budget deficit in every annual period of the 1970s while there was unreasonable military expenditure by the government of the day. These activities led to increase in the deficit rate which was equated to be above 50% of the existing revenues. This was not normal especially where the deficit hit about 134% mark during the 1974 period. The table only presents an exemption during the mid-1970s when the coffee prices increased at the global platform hence marking a minimal deficit at national level. Despite the minimal deficit in this period the government of the day still crowded out the private investment where the mid-1970s experienced the central government borrowed consistently approaching 70% of domestic credit

rating. This reduced the private investments and savings to approximately 6% of the national GDP, trending below 15% ratio of 1960s (Table A 4).

The irredentist, slump of Uganda's economy and reduced development efforts led to ejection of Amin in 1979, being replaced by Milton Obote in the 1980 with a democratic election that was perceived rigged. However, the leadership of Obote made no difference to the previous regimes leading to General Tito Okello in 1985 overthrowing him and consequently Museveni seizing leadership in 1986.

Economic and political development in Museveni's regime

The economy in this period was devastated and the country had experience dictatorship at its worse and regional and tribal conflict, army lawlessness and brutal human right abuses for the better part of the 20 years of its independence. This highly affected the life expectancy of the citizens to about 50 years, representing one of the worst level of life expectancy in the world in an independent nation. In this context, real government expenditure on education and health programs dropped to about 9% and 97% consequently in compression to the 1970s levels. Therefore, Museveni inherited shattered economy where railways, roads, schools, and hospital were destroyed with a real GDP per capita at $ 230 with a 60% in 1971. The average annual growth rate as from 1965-1985 was about 9.6% marked as the lowest level in the world period. In this period the only specific sector that increased in this regime was the government (2017). The non-financial sector, which is composed primarily by agricultural sector, remained robust throughout the economic instability but in 1986, the composition was 40% of the general production.

The major small farms in Uganda lived with fear for the better part of the 15 years with the unrest experienced largely in estate grown tea and cotton sectors. Coffee production in 1986 was

at 73% about 160,000 tons of the period 1965 rates, while cotton sector production increased to 7% of the 1965. The sugar firm, that once produced substantive rates to satisfy the exports to neighboring states and domestic demand started collapsing in 1980 (Table B1 and B2).

It is evident from the previous long serving regime, such as authoritarian regime of the 1970s under Idi Amin leadership, negatively impacted on the human and states development record. President Idi Amin's authoritarian leadership mixed with irredentist and undiplomatic trade procedures led to Uganda losing its trade allies search as India and Kenya, hence impacting negatively on the income of the local citizens who depend on direct foreign investment and inter trade to enhance their livelihood and health. This led to increase in government expenditure in 1971 to 1975 period and the country running under deficit hence it could not fund local development programs to boost the country's competency (IMF, 1995).

Table B1. GDP by Sector at Constant 1991 Prices, Fiscal 1985–91.
(percent of GDP)

Sector	*1985–86*	*1986–87*	*1987–88 to 1990–91*	*1991–92*
Agriculture	*56.2*	*55.2*	*53.7*	*50.2*
Cash crops	3.8	3.5	3.3	3.4
Food crops	38.0	37.6	36.8	33.5
Industry	*10.3*	*11.3*	*12.5*	*13.8*
Mining and quarrying	0.1	0.1	0.2	0.3
Manufacturing	5.0	4.9	5.5	6.6
Coffee, cotton, sugar	0.5	0.5	0.6	0.9
Food products	0.6	0.6	0.8	0.8
Construction	4.3	5.4	5.9	5.9
Services	*33.5*	*33.5*	*33.9*	*36.0*
Trade	10.4	10.3	10.9	11.8
Transport and communication	3.9	4.0	4.1	4.2
General government	3.8	3.7	3.5	3.7
Education	4.0	3.8	3.6	3.6
Health	1.6	1.6	1.5	1.5
GDP at factor cost	*100.0*	*100.0*	*100.0*	*100.0*
o/w nonmonetary	35.8	35.3	33.6	30.1

Source: Statistics Department, Ministry of Finance and Economic Planning.

According to Table B2, marks the annual growth rate of various sectors as from the period of 1985 to 1991 propelled by authoritarian regime under President Yoweri Kaguta Museveni. The table reflects that agriculture and especially food crops had grown exponentially as from 1985 to 1991. This is due to the fact that agriculture and mostly food crops forms a key aspect relied upon by most of Uganda's population for the upkeep of their daily livelihood. Export oriented crops, such as coffee and cotton, was at its lowest at during 1985, however, it grew considerably and reaching its high heights in 54.5 in 1991-1992. However, the social welfare was not performing well, considering education and health sector in Uganda did not perform very well.

The wellbeing of the Uganda's population is highly affected by the development record in the country ranging from agricultural sector and construction sector.

Table B2. GDP by Sector at Constant 1991 Prices, FY 1985–91 *(average annual growth rates)*

Sector	*1985–86*	*1986–87*	*1987–88 to 1990–91*	*1991–92*
Agriculture	*1.3*	*1.8*	*5.0*	*–1.1*
Cash crops	–16.4	–3.8	5.2	5.2
Food crops	5.3	2.6	5.0	–3.2
Industry	*–4.6*	*13.3*	*9.8*	*11.2*
Mining and quarrying	–12.2	–9.7	33.8	12.4
Manufacturing	–4.8	2.4	10.7	18.9
Coffee, cotton, sugar	–0.6	4.3	10.1	54.5
Food products	–5.6	12.3	12.2	9.0
Construction	–5.9	28.4	9.0	3.8
Services	*0.5*	*3.8*	*7.1*	*7.9*
Trade	–2.6	2.6	8.4	9.0
Transport and communication	5.1	7.0	6.9	4.5
General government	1.6	2.8	4.3	11.8
Education	0.6	0.2	5.1	1.5
Health	2.3	3.6	3.5	6.1
GDP at factor cost	*0.4*	*3.7*	*6.2*	*3.6*
o/w nonmonetary	4.5	2.3	3.8	–3.1

Source: Statistics Department, Ministry of Finance and Economic Planning

January 1987: economic and politic situation

Museveni regimes first year was marred by apprehension in governance the resulted in accordance in extreme misplaced economic policy. However, the new economic plan presented in 1986 August assisted in changing the economic structure of the country. This model of 1986

presents two phases of legal exchange rate existing where transactions were executed at 1,400 shillings per a dollar as well as other official market rates of approximately 5,000 shillings per dollar. Abolishing of the legal rates in the market led made every legal transaction to be 1400 shillings rate.

Table B 3. Exchange Rates, 1960–86.

	Official (USh/US$)	*Kibanda* (USh/US$)	*Real Effective* (1987=100)
1960–74	7		
1977	8		
1980	8		435
1981	85		308
1982	106		107
1983	240		83
1984	520		57
1985	1,400	4,000	74
1986	1,400	12,000	78

Sources: Bank of Uganda and International Monetary Fund.

Note: Official and *kibanda* rates are end of year. The real effective rate is annual average.

There has been measure crafted policy decision through presidential decision that was by Museveni's regime developed to co-ordinate every national economic aspect of investment and planning. The fiscal year of 1991-1992 experienced challenges in Uganda where the real GDP growth that averaged above 5% per annum in the first five years of Museveni's leadership, slowing down to 3.6 % due to drought impact on crop production. This was necessitated further by ailing coffee market where coffee exports dropped to $117 million, a 1/3 in comparison to

amount acquired in 1986-1987 fiscal period. In the same context, export as well reduced to lower levels in comparison to the 1986 period while the donor states slowed their aid disbursement leading to government increased borrowing from local financial institutions in Uganda to bridge the increasing large deficit.

The growth of economy during Museveni's first six years was remarkably strong realized in Uganda's economy in comparison to the previous regimes since independence. The mid 1992, reflects a different aspect as the where the investors' confidence dwindled despite some level of foreign investment being evident in the earlier Museveni's regime. Therefore, the limitation of engagement leads or active participation as well reducing to considerable levels.

Table B4: Contributions to Real GDP Growth by Expenditure, Fiscal 1985–91

Expenditure	*1985–86*	*1986–87*	*1986–87 to 1990–91*	*1991–92*
Consumption	128.3	–609.4	81.6	90.5
Private	125.1	–528.1	75.9	43.1
Public	3.4	–81.5	5.7	55.2
Gross domestic investment	13.1	–649.2	22.3	–19.7
Fixed capital formation	18.6	–1,232.5	12.8	–10.7
Private	247.9	–529.3	5.1	–22.0
Public	–87.8	–804.8	7.7	16.4
Net change in stocks				
Resource balance	–41.4	1,358.6	–3.9	29.2
Exports GNFS	4.6	54.8	1.7	24.1
Imports GNFS	45.6	–1,160.5	5.6	–11.6
GDP at market prices	100.0	100.0	100.0	100.0
Addendum:	–0.3	3.8	5.9	3.2
Growth rate in GDP at factor cost				

Source: Statistics Department, Ministry of Finance and Economic Planning, and authors' calculations.

The consumption level in the country, according to the Table B4 above, had been reducing drastically since 1986 to 1992 with a negative level being realized during the 1986-1987 period. The shift in consumption level in the Uganda's economy was reflected both in private and public sector marked with negative slump during the 1986-1987 period. Ggoobi (2016) identifies that the slump in consumption is as a result of the 17/1971 decree that affected Asia business men and the nationalization of British owned business in the 1973 thus leading to deterioration of citizen's income and welfare. Moreover, the Mwonge and Obwoge (2010) relates the consumption slump to the 1981/83 and 1983/1984 initiation of Structural Adjustment Programs and the reduction in the money supply by about 25%, a context partly contributed by authority failure to work within the provided programs target as outlined by the donors and renewed civil outbreak (Ggoobi, 2016). The Uganda's predicament in the 1980s is as well reflected in Table B4 above presentation of slump in Gross domestic investment in the country with a negative investment during the 1986-1987 and the 1991 – 1992 period. However as reflected in the Table B5 below the GDP by Expenditure as per 1991 prices was within average range in both private and public sector consumption while Gross Domestic investment grew considerably with substantial growth reflected in 1990 – 1991 by 16.6 percentage.

Table B5. GDP by Expenditure at Constant 1991 Prices

(percent of GDP)

Expenditure	*1985–86*	*1986–87*	*1987–88 to 1990–91*	*1991–92*
Consumption	104.9	104.0	101.4	101.6
Private	94.0	93.1	91.2	89.8
Public	10.9	10.9	10.2	11.8
Gross domestic investment	12.5	14.7	16.6	14.6
Fixed capital formation	12.5	16.5	16.7	14.7
Private	9.0	10.8	10.6	8.0
Public	3.5	5.7	6.0	6.8
Net change in stocks	0.0	0.3	–0.0	–0.1
Resource balance	–15.7	–20.2	–18.2	–14.5
Exports GNFS [a]	8.3	7.7	7.0	7.2
Imports GNFS	24.0	27.9	25.2	21.8
GDP at market prices	100.0	100.0	100.0	100.0

Source: Statistics Department, Ministry of Finance and Economic Planning.

Goods and nonfactor services.

The Table B5 above is affirmed by Table B6 below focusing on the GDP by Expenditure as 1991 prices in relations to average yearly growth rates. The government expenditure level if Consumption in public and private sector has been considerably low in the previous period of 1985- 1987, however, 1988 to 1992 period experienced consistent though low growth in government spending in public and private sector. However, domestic investment reduced to lowest level of negative 6.9 percentage in the 1991 to 1992 period.

Table B 6. GDP by Expenditure at Constant 1991 Prices.

(average annual growth rates)

Expenditure	*1985–86*	*1986–87*	*1987–88 to 1990–91*	*1991–92*
Consumption	2.0	2.9	5.4	4.6
Private	2.2	2.8	5.6	2.5
Public	0.5	3.7	3.8	24.0
Gross domestic investment	1.8	22.0	9.1	–6.9
Fixed capital formation	2.5	37.1	5.2	–3.7
Private	46.0	24.3	3.3	–14.2
Public	–42.1	70.0	8.6	12.5
Net change in stocks				
Resource balance	4.4	33.4	1.4	–10.3
Exports GNFS [a]	0.9	–3.5	1.6	17.1
Imports GNFS	3.2	20.7	1.5	–2.7
GDP at market prices	–0.3	3.8	6.4	3.2

Source: Statistics Department, Ministry of Finance and Economic Planning.

Goods and nonfactor services.

Agriculture being the backbone of Uganda's economy historically, Table B7 focuses on the production of major commodities in Uganda during 1986 to 1992. Coffee has been one of the major cash crops being produced in Uganda since independence, therefor despite economic challenges facing the country over the years the level of export of the commodity dwindled due to growing competition from other markets. However, tea export reached recommendable percentage of 5.1% in 1992 from 0.8% in 1986, reflecting change in international market prices and the country embracing tea cultivation. Cotton also formed a better rate in its export in period of 1986- 1992 growing substantially from 1986 and realizing better level of 6.8% and 5.4% in 1991 and 1992 respectively. In the industrial sector the country has improved over the years to

stable levels where cement production increased substantially from 1986 to 1992, a reflection of construction industry in the country.

Table B7. Production of Principal Commodities, 1986–92

	1986	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*
Coffee							
Tons	140,800	148,153	144,254	176,453	141,489	124,819	119,006
Value *(thousands of US$)*	394,200	307,535	265,279	262,811	140,384	117,641	95,372
Percent of total Exports	96.9	92.2	99.6	94.6	79.0	67.9	63.1
Tea							
Tons	2,800	2,100	3,079	3,195	4,760	7,018	7,816
Value *(thousands of US$)*	3,100	1,900	3,079	3,195	3,566	6,780	7,721
Percent of total Exports	0.8	0.6	1.2	1.2	2.0	3.9	5.1
Cotton							
Tons	4,875	3,443	2,088	2,321	3,808	7,819	7,535
Value *(thousands of US$)*	5,086	4,097	2,968	4,020	5,795	11,731	8,218
Percent of total Exports	1.3	1.2	1.1	1.4	3.3	6.8	5.4
Tobacco							
Tons	0	0	39	490	2,269	2,467	2,322
Value *(thousands of US$)*	0	0	58	569	2,821	4,540	4,333
Percent of total Exports	0.0	0.0	0.0	0.2	1.6	2.6	2.9
Sugar *(tons)*	0	0	7,535	15,859	28,915	42,456	53,539
Beer *(thousands of liters)*	6,603	16,484	21,139	19,516	19,420	19,529	18,718
Textiles *(thousands of square meters)*	9,733	10,465	11,067	11,589	8,172	8,901	9,650
Cement *(tons)*	16,376	15,904	14,960	17,378	26,920	27,138	37,881

Source: Statistics Department, Ministry of Finance and Economic Planning.

The Country's 'balance of payment for financial years of 1985 to 1991 periods were faced with missed reaction, especially on the context where the country spent more on imports than exports. This reflection a negative trade balance thus affecting the country's foreign reserve that is required to fix the balance of payment deficit. The private sector has been playing a major role in transactions in trade thus may have led to repatriation of finances to their mother country thus increasing the reduction of reserves in the country. This arguments in table B8 is supported further by Table 9 above, exchange rate analysis of 1985-1991 financial year. This reflects the Uganda shillings losing strength over the years and reaching a level of 983 Uganda Shillings per US Dollar in 1991-1992 financial year from 11 Uganda Shillings per US Dollar in 1985 – 1986.

Table B8. Balance of Payments, FY 1985–91

(in $US millions)

	1985–86	*1986–87*	*1987–88*	*1988–89*	*1989–90*	*1990–91*	*1991–92*
Exports GNFS	389.0	406.0	323.9	304.0	245.7	198.9	195.1
o/w coffee	360.0	365.0	285.9	276.0	159.0	127.0	116.9
Imports GNFS	446.0	600.0	682.0	712.0	675.8	670.5	581.5
o/w petrol	61.0	63.0	69.0	76.0	78.0	87.0	57.0
Trade balance	–57.0	–194.0	–358.1	–408.0	–430.1	–471.6	–386.4
Net factor income	–44.0	–47.0	–57.0	–66.0	–77.0	–58.2	–87.0
Current private transfers	101.0	100.2	120.0	114.0	78.0	80.5	135.9
C/A balance (excl. grants)	0.0	–140.8	–295.1	–360.0	–429.1	–449.3	–337.5
Official transfers	31.0	40.1	92.4	131.0	152.7	261.9	206.1
C/A balance (incl. grants)	31.0	–100.7	–202.7	–229.0	–276.4	–187.4	–131.4
Overall balance	24.0	–78.7	–64.7	–101.9	–44.1	–101.3	–121.1

Sources: Bank of Uganda and International Monetary Fund.

Table B9. Exchange Rates, FY 1985–91.

	1985–86	*1986–87*	*1987–88*	*1988–89*	*1989–90*	*1990–91*	*1991–92*
Official rate *(USh/$)*	11	22	60	170	320	558	983
Average bureau rate *(USh/$)*	30	110	285	474	662	780	1,130
Premium bureau/official *(percent)*	166	407	376	178	107	40	15

Sources: Bank of Uganda; Statistics Department, Ministry of Finance and Economic Planning

Note: Forex bureaus were legalized in July 1990.

Slowing down of growth in Uganda

The 2015/ 2016 financial year saw Uganda recording a growth rate of about 4.6%, in preliminary approximation, due to both external and domestic uncertainties. The rate slumped below the 5.4% September 2015 prediction, with private investment growth experiencing high shortfall. According to 'the Uganda Bureau of Statistics' revised report this projected rate was lower in comparison to 5.0% assessed in 2014/2015 financial year.

The service sector in the 2000s provided a reliable stable source of country's' growth with approximate growth of 52% of the whole on the nation's economic activities. In the same aspect, the construction sector as well increased significantly enhancing industrial sector. In the period of 2015/16, there was an increase of 6.6% of the service sector with large catalyzer emerging from technology and information subsector.

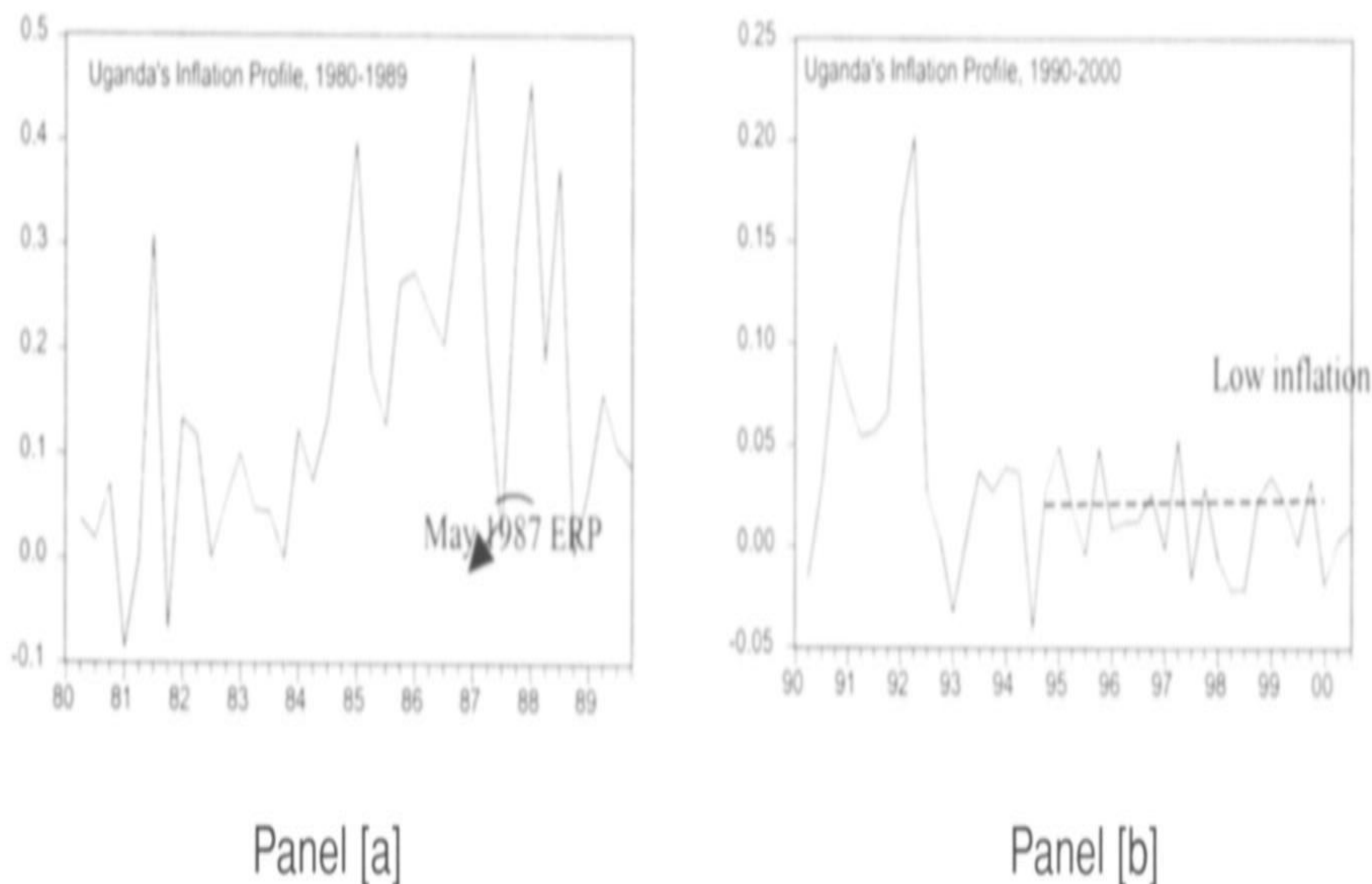
Inflation in Uganda

Any country would love to have a predictable and low inflation as one of the contexts that surrounds its economy as it intends to maintain and establish the stability through fostering macroeconomic framework that will assist its economy to grow. In addition, presence of

acceptable actual interest rate, existence of sustainable fiscal policy; competitive actual exchange rate as well as balance of payments that is deemed viable.

The 1980 to 2001 period was marred with adjustment in the Uganda's economy. This was experienced through 1980-1983-time frames which covered the first Uganda's attempt, under president Milton Obote's regime with IMF, to stabilize Uganda's economy using the structural adjustment programs. In the second phase, marked by 1984-1986, the regime was marked with policy reversals. The adjustments in Uganda's economy during 1980s were due to complete disintegration of numerous productive sectors. This is well reflected in the table below which reflects the country's export earnings reducing from US $ 556 million to approximately US$ 331 million in 1977 and 1980 respectively. The 1976 to 1980 period experienced increase in the average imports in Uganda to 331 million American dollars (1976-1980) from 275 million American dollars (1971-1975). This led to reserves levels dropping by 56.6 % from the 1978 US$ 53million to the 1979s' US$23 million. In relation to the 1970 to 1976 annual average earning of US$ 53 million the 1977 period experienced substantial increment in export earnings to US$ 568.9 million. In addition, the coffee boom period resulted to export earnings increment in the country's export earnings during the 1977. However, the national gross domestic product (GDP) reduced with 18.7 % margin from 7,527 million Ugandan Shillings in 1977 to about 6,115 million Uganda shillings during the 1980s. The period of the 1980s marked by national policy restructuring increased the welfare of the citizens; however, the 1970s was marked by low economic performance and citizens social wellbeing due to the authoritarian regime with leadership type that highly impacted negatively on the economy. Idi Amin's leadership personalized power and as well disregarded human rights making the country's politics and socio-economy platform to be unpredictable.

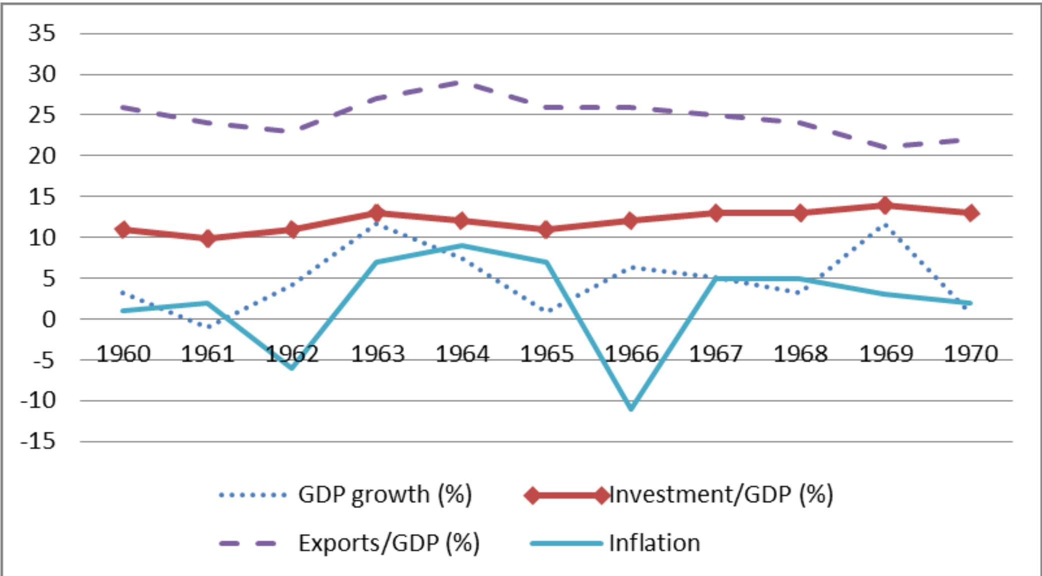
Figure 1: Uganda's Inflation Profile; 1980-2000



The transformation of Uganda's economy

During the period of 1962 when Uganda achieved its independence from the British, the country' economy was substantially small. However, this economy was among the few sub-Saharan Africa that had capability to have a promising future. The overall gross domestic product (GDP) was the total output value of commodities produced within the state, despite existence of a limited value (about 449$ million). This measure was reflected in Uganda's economy in post-independence reflecting impressive average annual growth of 6 percent. In the 1960s period, this growth rate was consistent and showing stability where export averaged about 25 percentage of the country's GDP while the inflation rate ranged at 5 % (Figure 2 below).

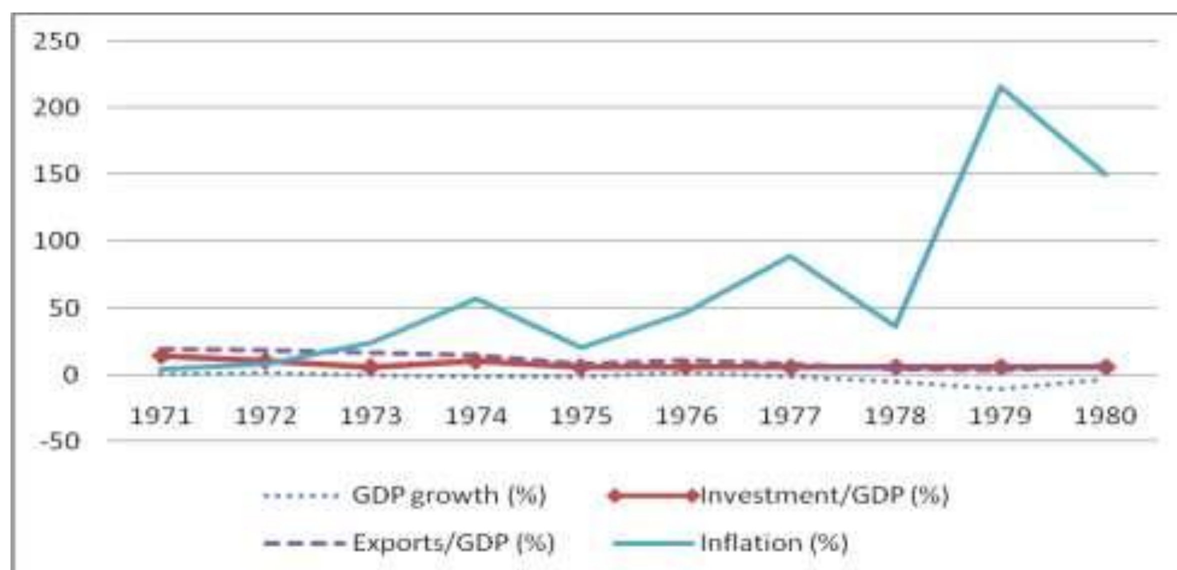
Figure 2: Selected Economic Performance Indicators 1960-70 (indexes: 1960 = 100)



Source: Background to the Budget (1965/66); Statistical Abstracts (1965 & 1966); Quarterly Economic and Statistical Bulletin; & World Bank (1982)

However, in the 1970s, Uganda economy took a stable status (increased investment, consistent growth in export, and predictable GDP growth in the 1960s) and was perceived to be among the African states with an opportunity to grow at a rate of 7 percentages in the post-independence period. However, this was vision was never realized with the emergence of Idi Amin Dada's authoritarian regime that promoted his personal interests.

Figure 3: Selected Economic Performance Indicators 1971-80 (indexes: 1960=100)



Source: Background to the Budget (various years, 1971/72 – 1981/82); Budget Speech (various years): World Bank: World Development Data.; World Bank (1982).

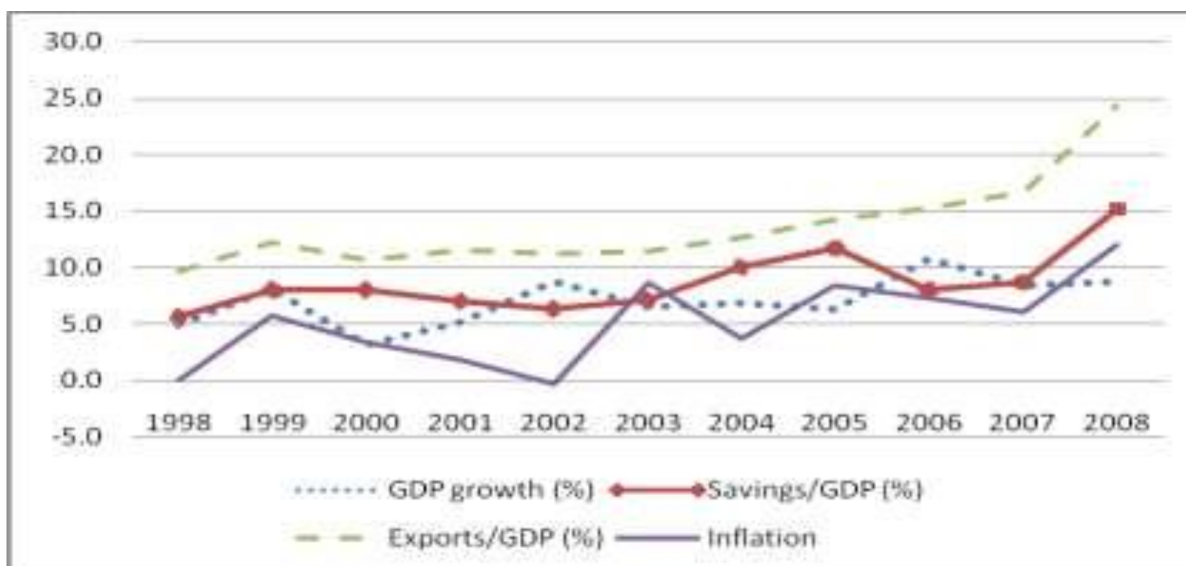
The Uganda economy experienced final demise during the emergence of Idi Amin in the 1971. This was felt in the 1972 when Amin declared economic war on the migrants working in Uganda under 1972 August decree under 17/1972 decree affecting the residence permit of Indians and Pakistan's operation in Uganda.

This led to the post-independence economy growth prosperity reducing. Aspects such as economic distortion (price control, smuggling, and excessive printing of money to finance fiscal deficits) emerged in the Amin's regime and foreign exchange markets being subjected to control. As reflected, in 1979 Amin's military regime was overbrowned due to unprecedented height of decay in economy stability as reflected in the above (Figure 2).

The second regime of Milton Obote attempted to implement a wide-range of policy reforms to assist the economy recover. This started in July 1982 with the aim of raising the real

GDP growth, reducing inflation, reviving production, and improving macroeconomic management. At the initial stages these reforms the reforms brought some growth, inflation reduced and exports recovered. However, as reflected in the above figure, the recovery program generally failed.

Figure 4 : From Recovery to Growth (1998-2008)



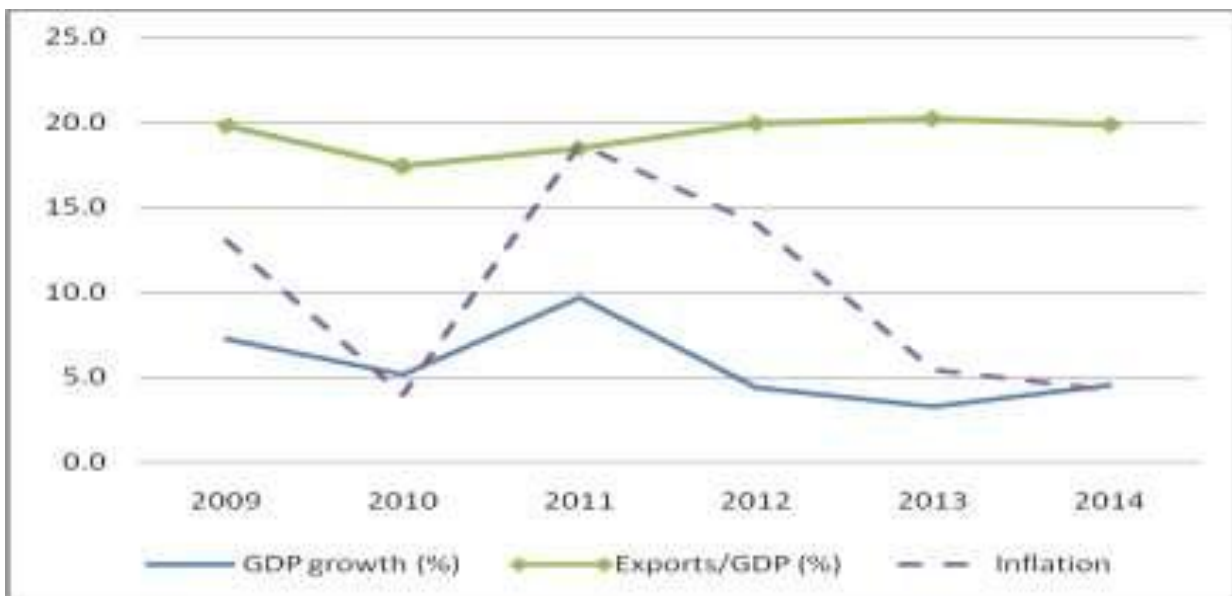
Source: UBOS, Bank of Uganda, World Bank (WDI), 2012

The NRM leadership of 1986 took a different shape from its predecessor, Amin's regime as well as other rigid regime by taking flexible approach to economic recovery. In 1987 the regime supported by the International Monetary Fund (IMF) and the World Bank, introduced a second Economic Recovery Program (ERP) targeting at freeing the economy induced by previous regimes, reducing inflation as well as raising growth.

These reforms induced under Museveni's regime brought economic sanity in the country's economy and in the subsequent decades, the economy achieved high and sustained economic

growth. The economy stability was marked by growth averaging 7 percentage per annum while the inflation rate dropped from the triple digits of 1980s to an annual average of 5 percent; household poverty reduced from 56 percent in 1992/93 to 19 percent in 2014/2015. In the same aspect, private investments rose from below 9 % of GDP in 1992 to 31 percent in 2014/15. The reform period also saw an impressive improvement of human development indicators such as; education outcomes, primary health care, water and sanitation, as well as housing.

Figure 5: Recent Performance of Uganda's Economy



Source: Uganda Bureau of Statistics, 2015

As reflected in the figure above the period after 2009 to 2014 has been marked with increased volatility, below potential growth, and rising cost of living. Museveni's regime which put the Uganda to have one of the best performing economy of the nations in the East African Community, started lagging behind.

Table B 10 : Key macroeconomic indicators; 1975-1983 (in US$ Million)

	1977	1978	1979	1980	1981	1982	1983
Exports of goods and services	556	338	415	331	274	347	368
Imports of goods and services	487	478	400	450	392	524	543
Foreign Reserves	47	53	23	17	30	78	107
Total Debt Stock	277.6	359.6	501.9	730	768	922	1019
Multilateral Effective Development Assistance	3.2	6.4	4.4	35.6	27.7	67.5	70.4
Inflation rate	102.61	14.55	68.67	51.67	124.76	39.49	41.762
Black Market Premium	688	888	750	850	918	183	183
Gross Domestic Product*	7527	7225	6556	6115	6352	6873	7375
Money Supply *	73.83	93.45	137.2	184.6	352.7	385.3	544.2
Government Expenditure'	47.15	59.53	60.6	79.1	131.6	423	870.8
Government Revenue*	34.35	57.93	26	40	31	277	537
Government Deficits*	12.8	1.6	34.6	39.1	100.6	146	333.8
Exchange Rate (per US$)	0.083	0.077	0.075	0.074	0.501	0.940	1.539

Source: own computations, World Tables, Various Issues; IFS Various Issues; BB, Various Issues. 1980-1983 and Cheng, et al (1998).
Figures quoted in Million Uganda Shillings.

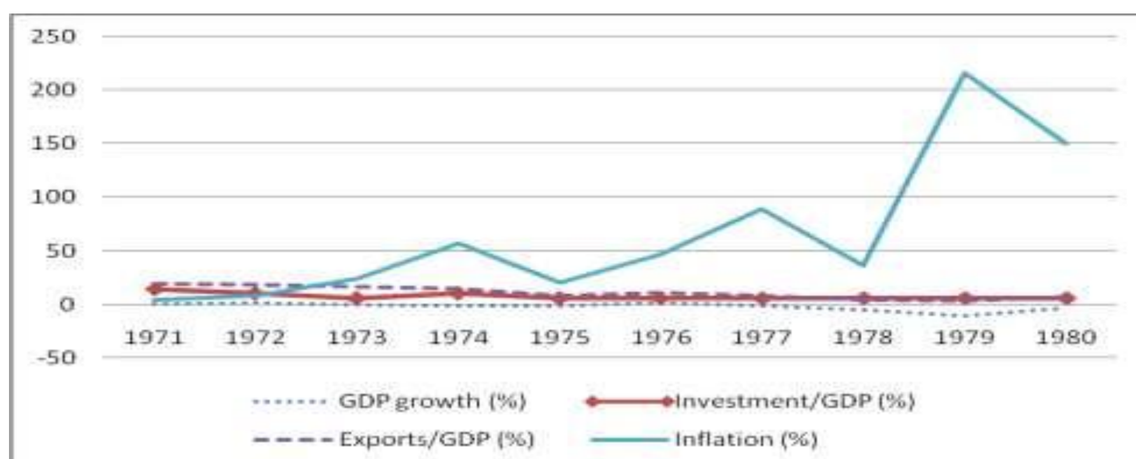
In 1970, Uganda was considered among the African countries with a chance of achieving a GDP growth rate of 7 percent for the rest of the century. If the political leadership had done

that, Uganda would be termed a developed country.

During the later years of the post-independence period, economic policies in Uganda had become dirigiste, or better known as the state controlling economic and social matters. In 1969, for example, in the bid, to enable indigenous Ugandans to have a say in the economic affairs of their country which at the period was dominated by the Asians and British immigrants, and for realization of the real meaning of independence. Milton Obote, the then president opted to take a leftist approach, and his UPC government developed foundation for socialism in their 1970s Common Man's Charter. This led to nationalization of diverse multinational companies while as well implementing inward looking policies based on import-substitution, central planning and licensing. The structural policy amendment pursued by the NRM government was geared towards supporting the Uganda's population.

As reflected in the tables above, the Uganda's economic growth and human wellbeing was affected with the emergence of Idi Amin in 1971. Actually in 1972, Amin declared the economic war and August 4, 1972, under decree 17/1972, he revoked the residence permits of the Asians of Indian, Pakistan and Bangladeshi origin, and gave them ninety days to leave the country with a maximum of 1,000 shillings or 50 pounds(Table A3 above). This highly impacted not only on economy of the country but also on the citizens wellbeing who dependent on the affected population for employment, trade, and other services.

Figure 6: Selected Economic Performance Indicators 1971-80 (indexes: 1960=100)



Source: Background to the Budget (various years, 1971/72 – 1981/82); Budget Speech (various years): World Bank: World Development Data.; World Bank (1982).

The inflation rate in Uganda increased substantially by 250 from 1978 and hitting the higher by 1979 but the inflation started dropping drastically. Ggoobi (2010) links this phenomenon to Idi Amin’s ejecting Asian businessmen and nationalized British firms hence leading to slump in investment and export. Throughout Idi Amin’s’ regime between 1971 to 1979, GDP growth, export rates, and investment were substantially low and with no growing.

Table B11. Central Government Operations, FY 1985–91.

(percent of GDP at market prices)

	1985–86	*1986–87*	*1987–88 to 1990–91*	*1991–92*
Total revenue	6.4	4.6	6.7	6.7
Tax revenue	6.3	3.8	6.1	6.2
o/w coffee	4.3	1.6	0.9	0.1
Total expenditure	10.7	8.8	12.8	20.9
Current expenditure	7.9	5.5	6.9	11.6
o/w wages and salaries	1.2	1.0	1.1	1.7
Capital expenditure	2.7	3.3	5.7	9.0
Overall deficit (cash)	–4.2	–4.2	–6.7	–14.1
Financing				
Budgetary grants	1.1	0.4	2.5	7.0
External	1.0	0.3	4.1	5.1
Domestic	2.1	3.4	0.2	2.0

Sources: Ministry of Finance and Economic Planning, Statistics Department, and the International Monetary Fund

Table B12. Destination of Central Government Expenditure

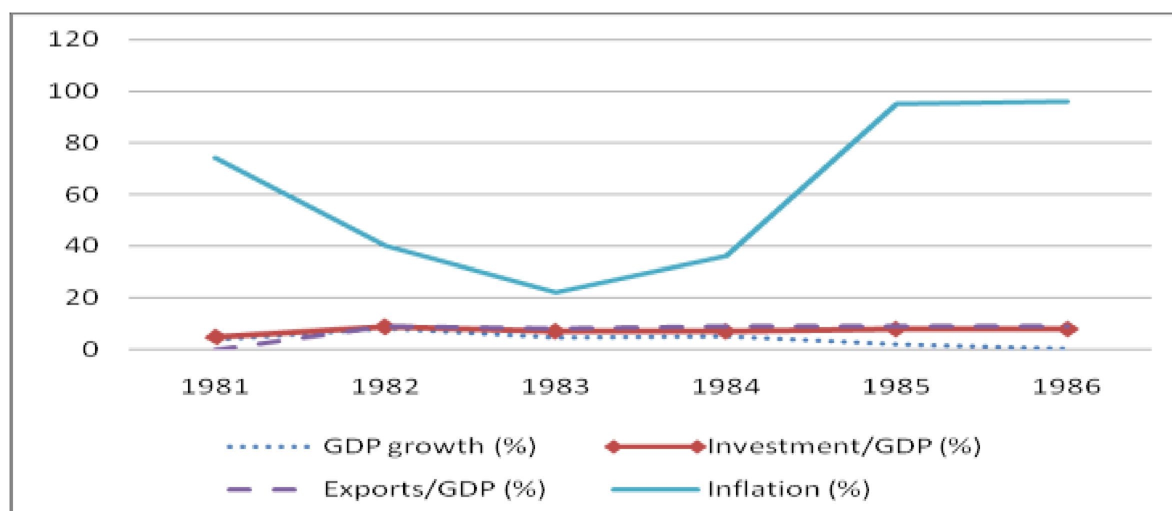
(percent of total expenditures)

	1986–87	*1987–88 to 1990–91*	*1991–92*
Total current expenditure	62.5	54.8	56.4
General public services	11.5	9.4	
Defense and security	26.4	23.7	
Education	7.6	8.1	
Health	1.9	2.4	
Other social services	3.6	1.3	
Economic services	6.9	3.8	
Interest payments	4.5	6.2	15.7
Total capital expenditure	37.5	45.2	43.6
General public services	6.6	18.9	
Defense and security	1.4	2.2	
Education	4.0	2.1	
Health	0.7	1.5	
Other social services	2.1	1.5	
Economic services	22.8	19.1	

Source: International Monetary Fund.

In second government of Milton Obote, attempted implementing a wide-ranging policy reforms to help the economy recovery. The recovery started in the beginning of July 1982 with the aim of raising the real GDP growth, reducing inflation, reviving production, and improving macroeconomic management. Initially the reforms brought some growth, inflation reduced and exports recovered. However, recovery program generally failed as reflected in Figure 3.

Figure7: Selected Economic Performance Indicators 1981-86 (indexes: 1960=100)



Source: Source: Background to the Budget (various years, 1982/83 – 1987/88); Bank of Uganda: Annual Report 1985; IMF, International Financial Statistics; World Bank (1988)

Table B13. Financial Indicators, FY 1986–91.

	1985–86	*1986–87*	*1987–88*	*1988–89*	*1989–90*	*1990–91*	*1991–92*
(annual growth rates)							
Domestic credit	70	141	195	183	16	51	58
Broad money (M2)	150	91	212	125	57	47	–84
(percent)							
M2/GDP	10.2	6.8	6.8	6.7	6.8	7.5	7.6
Claims on private sector	44	50	56	50	51	61	88
Inflation	148	217	168	131	45	25	42
Nominal interest rate			38	43	39	37	32
Real interest rate			–130	–88	–6	12	–10

a. Percent of total domestic credit.

b. Ninety-one-day treasury bill, end-year basis.,

Sources: Bank of Uganda; Statistics Department, Ministry of Finance and Economic Planning.

The 1985/86 budget reflected that the government had failed to live up to its promise of focusing its efforts and resources toward economic recovery. Instead it engaged in fiscal and

monetary indiscipline, printing money to finance the escalating budget deficits. The toppling over of Obote in July 1985, already came when Ugandans were living in agonizing lives similar to, and in some parts of the country worse than, the situation they were living in under Amin.

In May 1987 the NRM government supported by the International Monetary Fund (IMF) and the World Bank, introduced another Economic Recovery Program (ERP) targeting to free Uganda's economy from government failure, raising growth, and reducing inflation among other objectives. In this process, several reforms were implemented, where major of these involved: currency reform measures of 1987, creating the Uganda Revenue Authority (URA) in 1991, setting up of the Uganda Investment Authority (UIA) as well in 1991, the 1992 privatization process of the State-owned enterprises, elimination of trade restriction in export taxes in 1992/93, and the floating of the exchange rates in 1993. Others were; the merger of Ministry of Finance with Ministry of Planning and Economic Development in March 1992 which helped to restore fiscal discipline, as well as the granting of semi-independence to Bank of Uganda to shield it from undue political pressure. This helped to restore monetary discipline thus the reforms brought economic sanity back to Uganda. The subsequent decades saw the economy achieved high and sustained economic growth, averaging at 7 percent per annum; inflation rate fell from the triple digits of 1980s to an annual average of 5 percent; household poverty reduced from 56 percent in 1992/93 to 19 percent in 2014/2015. Private investments rose from below 9 percent of GDP in 1992 to 31 percent in 2014/15 (See Figure 4). The reform period also saw an impressive improvement of human development indicators (education outcomes, primary health care, water and sanitation, and housing.)

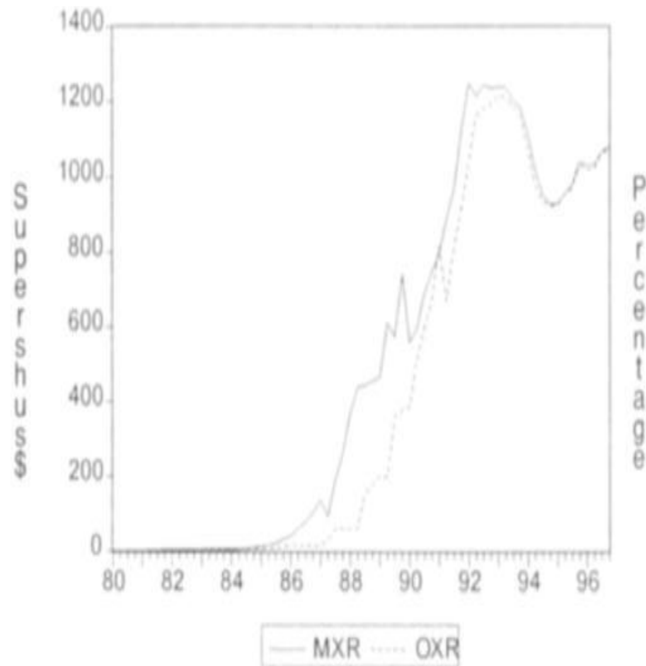
Table B 14: Uganda: Selected monetary indicators (in Ushs Billion) as of June 1992

June1999	1992	1993	1994	1995	1996	1997	1998	1999
Net foreign Assets	-270.7	-205.3	-76.2	60.2	175.7	377	639.2	782.3
Claims on Government	57.1	39.96	-12.5	-95.5	-65.2	-61.4	-128.5	-127.9
Claims on Private Sector	133.21	168.73	213	258.9	335.3	351.7	436.4	566.9
Crop Finance	38.43	48	53.6	64.8	71.5	77.2	73.2	9.9
Net Domestic Credit	190.3	208.69	200.5	163.4	270.5	290.3	307.9	488.3
Money Supply (M2)	212.62	301.82	402.6	504.4	609	705.5	873.1	941.6
Currency in Circulation	84.35	99.85	135.3	169.5	2190.3	220.8	239.5	284.7

Source: Background to the Budget, various Issues, 1992-1999.

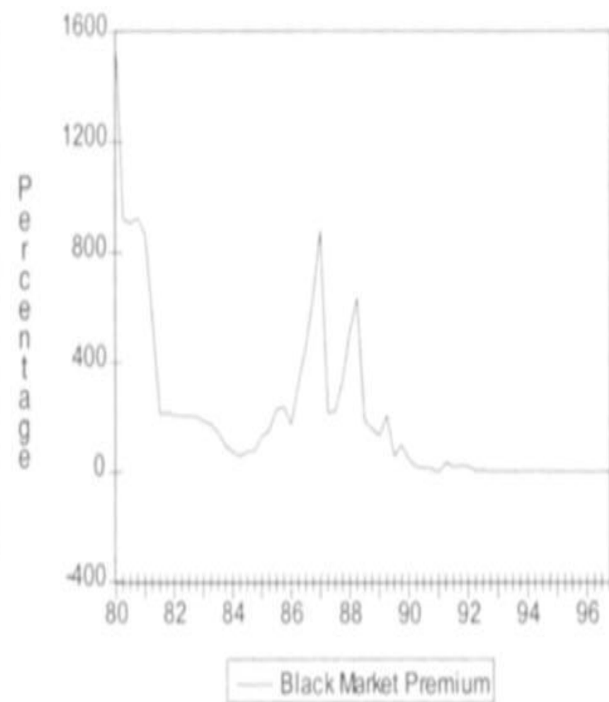
The net foreign assets owned by Uganda government, as from 1995 to 1999, grew to substantial levels of 175.7 US Billion, 377 US Billion, 639.2 US Billion and 782.3 US Billion as from 199,1997,1998, and 1999 respectively. However, Uganda net foreign assets never existed during 1992,1993, and 1994. The existence of foreign assets owned by the government increases the country's liquidity ratio and country's current account. The net domestic credit also has been increasing constantly as from 1992 to 1999 thus increasing the government reserves.

Figure 8. Uganda's Official Vs Parallel Market Exchange Rate; 1980-1996



MXR OXR

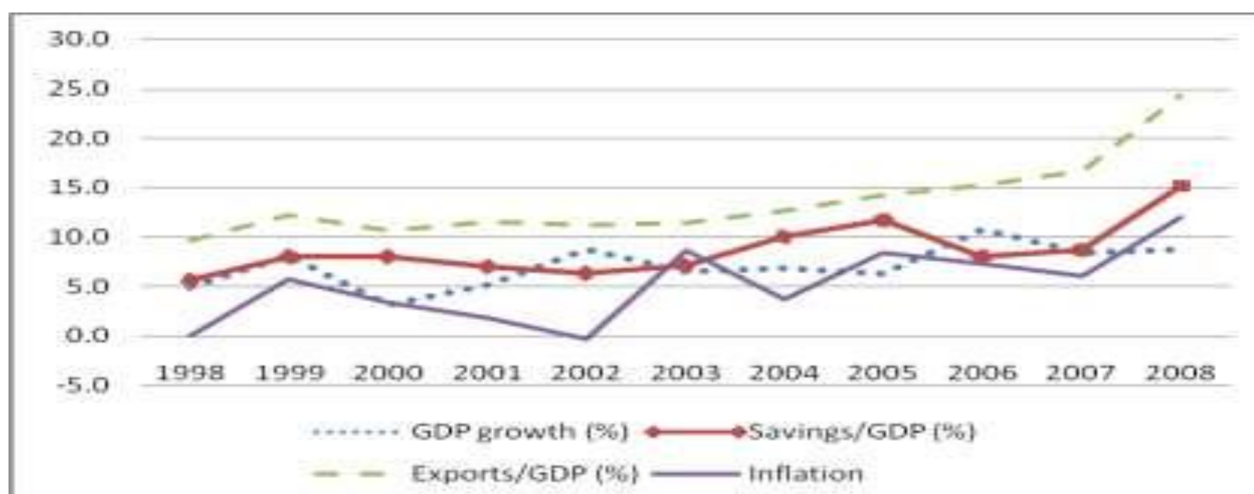
Figure 9. Uganda's Black Mar Premium (BMP) Profile; 1980



Source: Author's Computation using data from Henstridge (1998).

Key: MXR= Parallel market exchange rate; OXR= Official exchange rate. BMP= (MXR-OXR)/C)

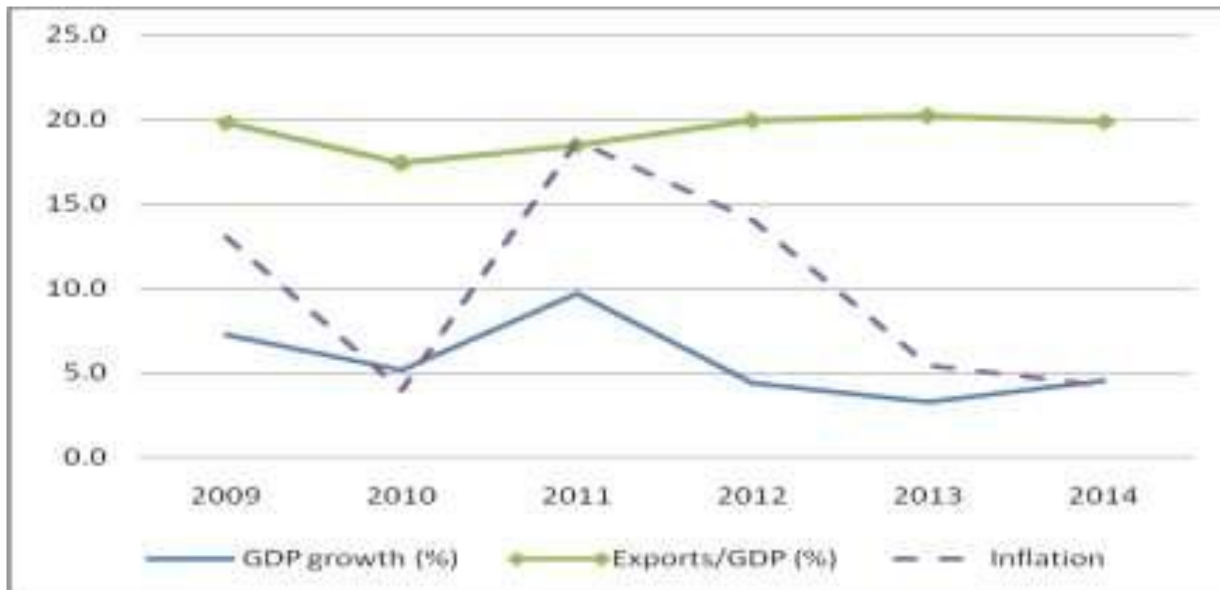
Figure10: From Recovery to Growth (1998-2008



Recent Performance of Uganda's Economy

Generally, the economy has been performing below potential for the last six years (2008-2014). Prior to 2008, the economy of Uganda was growing constantly and in an impressive way. In this context, the GDP and GDP per capita growth rate were very high, reaching an optimum of 10.8 percent and 7.1 percent respectively in 2006. The average growth rate of the economy was 9.3 percent per annum for the period of 2001- 2008. On the other hand, the average annual GDP growth for the period 2009 – 2014 was 5.7 percent; against the target growth rate of 7 percent per year. The average annual export/GDP ratio, in the same period, has been 19.3 percent (against the potential rate of 25 percent). The average inflation rate has risen to 9.9 percent in the last six years; against the national target inflation rate of 5 percent as reflected in the Figure below.

Figure 11: Performance of Uganda's Economy

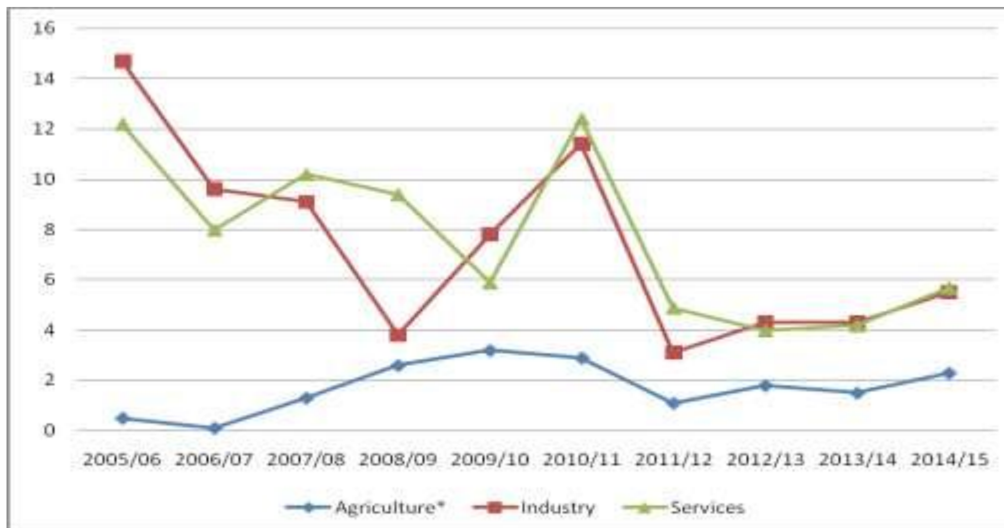


Source: Uganda Bureau of Statistics, 2015

Some of the factors which surrounds the economy shift in Uganda as from 2009 to 2014 to dismal performance includes; the international financial crisis and slowdown of economy specifically in the Euro and U.S zone (Ggoobo, 2016), an aspect which led to reduced demand for Uganda's export hence reduced the capital flow; drought in specific region in Uganda hence reducing food supply and leading to high food inflation; volatility in exchange rate in attempt to strengthening the American dollar, and aspect like power shortage. All these factors as well impacted on the citizen's wellbeing in the society, an aspect seen in 2011 -2012 period. There is also the element of increased political risk as reflected in 2006 elections which created uncertainty in the political environment as the regime operates in political violence contexts that leads on protest. Secondly, there has been a higher expenditure on administrations and politics reflecting re-emergence of fiscal indiscipline evident in the previous regimes. This level is sealed by increasing level of corruption within Museveni's regime especially on public funds.

Economic Challenges in Uganda

Figure 11: Sectoral performance of Uganda's economy (2005/06 – 2014/15)



Source: Uganda Bureau of Statistics

The above diagram explains why there is consistent household poverty amongst the Ugandan citizens and the reasons why approximately 76 percent of the population cannot take advantage other growth of economy towards sustaining economic stability. This partly because most of the citizens are employed within an economy which is sluggish or stagnant. Therefore, despite the economy being stable through consistent growth, with GDP increasing to $27 billion or as well Kshs 90 trillion, the household citizen's income has remained constant

Chapter Summary

The various Uganda regimes has not been stable for a while, hence their short lived leadership has led to some of the economic policies being rolled out affected by the successors who may have a different approach of leadership. This can be reflected through Milton Obote, Idi Amin, and finally the long lived Museveni's regime. Museveni's regime was in a position of implementing macroeconomic and adjustment policies which led to enhancing stability of the country's economy. This led to stability of infrastructural sector. agricultural sector, financial

sector, and other important sectors. As a result, flow of income and increase in foreign reserve was boosted by support from multilateral and other private actors and partners.

CHAPTER FIVE:

5.0 RECOMMENDATIONS AND CONCLUSION

5.1 RECOMMENDATIONS

1. The right economic policy should not be left at the hand of politicians who may engage in personal aligned strategies when a new government comes into power. There should be an independent institutional body to assist in stabilizing a country's economic factors.
2. There should be proper management of institutions to equip them with proper managerial skills required to identify and implement effective policy during economic turmoil and during economic boost. This will ensure that the necessary shocks are put in place to prevent the economic stability from being affected by new leadership in a country.
3. There is no unique regime in the African continent; however, the specific context will determine the right regime that may assist the independent institutions to ensure consistency in economic stability.
4. For Uganda to transform her economy and industrialize towards ensuring citizens wellbeing, it will require a strong, well-functioning agricultural sector. The country will have to find, first, ways of increasing the productivity of the peasant smallholder farmer.
5. Governance systems should be entrenched in the constitution that separates or limits political leadership influence on the public institutions and private sectors negatively and directly. This should be ensured through devolving power legally to the lowest level of governance in the country thus providing responsibility to protect local institutions development while opening income generating platforms.
6. A state which has faced coupes requires a nationalist leader who leads the country with

the national interest and patronage at workplace.

7. Though the structural adjustment program helped to rebuild Uganda's economy, the program limited the local capabilities in agricultural growth and in employment as the government reduced its expenditure. This drove more Ugandans into dire poverty instead of alleviating them form the condition, therefore, the state need to come up with its own model to solve its internal problems in the country with an aim of injecting grown and increasing citizens wellbeing.
8. The privatization of public enterprises and liberalization of market should have been implemented in phases in order to give room for local firms to gain strength and prepare for tough competition. This enables the government to come up with mechanism that nurture the young local firms from collapsing due to tough competition from more developed and stable foreign firms.

5.2 Conclusion

Economic stability should guarantee national security and political stability in a regime, this was reflected in the Uganda's economy which underwent major reforms in the three decades of Museveni's rule. Uganda's economy grew up to seven fold since 1986 when he got into leadership. However, despite the growth, the citizens of the country have remained jobless as the growth and stability fails to assist in raising household incomes of majority Ugandans in the country.

Yet with this great potential, Uganda has been unable to fully harness the gifts of nature to transform her economy into a modern society. The country is yet to develop the agricultural sector in order to complete the agricultural revolution and embark on industrialization. A large number of Ugandans (about 68%) are still in subsistence farming, growing a few crops and keeping a few animals and birds for their own survival.

It is important to note from the start that for Uganda to transform her economy and industrialize, it will require a strong, well-functioning agricultural sector. The country will have to find, first, ways of increasing the productivity of the peasant smallholder farmer. However, the direction Uganda's economy has since 1986 has consistently built the economy of the country that impacted positively on citizen's wellbeing. These measures led to the emergence of economic distortions such as price control, smuggling, and excessive printing of money to finance fiscal deficits. Foreign exchange markets were also controlled. These distortions resulted into the inevitable collapse of formal private sector, and with it the economy.

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