Overseas Development Institute

Aiding Economic Growth in Africa

The Political Economy of Roads Reform in Uganda

David Booth and Frederick Golooba-Mutebi

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Results of ODI research presented in preliminary form for discussion and critical comment

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The Political Economy of Roads Reform in Uganda

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The views expressed in this paper are those of the authors. They do not necessarily reflect the views of either the Overseas Development Institute or the UK Department for International Development.

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Acronyms

CHOGM	Commonwealth Heads of Government Meeting
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
DUCAR	District, Urban and Community Access Roads
EC	European Commission
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
IADB	Inter-American Development Bank
IMF	International Monetary Fund
KACITA	Kampala City Traders' Association
MFPED	Ministry of Finance, Planning and Economic Development
NAADS	National Agricultural Advisory Services
NRM	National Resistance Movement
NSSF	National Social Security Fund
ODI	Overseas Development Institute
PPDA	Public Procurement and Disposal of Public Assets Authority
PEAP	Poverty Eradication Action Plan
PMA	Plan for the Modernisation of Agriculture
RAFU	Roads Agency Formation Unit
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TANROADS	Tanzania National Roads Agency
UACE	Uganda Association of Consulting Engineers
UIPE	Uganda Institution of Professional Engineers
UNABCEC	Uganda National Association of Building and Civil Engineering Contractors
UNRA	Uganda National Roads Authority

Preface

This paper is the result of a study commissioned jointly by DFID Uganda and the Politics and the State team in DFID's Policy and Research Division in London. The study provides an input to DFID programming for the roads sector in Uganda. It is, at the same time, a contribution to ongoing efforts exploring the usefulness of political economy analysis for informing support to economic growth in DFID partner countries. The analysis builds on previous work by an ODI team on ways of bringing together Drivers of Change perspectives and assessment of growth policy options (Booth and te Velde, 2008). It also connects with some of the thinking that has taken place during 2008-2009 around 1) the preparation of a DFID *How To Note on Political Economy Analysis* and 2) the design of an ongoing ODI/Policy Practice/DFID training course on 'Political Economy in Action'.

At the heart of these wider considerations is the question of how political economy analysis can be useful 'in action' – that is, made to connect effectively with operational choices within a development organisation. In this context, the Uganda roads analysis offered here may be considered an example of what is now being termed 'problem-focused political economy'. It was commissioned with a view to informing a difficult operational policy choice ('problem'): whether and how DFID should support a particular sectoral change process, a process with obvious potential but surrounded by several unanswered questions concerning political interests and institutional variables.

It is for others to judge whether or not the analysis and its conclusions have proven operationally useful. However, the authors think that responding to an explicit operational 'problem' helped to stimulate their thought processes in helpful ways. In particular, it provided scope for adopting and applying a wider range of political economy tools or styles than has been customary in Drivers of Change exercises. It enabled us to adopt what we have called a 'layered' political economy approach. We believe that this approach has helped us to provide operationally relevant guidance to our sponsor, and, furthermore, that it would be quite widely applicable to problem-focused exercises on other topics.

We deliberately kept the main text of our report relatively free of generic conceptual and methodological questions. However, some readers of this Working Paper version may be principally interested in our approach. It therefore seems wise to preface the paper with some words of explanation about the meaning and significance of a 'layered' analysis.

The principal innovation concerns the range of political economy analysis tools deployed. We have drawn (albeit in a highly simplified way) on a range of analytical perspectives that is narrow in relation to the full sweep of the academic literature, but wide compared with the typical Drivers of Change analysis (including those with which the writers have been associated). The 'layered' quality of the analysis has enhanced its operational relevance. One of the things the layering has permitted is a reasonably comprehensive coverage of the possible opportunities for supporting worthwhile changes as well as the constraints likely to prevent or frustrate such efforts.

A layered political economy analysis means giving due attention to at least all three of the following types of analytical procedure applicable to a process of reform:

- **Identification of systemic constraints** arising from the **institutional context** in which the reforms are taking place (Type 1).
- Analysis of **the pattern of stakeholder interests, including** not only who the stakeholders are and the likely direction and extent of their influence, but also **their decision logics** and the factors influencing their choices over time (Type 2).
- Assessment of the **room for manoeuvre** or scope for different outcomes created by **dynamic aspects of the change process** (Type 3).

Although the terminology and labelling vary, these levels or layers each correspond to a recognised bundle of approaches in the scholarly fields where political economy analysis is used. The approaches are often used separately, both in both academic research and in analysis carried out to serve the operational needs of development organisations (e.g. the World Bank's various operational and research divisions). Here they are purposely combined.

Type 1 is the main ingredient of country political economy of the sort that informs most Drivers of Change work for DFID and Power and Change Analysis within the Dutch SGACA. It tends to emphasise the constraints upon the changes supported by donor agencies arising from countries' historical legacies, structural locations and, particularly, institutions of governance ('rules of the political game'). Such an analysis provides the essential political backdrop for any 'problem-focused' or change-oriented study. But, because it is mainly concerned to generate a more realistic picture of overall change prospects and does not target the scope for change analytically, it tends to produce limited types of operational implication.

Type 2 political economy analysis is potentially more capable of generating insights into change possibilities, although the starting point is usually explaining persistence, not change. This type encompasses both the usual applied 'stakeholder analysis', with its relatively simple focus on the interests and influence of the main actors, and the range of public choice and game theoretic styles of analysis that make up the bulk of the more recent academic political economy literature. Unpublished World Bank political economy work has made some use of this type of perspective for various purposes over the past 20 years.

Type 3 provides a sophisticated conceptual approach focused on the room for manoeuvre in change processes, as pioneered by Merilee Grindle's work on social sector reforms in Latin America (2002). It begins from the observation that, to a greater or lesser extent, to be established empirically, both Type 1 institutional analysis and Type 2 decision logic analysis tend to predict less change and more continuity than we actually observe during major periods of reform. Therefore, we need to devote deliberate attention to the otherwise unexplained scope for change 'against the odds' and to the factors that operate within that space.

In advance of doing any analysis of a particular change process, we can be fairly sure that the Type 1 factors are likely to suggest that there are important limits to the possible changes, and the same may also be true of much of the Type 2 analysis. On the other hand, Type 3 and perhaps to some degree Type 2 will point to some room for manoeuvre, which will be of particular interest for programming purposes. However, the degree to which the constraints are binding, and thus the actual extent and location of the opportunities, are *not* things that are known in advance. Thus, applying a layered approach involves in-depth investigation of the particular reform process or policy problem that is being considered.

There seem to be good grounds for believing that a layered political economy analysis is what is needed in any 'problem-focused' political economy assignment. Equally, giving donor political economy exercises a more definite problem focus seems a good way of exploiting the full potential of this type of work to improve development practice. The combination of a problem focus and a layering of the analysis seems a promising way of moving beyond the perception that political economy analysis 'only tells practitioners what they *cannot* do'.

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Executive summary

The national roads system in Uganda is experiencing a period of exceptional activity and promise following a large increase in public spending in the sector and institutional reforms designed to enhance substantially the efficiency of this investment. This report undertakes a political economy study of the changes in the sector as a contribution to thinking about the most suitable form and content of donor support to the reform process.

The study builds on previous work showing that an increase in both the volume and the efficiency of investment in national roads in Uganda would contribute substantially to raising the pace and improving the structure of economic growth in Uganda and in the East African sub-region. It can therefore be seen as an exercise in the political economy of growth policy options.

The report uses a 'layered political economy approach', the generic features of which are described in the Preface. Sections 1 and 2 then describe some major features of the political context of policymaking in Uganda, the sector background and the major stakeholders in the process of reform. They then set out three possible scenarios. These are:

- That the 2008 policy changes regarding national roads signify a substantial shift in presidential priorities and policymaking style, such that there is considerable scope for donors to have an impact by plugging financing gaps and providing conventional technical assistance (TA) on a large scale.
- That, although the above is not the case, the institutional changes of the past year have nonetheless altered the incentives or decision logics within the sector in important ways, and henceforth the balance of forces will be more favourable to those wishing to see real change in ways of working. This would be another scenario favourable to a conventional donor response.
- That the changes involve neither a transformation of the systemic political environment, nor a definitely transformed set of incentives for sector actors, but there is nonetheless some 'room for manoeuvre' arising from the dynamics of the reform process.

In the last scenario, there is scope for donor-supported action to tip evenly balanced equilibria in a pro-reform direction and contribute to pro-growth and pro-poor outcomes 'against the odds'. However, this calls for a particular sort of donor programming, which permits the solution of a large number of small institutional and collective action problems in a very dynamic setting.

The report argues that the third scenario is in fact the one that corresponds most closely to the current situation in Uganda. This argument is grounded in previous political economy studies in Uganda by the authors and others, and it draws heavily on two and a half weeks of interviews and discussions with participants in and close observers of the roads reform process.

The first possible scenario is rejected on the grounds that the evidence of a sea change in President Museveni's approach to the roads sector is unconvincing. Even if he has new reasons to take road building and maintenance more seriously, and this was an important factor in the initiatives of 2008, his own system of rule will tend to prevent this leading to any dramatic change in the political factors affecting what happens in the roads sector. While the funding of maintenance through the new Road Fund seems secure, it would be unwise to assume that either the Uganda National Roads Authority (UNRA) or the Ministry of Works and Transport will be immune in the future to the pressures to provide political rents that damaged the performance of the sector in the past.

The second scenario is one in which the decision logics of several key actors move in a pro-reform direction. This seems unlikely because the demand for service delivery outcomes remains weak compared with the appetite for patronage, which is the key to the cost benefit calculations made by the President and his supporters. There are doubts about how far the creation of UNRA has ushered in an organisation of a new type, characterised by more performance-oriented incentives. Meanwhile, the suppliers of construction and consulting engineer services in the private sector, who are victims of the system in some important senses, face prohibitive collective action problems as advocates of reform. Including donor money and influence in this discussion does not open up markedly more hopeful prospects, as donors suffer from well understood political economic impediments of their own.

That leaves the possibility of an agenda of exploiting the limited but not insignificant room for manoeuvre created by the reform as a process. We are concerned with dynamics in which different actors define and redefine their interests partly in response to what others have decided to do. Typically, change processes of this type present opportunities in which an intelligent and respected third party can broker meetings and agreements, and help the main players to overcome what would otherwise be situations of stalemate or logjam. In the particular case of Uganda roads, there seems scope for third party action of this general type in at least the following fields:

- Communication about performance;
- Brokering otherwise missing dialogue among key players;
- Facilitation of countervailing networks of influence;
- Lowering barriers to collective action by private actors;
- Facilitating appropriate forms of 'infant industry' support to local firms;
- Mobilising influence to enable otherwise blocked organisational transformations.

The central proposition advanced in the report is that donor support to the sector, particularly but not exclusively the UK Department for International Development (DFID) component, should be conceived primarily in terms of this type of third party facilitation of change in a dynamic, multi-stakeholder environment. This is where the most important gap is to be found.

Such an approach would not be unprecedented. It has been deployed effectively in the series of DFID-funded programmes originally titled Making Markets Work for the Poor. Additionally, in Latin America and elsewhere, the types of outreach and engagement activities that DFID's relatively flexible grant funding permits has been the basis of mutually satisfying partnerships with World Bank task managers among others. This is another relevant precedent.

The report does not get into details about possible programme designs. However, it follows from the conclusions of the political economy analysis that there will be a strong case for adopting a process, not blueprint, design. The relevant opportunities cannot be mapped out in detail in advance, and there will be considerable scope for learning from experience about what kinds of facilitation work best. Similarly, the investment in staff with the relevant networking and facilitation skills should be viewed as the most powerful component of any package of support, not the funding, the hardware or the conventional TA. Staffing decisions will be crucial, and in this instance we would recommend a careful pairing of local and international personnel.

1. Introduction

1.1 The challenge of economic growth in Uganda

Economic growth rates in Uganda have been high and reasonably sustained for over two decades. Impressive overall rates of poverty reduction have also been achieved. However, these attainments are increasingly threatened in several ways. Setting aside the expected impacts of the current international recession, prospects for maintaining gross domestic product (GDP) growth at between 4 and 6% – what has become in recent years the regional average for sub-Saharan Africa – remain good. But with population growth still running at over 3%, there are doubts about whether this pace of growth will provide sufficient employment opportunities and enable further inroads into absolute poverty levels. In addition, the pattern of recent growth has been less favourable to poverty reduction than the pattern of the 1990s. Inequality seems to be rising, meaning that there is an urgent need for growth to become faster and more broadly based (te Velde, 2008a).

There is potential for this to happen. Uganda's small domestic market and landlocked position imply serious disadvantages, even with respect to its larger partners in the East African Community, Kenya and Tanzania. However, the country benefits from a favourable climate and some valuable natural resources, and is well placed to take advantage of expanding markets in the Democratic Republic of Congo (DRC) and Southern Sudan. The obstacles to capitalising on these advantages are of several kinds. However, there is some expert consensus that the immediately binding constraint on increasing and sustaining growth in Uganda is prolonged underinvestment in power and transport infrastructure. In the field of transport, railways and trunk roads are in particular need of attention (te Velde, 2008a).

This was the conclusion of the growth diagnostic exercise included in the last World Bank Country Economic Memorandum for Uganda (2007a). Similar conclusions have been reached in work undertaken for the International Monetary Fund (IMF) (Selassie, 2008). Since 2007, Government of Uganda policy statements have given prominence to addressing infrastructure constraints on growth and employment generation. On the power side, particular stress is placed on the need to increase electric power generation and improve transmission to bring an end to frequent outages. On the transport side, the declared aim is to correct years of underinvestment in the railways and in road maintenance and rehabilitation, especially on the main international routes and around Kampala.

1.2 Investing in roads

The problem with national roads in Uganda is a combination of under-spending and the very low efficiency of the spending that has taken place. In recent years, unit costs for both upgrading and maintenance of paved roads have been higher in Uganda than in any of the neighbouring countries, and nearly twice as high as in Zambia, which shares Uganda's landlocked status. The low efficiency of spending is attributed to a combination of low volume, poor coordination and management and other institutional problems. A combined assault on these problems might reasonably be expected to cut unit costs approximately in half, to roughly the Zambian level (te Velde, 2008a).

A study carried out for the UK Department for International Development (DFID) in 2008 (te Velde, 2008b) investigated the impact on Uganda's economic growth of two possible scenarios: 1) an additional $100m of roads expenditure annually, with no improvements in efficiency; and 2) the same increase combined with a halving of unit costs. The study estimated the addition to annual growth as 0.5% in the first scenario and 1.0% in the second. Further additions to the annual growth rate could be expected if the railway and especially power investments were also to take place. These numbers are only approximate but they are derived by a number of different methods of estimation. The orders of magnitude suggest that roads are a central growth issue in Uganda. Hence, an analysis of the political economy of reform in the roads sector is also addressing the political economy of improving the quantity and quality (including the poverty reduction potential) of growth.

This conclusion is based purely on an estimation of the directly economic effects of a better road network in Uganda. The research carried out for this study suggested a number of additional benefits which could be very significant in their own right and feed back into enhancing the enabling conditions for sustained growth. In addition to raising real incomes and improving export competitiveness by reducing transport costs, an improved road network would enhance the country's ability to respond promptly to large-scale natural disasters and avoid unnecessary deaths arising from daily medical emergencies. Under the right conditions, it could reduce crime and accidents on the roads. It would increase the relative attractiveness of the country as a tourism hub and as a provider of educational and health services to the elites of neighbouring countries, especially Sudan and DRC. Less obviously, it might relieve the budget of the heavy cost of maintaining a large standing army close to the DRC border, which is currently required because of the poor condition and unreliability of the major transport routes.

1.3 The reforms in the roads sector

After decades of neglect, the national road network of Uganda has entered a period of substantial promise. Following the launch in July 2008 of a long anticipated reform of the institutional framework governing road building and maintenance, the roads sector now faces a significant set of new opportunities. If these opportunities are exploited fully, they will open up the possibility of restoring Uganda's road network to the position it occupied in the 1960s as one of the best in sub-Saharan Africa. For the reasons given, this would have a major impact on the prospects for sustained, high-quality economic growth not only in Uganda but also throughout the hinterland of east Africa.

The roads sector reform includes:

- Creation of a semi-autonomous Uganda National Roads Authority (UNRA), with responsibility for planning and procuring the services of private firms for the building and maintenance of national roads;
- Inauguration of a Road Fund, providing for the direct transfer of fuel levies and other road user taxes directly to UNRA and district councils for road maintenance purposes; and
- A downsizing and functional transformation of the Ministry of Works and Transport.

The institutional reforms have coincided with a substantial increase in national budget allocations to road construction and maintenance in the 2008/09 budget year. There is an expectation that budget allocations will remain at this high level (1.1 trillion Uganda shillings) for a number of years, assisted in due course by the enhanced national revenues expected from the oil discoveries in the west of the country.

An upsurge in donor interest in providing support to Uganda roads has been the natural consequence of these developments. A substantial programme of support to the sector by DFID aims to complement the programmes already under design at the World Bank and the European Commission (EC). The latter programmes are focused respectively on the public sector transformations and the private sector strengthening that are required if the reforms are to succeed.

Both the reforms and these programmes focus on the national road network, not on the district, urban and community access roads (DUCAR) which make up the rest of the network. This is not hard to justify. District and community access roads have been often taken as the pro-poor investment *par excellence*, and it would be hard to deny their importance. However, the tendency for Ugandan economic growth to become more focused on urban construction and services, and less on agriculture and agriculture-related industries, is strongly related to the high transport and power costs associated with the needed investments. Thus, investing in national roads may be expected to help in shifting the pattern of growth in a pro-poor direction. This argument is reinforced by the observation that a major reclassification exercise was undertaken between July 2008 and July 2009. This has brought 10,000km of DUCAR, including considerable stretches of rural murram (gravel) as well as major routes in Kampala, into the national network. This has roughly doubled the scale of the network.

1.4 Scope and methods of this study

This political economy study has been undertaken as an input to the design of the DFID, EC and World Bank support. The purpose of the exercise is to ensure that the design takes fully into account the political economy factors that have shaped and will continue to influence, possibly derail and more likely blunt the effectiveness of the reforms.

The importance of including some political economy analysis in the design can hardly be exaggerated. In ways that will be reviewed, the Uganda roads sector has been characterised by a particularly dense and enduring set of institutional obstacles to efficient and sustained public investment. These obstacles have been associated with the structure of administrative and political interests vested in the formal set-up of the sector prior to the launch of UNRA, which the new arrangements are designed to overcome. However, an important aspect of those arrangements was the way they were embedded in the national political economy of Uganda and thus linked to incentives and pressures that remain in place despite the reform. There are therefore some real uncertainties about whether the hoped-for changes in the behaviours and outcomes within the sector will in fact be both significant and sustained. Robust information and carefully weighed judgments are required in order to settle the numerous questions arising.

The analysis set out in this report draws on a complementary set of documentary information, previous information-gathering activities in Uganda and two and a half weeks of interviews and conversations with a carefully selected set of observers of and participants in the change process of Uganda's roads. The writers have aimed to build upon their own and others' previous analysis of the political economy of Uganda and of the prospects for change in the country's transport and power infrastructure in particular. We have made full use of the extensive technical documentation produced for previous and forthcoming World Bank and EC projects and programmes in the sector, and associated consultancy reports. As important background, we have also consulted Bank reviews and evaluations of international and especially African regional experience in the creation of executive agencies and ring-fenced Road Funds (Andreski et al., 2006; World Bank, 2007b).

In the report, we do not attempt to synthesise this material and try to avoid repetition of basic information, on the assumption that the readers are aware of it. We concentrate instead on the insights and conclusions that can be added to the picture on the basis of the interview-based material and a political economy perspective, with particular attention to the questions set out in our terms of reference.

The report undertakes a 'layered' political economy analysis of the state of play in the Uganda roads sector.[1] It investigates three possible interpretations of the situation created in 2008 by the large increase in the sector budget and the inauguration of UNRA and the Road Fund. It argues that which of these interpretations is applicable, and to what extent, is the main political economy question that should influence the design of any programme of support to the sector, affecting both expectations about achieving the intended results and the type and mode of delivery of the support.

[1] For a more general account of what this involves, see the Preface to this paper. Annex 2 explains some of the wider lessons that may be drawn from this exercise about useful ways of investigating economic growth policy options in a political economy perspective.

2. The roads reform: Context, actors and opportunities

2.1 Political context

Many of the most frequently asked questions about the current roads reform relate to the nature of the political system that has been created in Uganda by the combination of President Museveni's leadership and constitutional multiparty democracy. Others relate to the priorities and preferences of the President himself, although these too often boil down to questions about his system of rule, which limits what he can achieve and remains important in spite of his considerable personal dominance. We wrote in 2008 about these general issues, so we deal with them very briefly here and refer the reader to our previous treatment, reproduced as Annex 1.

It is well established that Museveni's system of rule is an extreme case of the neopatrimonial big man syndrome. It depends on the generation and distribution of substantial patronage resources – what economists call 'rents'. While, of course, this is not the only type of concern that underlies policymaking, it exercises a major influence on presidential policy decisions and determines the priorities and instruments used. For this reason, policies are preferred – others things being equal – if they help to generate resources and otherwise create opportunities for patronage. Public sector appointments are used as an instrument of patronage, notably for the purpose of rewarding individuals and the regions or ethnic fractions that they represent, for their continued loyalty to the regime. They are also used to amplify the rents available for distribution, by placing loyal supporters in positions where resources can be generated by various forms of corruption.[2]

As discussed in Annex 1, the President occasionally decides to exempt a particular public sector organisation from considerations of short-term political expediency. One important example of such an organisation is Uganda's Ministry of Finance, Planning and Economic Development (MFPED). Under Emmanuel Tumusiime-Mutebile, the Permanent Secretary who presided over the creation of this combined super-ministry in the mid-1990s, and a succession of other powerful and well-connected senior civil servants, the MFPED has provided a significant island of legal bureaucratic public administration – one that has been and remains highly relevant to what does and does not happen in the roads sector.

There are such exceptions. However, the norm is that ministers and other top officials are assigned posts to reward loyalty and also on the understanding that further loyalty will be expected, including helping out the ruling party financially, particularly at election times. According to a well-understood norm, those accepting posts in notoriously 'wet' areas of government (i.e. those offering significant opportunities for illicit rents) know that it is up to them to devise a system for generating incomes that can be mobilised for these purposes. Typically, they are given some assistance, in the form of an additional ministerial budget at times when important political campaigns need to be mounted.

A disadvantage of this analysis if allowed to stand on its own is that it gives the impression of a policy system that is highly controlled, where outcomes are largely determined by presidential decision. That would be a false impression. Although the President exercises very much more power than any other actor in the system, he sometimes has conflicting objectives. His power is not unconditional but regularly negotiated and renegotiated. It depends on his skill in brokering deals and understandings among the different elements in his power base, including the army and regional political 'barons'.

[2] As argued by Mwenda (2006), corruption under Museveni is primarily a system for maintaining loyalty to a particular political regime. Although individuals can and do enrich themselves in the process, as is almost inevitable, this is not the main driver. This does not stop its being damaging from the point of view of the conditions for economic growth and social progress. Indeed, it is arguable that this type of system is worse for growth, as the stolen resources tend to finance consumption, not investment (ibid). Van de Walle (2005) explains the variant forms patronage and 'prebendalism' and their effects. Chabal (2009) illuminates the socio-cultural underpinnings of neopatrimonial rule in countries of the Ugandan type.

These deals often involve making concessions – notably leaving prominent individuals in post long after they have become an embarrassment (e.g. on account of corruption scandals such as those around the Global Fund and the Global Alliance for Vaccines and Immunisation [GAVI]).

An additional source of unintended outcomes is President Museveni's 'management style', which interacts in perverse ways with incentive patterns in the state bureaucracy. Whereas in the civil service incentives work against speedy and proactive decision making, the President believes in decisiveness and tends to overcompensate. Decisions often appear to be taken in a rushed and *ad hoc* fashion, and the follow-up is inconsistent, tending to alternate between micromanagement and carelessness.

All of this is relevant to the roads sector. The 'systemic' factors described first are very significant in the background to the reform and thus to its prospects of success. On the other hand, we need to be constantly wary of over-explaining particular events and outcomes in systemic terms. In the public mind, certain high-profile occurrences in the roads sector, such as the spectacular limitations of the emergency works in preparation for the Kampala Commonwealth Heads of Government Meeting (CHOGM), are taken as emblematic of political corruption in Uganda. However, several aspects of this episode reflect incompetent policymaking and policy implementation as much as organised corruption.[3]

2.2 Background to the roads reform

2.2.1 The system

All of the evidence indicates that, under the pre-2008 arrangements, the roads divisions of the Ministry of Works operated as a well-oiled machine for generating corrupt earnings from kickbacks. The arrangements in place appear to have permitted the personal enrichment of the Minister, Engineer Nasasira, and of a good many of his senior civil servants, as evidenced by the otherwise inexplicable wealth of named individuals.[4] They also, and more significantly, seem to have provided reliable means of accumulating funds to be made available to State House or other top government offices for political uses (patronage, campaigns and other 'political work'). In this sense, they constituted a 'system', held together by mutual interest. The Minister and his staff were protected from unwelcome enquiries into corruption or inefficiency thanks to the Ministry's place in the political funding system. Meanwhile, the likelihood of serious challenges to that system was reduced by the substantial personal stake that individuals acquired in its operations.

It is not known whether the arrangements were systemic in the additional sense that illegitimate earnings from procurement decisions, signifying certificates of completion and the like were regulated by well-understood rules, governing such matters as the shares able to be kept by individuals at different levels and the shares required to be passed up the chain of command. It is possible that practices were relatively haphazard. However, it is likely that they were governed by the principle that appointees owe a debt of loyalty to their appointing authorities, and that this calls for material recognition, including a willingness to help out the ruling party when it is in need of funds. Mr Nasasira is generally thought to be both an exceptionally loyal member of the President's inner circle and a significant power broker for his home region.

What is clear is that the 'system' was one of the factors behind the very poor performance of Uganda's roads sector, including both its public and its private sector components until recently. In the case of the private sector road constructors and consulting engineers, the system was not the only and

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[3] Thus, it is clear, from the Auditor General's annual report, that technical corners were cut, and procedural irregularities were committed, on the rehabilitation of the Kampala–Entebbe road. Various factors may have contributed to this. However, it seem clear that the most important were that planning and funding decisions were taken late, and work had to be completed unusually fast and under extraordinary political pressure.

[4] Mr Nasasira is said to own apartment blocks in an expensive area of Cape Town. In early 2009, various news media carried the story that, according to published Uganda stock exchange data, the then Engineer in Chief of the Ministry of Works and Transport, Sam Bagonza, owned some 290 million Uganda shillings ($160,000) in Stanbic Bank shares.

probably not the main factor limiting their efficiency. The low level of funding to the sector and the lack of a continuous flow of road building and maintenance work, which continued for many years, is sufficient on its own to explain some of the main weaknesses of the sector: the small number of players, their high unit costs and their poor record of project completion. Until July 2008, the unreliability of the flow of contracts prevented many firms from retaining permanent staff and acquiring machinery on credit, and thus from growing their businesses. This factor alone kept other international firms and potential local firms out of the sector. On the other hand, the inadequacy of the funding flows was in some respects a product 'system', and the system reinforced its effects on firms in various ways.

Thus, the insufficiency of funding was partly the product of the difficulty of justifying additional allocations to a notoriously 'wet' and inefficient sector within the relatively output-oriented budget preparation process supervised by the MFPED. It was also, in part, the result of what appears to have been a deliberate policy on the part of the Ministry of Works of making full use of Government of Uganda funds but not using more than a fraction of the construction funds made available by donors. This pattern of systematic under-spending of donor resources was the subject of a campaign over several weeks in the *Daily Monitor* newspaper. The Ministry's response explained it in terms of donors' unduly 'complex procedures' and corresponding capacity constraints on the government side. While this no doubt captures an aspect of the matter, another aspect is surely the relative difficulty of skimming resources from donor-funded projects.

The effects of underfunding on the private sector's cost structure and efficiency were also worsened in direct ways by the system. This has been confirmed recently in remarkably frank discussions about why unit costs of road construction in Uganda are high by international standards and appear to have risen recently, in both cases by more than can be explained by Uganda's landlocked location and corresponding input supply problems. Firms have been in the habit of factoring various dimensions of Uganda's 'poor business climate' into their cost calculations. These have typically included the need to enjoy a good relationship with a well-placed political 'godfather', to 'grease palms' at all levels and to anticipate late or erratic payments for work done.

This tendency towards cost inflation has not, however, prevented Uganda from getting sub-standard roads works. On the contrary, the operations of the system have meant that firms have routinely had to accept being paid less than it takes to do the job properly. In consequence, they have often been in the position of undertaking or (as consulting engineers) endorsing works done below the agreed specification or left uncompleted as resources have run out. Underinvestment has, in this way, combined with high-cost and low-quality road works to frustrate efforts to give Uganda a significantly better road network than it had at the end of the 1960s.[5]

2.2.2 Prelude to reform, 1998-2008

These issues were of course among those that were meant to be addressed by the institutional reforms in the roads sector which are now coming to fruition. Indeed, it does appear that the system was curtailed to some degree when, as far back as 1998, the first substantial step towards reform was taken, with the formation of the Roads Agency Formation Unit (RAFU). When RAFU assumed responsibility for contracting road construction, leaving only maintenance under the full control of the Ministry, some things changed. The maintenance operations of the Ministry became the principal 'cash cow'. Under the RAFU team, brought together and for a period led by international technical assistance (TA) personnel funded by the World Bank, the efficiency of construction procurement and supervision improved notably. This, at least, is the consensus of a number of close observers of change in the roads sector.

[5] A significant contributory factor has been failure to act decisively on the overloading of trucks, a distinct but closely related systemic problem. Excessive axel loads, particularly in the 3.5-7.5 tonne two-axel category of truck used to transport *matooke*, are considered to be responsible for a large amount of road damage. The prevalence of overloading means that road repairs and upgrading works last less well than they should. However, regulations are not enforced by police and weighbridges are a significant source of corrupt earnings for their operators and controllers in both Uganda and Kenya, with the effect that there is little incentive for truck owners and drivers not to overload.

However, the same sources suggest that the changes were less than complete and anyway somewhat short-lived. It appears that, after an initial rush of enthusiasm and focused effort, there was some loss of reform momentum in RAFU and reversion to some of the previously established practices. As political opposition to the agency creation process took shape, and the timetable for its completion was effectively extended, so the moral climate in RAFU became more permissive, and former 'bad habits' were reintroduced, at least around some of the contracts. Thus, it is not the case that the roads reform of 2008 has the luxury of building on a solid foundation.

As with many issues in the Uganda roads sector, the allocation of responsibilities for the most notorious of the construction contracts signed in the RAFU era is highly controversial and difficult. Different observers allocate the blame for the seriously overrunning Kampala Northern Bypass project very differently. The construction company, Salini, is variously described as being allowed to 'get away with murder' and (based on its own unofficial testimony) as being 'crucified'. What is clear, however, is that a major conflict of interest between the design consultants and the supervising engineers was built into the contract, and that this error – for which RAFU must bear responsibility – was at the root of the other difficulties.

To this extent, there are questions about RAFU's efficiency and judgement as a contract manager. In other cases, such as the withdrawal of the original South African contractor from the Jinja–Bujiri highway upgrading, the firm cited payment of kickbacks as well as theft of materials as having helped to deplete the funds needed to finish the work. More generally, research undertaken for and published by the *Daily Monitor* revealed numerous examples of RAFU contracts awarded for amounts substantially exceeding the original maximum cost estimates given by consultants in the design phase. It is hard to avoid the conclusion that cost collusion among the handful of contractors involved in the sector continued to prevail in this period, and that payoffs of various kinds were also taking place.

2.3 Key actors and other stakeholders

Key public sector players in the Uganda roads reform, as it affects national roads, have been introduced in the course of the above discussion. They include:

- The President and his patronage network;
- The MFPED;
- The Minister of Works and Transport and his ministers of state and civil servants;
- UNRA, within which it may be important to distinguish former RAFU staff and former staff of the maintenance divisions of the Ministry;
- The Board and Secretariat of the Road Fund.

Potentially important additional public sector players are:

- Parliament and its Infrastructure Committee;
- The Auditor General;
- The Inspector General of Government;
- The Engineers Registration Board.

Private sector and civic stakeholders include:

- The users of national roads, among them national and international transporters of goods and people;
- The private suppliers of road building and maintenance services, and members of their supply chains (materials suppliers and providers of trained personnel).

An important basic feature of the private supply side of the industry is its division into two functional streams – constructors and consulting engineers – and two only slightly overlapping ownership groups – local firms and international or internationally linked firms.

A good description of these sub-sectors of the industry and of the relevant membership organisations (associations) is provided in the Discussion Paper 'Capacity Development Support to the Uganda Road Construction Industry' (Hydroplan, 2009). A useful Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is also given in that report. We do not reproduce that information here, and we would not claim the technical expertise needed to assess it in detail. Nonetheless, the information we gathered on the subject was generally supportive of the assessments made by the Hydroplan team. Their account of the challenges facing the local private actors informs quite directly the analysis we provide later of the opportunities that need to be capitalised upon in designing the DFID, EC and World Bank programmes.

Having identified the stakeholders in the roads reform process, we might be expected to take as the next step a 'stakeholder analysis' – that is, use the conventional procedure of assigning values to each player on two dimensions: positive or negative attitudes to the reform, and ability to influence its outcome. Section 4 does discuss whether the reform is likely to result in a new patterning of stakeholder interests. However, in general our approach is more dynamic than conventional stakeholder analysis, and tries to reflect the extent to which the players define and redefine their interests partly in response to what others do. In the particular case of the roads reform in Uganda, a static description of a stakeholder's attitude and influencing capacity at this point in time would not just be insufficient. It would be potentially misleading.

2.4 Three possible scenarios

2.4.1 A new systemic positioning for roads?

The first possibility considered is that the developments in 2008 signify a substantial change in presidential policy direction and policymaking style. In other words, President Museveni has been convinced of the critical importance of the quality of the national roads network to his objectives for Uganda and East Africa, and has decided to make a substantial effort to alter the place that the national roads sector occupies within his system of rule.

In this scenario, the President intends to abandon his previous practice of raiding the national budget at the expense of the allocations to roads, especially maintenance, not only allowing the Road Fund to function as the fully protected means of finance that the Act envisages but also permitting enhanced discretionary budget allocations to be maintained and executed. He wishes to make a clean break with his previous practice of expecting the Ministry of Works to generate a flow of illicit income for political uses. And he is committed to making the operations of UNRA, the Road Fund and the corresponding divisions of the Ministry of Works a 'no-go area' for major corruption, with the effect that the staff and Boards of the Authority and the Fund are free to operate on a professional and results-oriented basis. The arrest and indictment of the Engineer in Chief of the Ministry of Works, Samson Bagonza, in May 2009 (*Daily Monitor*, 13 and 18 May 2009) might appear consistent with such an interpretation.

This is a *possible* scenario, as on previous occasions President Museveni has been prepared to provide some measure of ring-fencing to institutional areas whose results' performance he considers particularly critical. The Uganda Revenue Authority, the Auditor General's office and the Civil Aviation Authority are the usual examples. However, even these bodies have enjoyed this status only during specific time periods. And there are no precedents for a comparable approach affecting a major economic sector as a whole.

If the scenario were to be realised, it would not by itself meet all of the challenges faced in transforming the institutional structure and performance of the sector. There would still remain some real uncertainties regarding the ability of the public sector components – especially UNRA and its supervising ministry – to transform themselves into efficient, performance-oriented organisations. The ability of the private operators in the sector – foreign and local construction firms and consulting engineers – to rise to the challenge of a much larger and more competitive market in road construction and maintenance would also remain somewhat in doubt. On the other hand, a relatively favourable general climate would exist in which to tackle these issues. Quite high expectations could be entertained about the ability of grant aid and concessional finance to contribute substantially to the process by plugging funding gaps and providing TA on a conventional basis.

2.4.2 A new pattern of stakeholder interests?

The second possibility considered is that the above conditions are not met, or are only met in part, but that the institutional changes put in place over the past year have altered incentive structures within the sector to a substantial degree. That is, the choices being made by the various actors and stakeholder groups are now based on a significantly altered decision logic, so that choices favouring greater efficiency and improved results are now more likely, the largely unchanged overall political and policy climate notwithstanding. This would be the case if new institutional rules of the game were to become established so that important actors become convinced that it is in their interest to act in a professional way and resist temptations or pressures to be corrupt. It would be particularly likely if, for this and other reasons, the balance of forces between the promoters and opponents of real change in the sector were to move decisively in favour of those supporting change or likely to benefit from it.

We know from general experience with public sector reforms of the kind we are considering that changes in formal arrangements often fail to produce real changes in behaviour, and are hard to sustain if the political environment remains unfavourable (Goetz, 2004; Kirkpatrick et al., 2002; Schneider and Heredia, 2003). Nevertheless, it is worth considering whether the decision logics facing actors, including perhaps the President himself, are now different in any significant way from what they were a year or two ago. Even small differences in the behaviour patterns of some public sector actors, in, say, UNRA, could make enough of a difference to the options facing the private sector actors to alter their choices in ways that would affect their performance. This could influence also the potential contribution of donor support and the most likely modalities for its successful delivery.

2.4.3 Room for manoeuvre in the change process?

A third possibility is that the current situation in the sector involves *neither* a real change in the systemic political environment *nor* a substantial change in the balance of incentives within the sector, but there is nonetheless some 'room for manoeuvre' arising from the dynamics of the reform process. That is, there has been no fundamental change in behaviours because stakeholders are locked into certain choices by the choices and behaviours of others. However, the logjam that this creates is insuperable only so long as the relationships are static and there are no third party interventions to help them to move to a different equilibrium. It is well established in the literature on public sector reform in developing countries that, even in otherwise unfavourable circumstances, reforms sometimes succeed 'against the odds' where such third party interventions are feasible and well conducted (Grindle, 2002).

This is potentially relevant to the Uganda roads case in the sense that the change process is still in its early stages and important relationships are not yet fully formed. There are still considerable uncertainties in the situation, with many stakeholders still making decisions which hinge upon the choices being made by others. This is especially clear as regards the decisions being made about the procurement and contracting of private services by UNRA, and the corresponding decisions by private actors about their tendering and business development options, and about the usefulness of organising to promote their interests collectively. In other words, there may be limited but not insignificant opportunities for a major change in patterns of behaviour in the sector if, but only if, there is a third party that is in a position to broker or facilitate a new series of mutual accommodations.

In this case, expectations about the likely impact of a large programme of donor support need to be moderate, particularly where large-scale financial aid or TA is concerned. There will, however, be benefits from gearing the modality of delivery of the assistance to reaping small, incremental change process gains, with a view to their becoming cumulative. To work in this way, the mode of delivery needs to be flexible, using a learning process and not a blueprint approach to project design and management.[6] This is because process opportunities are by their nature not predictable in any detail. A very strong emphasis may also need to be placed on hiring and supporting the right kinds of human resources, so that the programme is able to act as a third party broker of emerging relationships, actively networking and facilitating, not responding passively to requests. While an active facilitation role of this sort is not inconsistent with the management of substantial funds for training, TA or operations, it should be clear in the programme design that these are adjuncts to the more active inputs, not the other way round.

2.5 Political economy findings and implications for programme design

It seems helpful to map out these possible scenarios and their different implications for programme design in advance of stating the particular findings arising from our research. Contrary to a widespread view, political economy analysis is not exclusively about telling donors what they *cannot* do. A layered analysis of the sort outlined above tells us about opportunities as well as about constraints. Where the opportunities lie depends very much on the actual content of the analysis at each of the layers. However, to some extent the implications are generic: if there are major systemic problems working against change, large-scale support is unlikely to work and expectations should be lowered; and if incentives continue to be stacked against reform, the same applies. But if there is room for doubt about this, or the possibility exists that there are dynamic opportunities that are worth seizing, then support *with the right kind of design* may well be worth considering.

The bottom line of our assessment of the Uganda roads situation is that, of the three possible scenarios, the first is unlikely, the second is likely only in certain respects and therefore the third is the one that should be the basis for donor programming. This leads to recommendations focused strongly on a process design, the choice and management of a suitable project management team, and avoidance of heavy reliance on a large, loosely managed package of support in the form of either TA or training. Using the metaphor made famous by Isaiah Berlin's essay on Tolstoy (1992 [1953]), we urge DFID and its partners to follow the example of the fox, who relies on her wits to find small solutions to the many small challenges of life as they arise, not that of the hedgehog, whose spines provide it with one big solution that is applicable regardless of the circumstances. The argument that follows draws upon the best available evidence to document these propositions, using the device of the 'three possibilities' as an organising principle.

[6] The distinction between blueprint and process approaches has become less familiar to development practitioners as the emphasis in donor agencies has shifted from managing projects to delivering more programmatic forms of aid. However, it remains highly relevant, even in this new context. Process designs recognise the relatively high level of uncertainty involved in development work, even if the preparatory appraisal is extremely thorough. They therefore build in a capacity for learning and adaptation. Blueprint planning acts as if perfect knowledge (e.g. about the links in the causal chain from inputs to impacts) were reliably available in advance. The role of monitoring in the two approaches helps to convey the basic difference. Whereas process monitoring embraces error and uses evidence to make corrections on a continuing basis, in blueprint monitoring project staff have a strong incentive to suppress any information suggesting that implementation is anything other than 'on track' in terms of the detailed plan set out at the beginning. The classic sources are Korten (1980) and Rondinelli (1983). For a good discussion in the light of DFID experience, see Mosse (1998). See also Footnote 16.

3. A new systemic positioning for roads?

Something has clearly changed in the politics of national roads in Uganda. Most observers attribute this in part to the public and media attention devoted to the poor state of the roads and the poor performance of various roads projects around the time of the CHOGM in 2007, and in part to the President's active anticipation of the needs of his 2011 election campaign. However, the question is whether this amounts to a systemic change or, more realistically, to the roads being *situated* differently *within* the system on which the president relies to keep himself in power.

As we said in Section 2, this is a possible scenario. There are precedents for the creation of pockets of protected efficiency in the public service when the President takes the view that this can have benefits that outweigh the short-term political advantages associated with patronage and the generation of rents for political use. The effect of creating relatively 'dry' islands of excellence (i.e., organisations where there are limited opportunities for corruption) can be simply to displace political attention to the remaining 'wet' areas of the public service, at least for a period. Limited clampdowns on corruption or inefficiency can be similarly applied, with the same effect. Is the roads sector, and UNRA in particular, a candidate for this?

There are several reasons for doubting this, and thus for drawing the conclusion that everything has now changed with regard to the politics of roads in Uganda. They include the rather complex nature of the President's commitment to a new deal for the roads sector, and the somewhat muddy picture that emerges from a close look at the new organisational arrangements in the sector.

3.1 Ends and means in the President's perspective

For many informed observers, a telling indication of the President's real position is that the Minister and the Permanent Secretary, who presided for many years[7] over the arrangements described in Section 2, are still in post. If he had been both willing and able to decree a new order of things in the sector, he would surely have replaced both of them. This may still happen, but until it does the questions will remain: what is the real significance of the dramatic increase in the roads budget in 2008, the sudden unblocking of the remaining obstacles to the institutional reforms in the sector and the high profile that roads have had in recent presidential speeches? There are four parts to our answer.

First, it is important to note that the President's ideological and rhetorical commitment to roads as an instrument of national development and regional integration is not new. Since at least the turn of the millennium, when he invited World Bank President James Wolfensohn to a televised debate on why Uganda should not over-prioritise social sector investments, President Museveni has consistently combined an ideological discourse about roads with the use of the roads sector as one of a small number of cash cows in funding his political campaigns.

Second, observers who have studied the President's policymaking style closely are agreed that this is not an incoherent position from his point of view. Roads are a necessary part of the vision for Uganda's development that underpins his sense of mission. But he seems to be guided by the belief that the achievement of his vision is dependent on his staying in power, at least for now,[8] and, as a means to

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[7] Since 1996 in the case of the Minister.

[8] There is broad agreement among close observers that his intention is to stay in power for as long as possible. On a widely held view, his aim is for his National Resistance Movement (NRM) colleagues who believe they are 'in the queue' to succeed him to lose their ambitions so that he can then 'guide' the succession process to favour his son or at least a member of his family. An additional factor is his wish to participate in the exploitation of Uganda's newly discovered oil resources and the unfettered possibilities for political patronage that this non-aid revenue stream will provide.

this end, it may be necessary to accept some limitations on the effectiveness of the sector in contributing to development results in the shorter term.

Third, the President's appetite for funds for 'political work' is probably increasing. Despite the disarray among the opposition political parties, in part the result of the overwhelming use of patronage resources by the government and ruling party, he does not feel confident of victory in 2011, and will therefore be actively calling in the political debts owed by post-holders in a range of 'wet' public organisations. The indictment of the Engineer in Chief in May 2009 is almost certainly *not* to be interpreted as a signal that Museveni is about to ditch his system for funding political work. Bagonza is the scapegoat for an exceptionally embarrassing episode in the CHOGM preparations in which, the President feels, he and the country were put to shame in front of the Secretary General of the Commonwealth, Don McKinnon. Anyway, it is generally considered unlikely that the indictment will touch upon any issues concerning corruption, since Bagonza is well placed to play tit-for-tat in that area (a fundamental reason why high-profile court cases on corruption are generally pursued less than vigorously in Uganda). The case will focus, as it did from the first day, on who (other than the President) was responsible for the late planning of the CHOGM works.

Fourth, the unblocking of the roads reforms and the increase in the budget may owe less to presidential decisions than might be inferred from the surface evidence. We do not have a precise and validated inside story. However, sources inside the MFPED indicate that the then Minister of Finance, Suruma, played a decisive role personally in the decision, very late in the budget process, to increase the allocation to roads to the current 1.2 trillion shillings. More generally, MFPED's willingness to countenance a budget increase on such a scale was clearly premised on the passage of the legislation governing the Road Fund and UNRA. The principal source of opposition to the Road Fund until recently was the same MFPED, which saw it as inconsistent with its longstanding opposition to the earmarking of budgetary resources. What unblocked the Road Fund's establishment was a late change of view on the part of Senior Permanent Secretary Chris Kassami, based on the Ministry's chronic inability to reserve adequate funds for road maintenance by any other means.

3.2 Sustainability of the roads budget

If, on this basis, there seem few grounds for assuming that the position of roads within the political system has been fundamentally transformed, an immediate question is whether the 2008 budget allocation is a good indication of likely future resourcing of the roads sector. To what extent is the new level of resourcing itself vulnerable? This needs answering in two parts.

On the one hand, it seems likely that the Road Fund itself will be protected from political predations of a direct sort. That is, the designated funds will be directly transferred from the Uganda Revenue Authority to a special account managed by the Road Fund Board and its Secretariat, and then used to pay for UNRA-procured maintenance work by private contractors. The legislation is clear in this respect, and the MFPED appears institutionally committed to upholding the law through its chairmanship of the Board. The interim arrangement under which the funds will go initially into the Consolidated Fund and then be transferred to the Road Fund account will last only until January 2010, and has been adopted only because the Road Fund had no Board until June 2009[9] and still has no Secretariat.

On the other hand, it is not so easy to be certain about the future of the funds for road building – and any additional maintenance or rehabilitation funds – that are assigned within the discretionary part of the annual budget. MFPED officials are currently very upbeat about the prospects of the roads budget's being maintained over several years at its currently high level, even if the sector's ability to absorb the

[9] The Board is chaired by Eng. Francis Baziraake, who teaches at Kyambogo University and is a leading member of the Uganda Institution of Professional Engineers (UIPE). The five other members are Jennifer Mwijukye of the Freight Forwarders' Association; Solomon Nsimire, a member of the Passenger Transporters' Association; J.B. Lutaaya of the Institute of Chartered Accountants; Patrick Ocailap, Director of Budget, MFPED; and Charles Katarikawe of the Ministry of Local Government (*New Vision*, 14 and 26 May 2009).

funds quickly remains problematic. However, as noted above, one of the reasons key figures in the MFPED came around to the idea of a Road Fund after years of opposition is their recognition that budget reallocations arising from presidential interventions are in practice very hard to resist. It is therefore not clear why this optimism will continue to be justified, particularly as applied to the years after the 2011 elections.

One of the factors likely to influence future levels of roads funding through the budget will be whether the President and his supporters conclude that the roads sector has been 'captured by the donors' or otherwise stopped playing what they consider its proper role. In recent years, this perception has arisen in connection with the Plan for the Modernisation of Agriculture (PMA) and even with the Poverty Eradication Action Plan (PEAP) itself. These initiatives have, as a consequence, been supplanted by presidential initiatives inspired by manifesto commitments and the slogan Prosperity for All. One may regard this as a good or a bad thing. But it has definitely had budgetary implications. PMA components which were seen as particularly donor-inspired, such as the original scheme for agricultural extension (NAADS [National Agricultural Advisory Services]), have seen their budgets redirected. It is not impossible that the current allocations to national roads could be affected in a comparable way if similar circumstances were to arise.

3.3 Systemic pressures and UNRA

There are some real uncertainties regarding UNRA's relationship to the President and his 'system'. The formal position is that UNRA's performance will be under close scrutiny of its Executive Director and a small Board chaired by the Senior Permanent Secretary of the MFPED.[10] UNRA is answerable to its Board and not directly to the Minister, and all those mentioned are currently in the frame of mind to continue working in the new way with which they began in 2008.

On the other hand, the formal structure may not be what counts. While the shortlist of three from which the Executive Director was selected was drawn up by a UK-based consultancy firm on scrupulously technical criteria, the final choice was the Minister's. The Minister appears to have followed the principle that it is better to 'grow one's own', rejecting the option of appointing the highly regarded Ghanaian who steered the Tanzania National Roads Agency (TANROADS) through its early years and selecting instead one of the two top-rated Ugandans, Eng. Peter Ssebanakita. That may well have been a wise decision, recognising that expatriate appointees have often had a tough time as champions of organisational change in Uganda, including in the roads sector. However, there are implications. Ssebanakita is an insider, a product of the Uganda government system. According to unwritten rules, which may continue to prevail, the incumbent of his position is obligated to the Minister just as the Minister is obligated to the President. The Board members will understand this.

This does not mean that UNRA's leadership will necessarily engage in illegal practices or that the Board will turn a blind eye to any evidence of corruption in the authority's dealings with the private sector. It does, however, mean that pressures to do so are most likely to arise, sooner or later, as election times draw closer. Some or all of those concerned may resist the pressures, but past experience in other sectors suggests they may not be successful in doing so while also keeping their jobs. Experience (e.g. at NSSF [National Social Security Fund] or NAADS) suggests that being formally answerable to a Board does not provide much protection *per se*.

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[10] Chris Kassami, Permanent Secretary and Secretary to the Treasury, MFPED. The other members include the UNRA Executive Director (*ex officio*); the Permanent Secretary of the Ministry of Works (Muganzi); a member of the National Planning Authority; and a senior member of the Uganda Institute of Professional Engineers. There was at least one vacancy as of May 2009. There is at present no representative of private business, either in a road user capacity or to reflect the concerns of contractors or consultants. There are different views as to whether this matters and whether it is avoidable. While private sector suppliers tend to think they ought to have a voice, a view on the government side is that this would produce a conflict of interest, and that the government-dominated Ethiopian model is suitable for Uganda.

The MFPED chairmanship of the UNRA Board is a factor likely to divert political predation away from UNRA. The MFPED remains an exceptionally powerful part of the Uganda civil service, with some track record in carefully sidestepping political pressures which call for illegality, even when they come from the President. Their senior officials are inclined to be fairly robust and unsympathetic towards public officials who defend wrongdoing by pleading 'political pressure'. On the other hand, they concede that they do not know and cannot control everything that happens on their watch. Meanwhile, the politicians admit quite freely that they have a direct telephone line to the head of UNRA, and – in other connections – that 'roads are votes'.

3.4 The new Ministry of Works

The Ministry of Works and Transport is the organisation where a systemic change is least able to be guaranteed. There have been no changes in lines of reporting, so the Ministry will not be protected from 'political' decision making to any significant degree. This will affect the way it conducts its residual operational duties as well as the policymaking and monitoring role accorded to it in the legislation.

The Ministry has retained some responsibilities for overseeing DUCAR works and for bridges. The possibility exists that in practice it will also continue to undertake operations on a small scale using its own staff and equipment ('Force Account'), to enable the government to respond to *ad hoc* political requests. This option is defended by politicians as a realistic recognition that 'vote-catching roads' will need to be provided, and that 'keeping a small unit on standby' is a practical way of protecting UNRA from breaching its plans in response to pre-election pressures. The Ministry has already advertised some jobs in connection with DUCAR maintenance. In UNRA this is perceived as entering into competition with either district governments or UNRA, or both.

There are even larger questions about the Ministry's ability to assume its new roles. A World Bank Transport Paper reviewing experiences with road agency creation (Andreski et al., 2006) is not encouraging about the ability of ministries formerly managing Force Account operations to downsize rapidly and assume effectively their new policy and monitoring roles. 'Do nothing' has been the general pattern, with almost no exceptions. An important general problem that is likely to apply in the Uganda case is that the needed retrenchments are unable to be completed, for systemic reasons, and the required new appointments and trainings are delayed indefinitely. A likely outcome, other things remaining equal, is that UNRA will in practice be left to make policies on its own and monitor its performance itself.

3.5 Implications

In summary, no one should be entering into a programme design for the Uganda roads sector on the assumption that the systemic pressures on the sector are now entirely different from what they have been under the previous set of formal arrangements. In other words, we are not yet in a position where donors can afford to behave like hedgehogs and make available large packages of financial and technical assistance on the assumption that the institutional problems that previously afflicted the sector have gone away thanks to the recent reforms. This leaves open the possibility that the incentives operating within the sector have nevertheless changed in ways that may in due course moderate the systemic pressures, and/or make them easier to resist and therefore less binding on what the sector is able to achieve. This is the set of issues to which we now turn.

4. A new pattern of stakeholder interests?

What we have been calling systemic factors are, of course, not self-sustaining. They are to some degree enshrined in a political culture, a culture to which President Museveni has contributed substantially but which arguably has been internalised by all major political actors and would survive even in his absence. However, they are also regularly renewed by more or less conscious decisions by the actor involved.

4.1 Influences on the President's decision logic

It has been convincingly argued by Paul Collier (2007), among others, that patronage systems in countries like Uganda are sustained by a renewable cost benefit calculation. Ordinarily, according to close observers, President Museveni's default calculation is that using public resources for patronage is both cheaper and more reliable than using equivalent resources to win support by providing public services. But in principle this is a calculation that can change. For other countries and continents, there are documented and well-analysed examples of presidential power being reoriented away from patronage politics to programmatic performance politics under certain types of conditions (Geddes, 1994; Stein and Tomassi, 2008).

This is affected by, among other things, the persuasiveness of any political claims that can be made about improving service delivery. This depends on the one hand on the probability that devoting resources to service delivery can be relied upon to result in a visibly improved supply of quality services about which claims can be made. That depends in turn on whether within the delivery organisation individuals and groups are making the calculation that it is in their interest to perform conscientiously or to be corrupt. On the other hand, it will be affected by the relative strengths of the various 'demand side' factors – the domestic public demand for improved services, the countervailing demand for political favours and the demand from private sector suppliers (in this case road constructors and consultants) for fairer tendering and contracting processes. To some degree, the effective demand for results-oriented governance from donors will also be a factor.

There are reasons, therefore, to consider in some detail whether Uganda's roads reforms are likely to make a significant difference to any of these individual calculations, and whether the sum total of the changes should modify or not what we have said about the unfavourable systemic context.

4.2 Interest groups and interest definition in UNRA

The 'supply side' appears to depend critically on the incentives now operating within UNRA, and whether these can be counted upon to generate a new kind of performance orientation. We have noted that the UNRA Board has been kept small and shows signs of being firmly led by the MFPED, but the Board may well not be in full control. As of May 2009, there were also worrying signs that its quarterly meetings were not occurring on schedule. Therefore, much may hinge on the characteristics of UNRA as an organisation. The most relevant facts about this seem to be the limited sense in which UNRA is a genuinely new organisation, and the well-recognised obstacles that performance-oriented human resource management encounters in the Ugandan public service.

The first point is crucial in the view of some close observers. Rather than being in the full sense a new organisation, staffed by fresh people with an obviously shared interest in building a new organisational culture, UNRA has been staffed to a very large extent by former Ministry people. The policy, planning and procurement sections are the product of RAFU and have been quite strongly shaped by the international TA that was provided to RAFU and has continued during the past nine months. However, the organisation as a whole may not be as coherent as might be hoped. The Roads Maintenance

Division is perceived by several well-placed observers as being the result of effectively transferring the whole of the equivalent division of the Ministry of Works into the new organisation.[11]

The initial draft of the Act would have barred Ministry of Works staff from automatic eligibility for UNRA posts, while making RAFU staff transferable to UNRA without competitive selection. However, this was defeated in parliament after intensive lobbying. As a consequence, those members of the senior staff and engineering cadre of the Ministry who wished to join UNRA were generally able to do so, including the majority of district engineers. On one estimate, the staffing of UNRA is now about 80% ex-Works, with the former RAFU employees in a clear minority. The two different organisational cultures are clearly visible in the behaviour of different parts of the Authority.

What about performance management? It is arguable that, even within an organisation whose members have a shared past history, it is the systems that matter, and new systems can effectively create a new organisation, responsive to different incentives. There are arguments on both sides about this.

There are of course some important formal changes. Professional staff are on three-year renewable contracts. Fully fledged performance contracts are not yet in place for most of the staff but it is expected that they will be introduced soon. Within the new structure, there do seem to be better defined responsibilities and lines of accountability, with the effect that the senior officials are more exposed in case of non-performance and less likely to be given the sort of political protection that was provided to their predecessors within the structure of the Ministry of Works. Work plans are being published. Skill gaps have been identified and are being addressed in various ways. Other internal systems are being actively worked upon.

On the other hand, observers say that the effectiveness of these systems will not be tested until actual sackings or demotions take place.[12] And this will be influenced as much by the professional norms prevailing in the public service generally, as well as by the wider socio-political context. It is now widely accepted that capacity development in developing countries is only to a limited extent about recruitment, training and management systems, and that the wider institutional context is crucial (DAC, 2006; Leonard, 2008; Levy and Kpundeh, 2004). Uganda is surely no exception.

There are very strong social sanctions in the Uganda public sector against the enforcement of performance-based human resource management. While UNRA staff no longer have the security of tenure that they may have enjoyed as civil servants, it is argued that they remain a tight-knit group, with a dense network of affinities and loyalties arising from common schooling and many years of working together. To some extent, the networks cut across the public sector/private sector divide. This makes for powerful pressures in favour of continuity of behaviour and against the enforcement of any new performance orientation.[13] Those individuals or units in the organisation who are eager to change their ways of working in order to gain greater professional satisfaction – e.g. refusing to sign a completion certificate on work that does not comply with the contracted terms – may, sceptics say, find themselves in a difficult minority position.

Pay and conditions are definitely better in UNRA than in the civil service. For example, the Executive Director of UNRA, who was formerly a Commissioner in the Ministry of Works, now commands a salary that is more than three times that of a Permanent Secretary on civil service terms. This is close to the average ratio. However, sceptics argue that the pay differential is not large compared with the difference between official and unofficial earnings in the civil service, particularly the Ministry of Works

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[11] There is some doubt about whether there has been any overall downsizing of the public sector organisations dealing with national roads.

[12] This refers to actions taken in response genuine performance-related shortcomings, as distinct from failure to comply with politically inspired pressures *not* to perform properly (which the same observers regard as highly likely in due course).

[13] On one view, fear of sacking is 'almost non-existent'. Where kinship and intermarriage are added to common schooling and professional esprit de corps, managers' room for action is extremely limited: 'You may be able to sack your brother, but there is no way you can sack a brother-in-law!'

in its heyday. Therefore, material incentives may not be anything like as effective as the proponents of executive agencies as a solution to public sector pay problems usually imply. This will be all the more the case if the performance appraisal arrangements do not materialise in full, so that those who are performing according to the rules do not feel that they are being rewarded. And if the pattern of rewards does not change the adoption of procurement procedures and post-contract checks that comply with international standards will not prevent collusion and corruption – according to unimpeachable information, tender processes can almost always be 'fixed'.[14]

In summary, the incentives and sanctions on the supply side of the roads reform appear to remain quite heavily stacked in favour of non-improvement. At best, they remain uncertain and untested. At worst, the impressions of some private sector observers are accurate, and UNRA is conducting 'business as usual' where procurement is concerned, so that it has to be concluded that corruption is alive and well in UNRA, as it was in RAFU.

4.3 Weakness of the road user constituency

On the demand side, the roads reform is affected by some standard and some particular difficulties that work against public service reform worldwide and in developing countries in particular. Roads and their maintenance continue to have the characteristics of classic public goods. The Road Fund begins to create a link between private road use and provision. However, other standard techniques for giving private actors a direct stake in provision, such as road tolls, are not considered to be economic with the kind of traffic levels that are typical of sub-Saharan Africa. Therefore, much depends on the ability of stakeholders to mobilise influence over public policies.

There is now significant public and media concern about the state of Uganda's roads and the government systems underlying this. However, relative to the stakeholder interests capable of being mobilised in support of the status quo, this has a number of weaknesses.

The most visible pressure comes from Kampala residents and from the relatively small newspaper-reading and radio chat show-listening public. While the total number of Ugandans who would benefit in one way or another from an improved network is very large, and the cumulative benefit over time would also be large, in the short term the matter is quite a small proportion of any single actor's current concerns. Some of the biggest road users on the main routes are companies that are not Ugandan-owned, meaning that they are badly placed to influence government in Uganda (e.g. Transami, Manson's and KenFreight). Some of the largest Uganda-based operators of large truck fleets are industrial or service firms for which transport is a subsidiary activity (e.g. Mukwano Enterprises [Amir Ali Karmali] or Karim Hirji). To some extent, the same is true even of the firms belonging to the Uganda Clearing and Forwarding Agents' Association, for which transport costs and risks are very important. Most of the other potential beneficiaries are poor, badly informed and non-influential, and they have no means of engaging in collective action.

The opposite is true of at least some of the stakeholders, in the Ministry, UNRA and the wider political system, who oppose change, openly or otherwise. They have much to lose, and they are well placed to make their concerns count, as evidenced by the parliamentary lobbying around the UNRA appointments for example.

[14] There is a current debate about a proposed revision of the 2003 Act governing Public Procurement and Disposal of Public Assets Authority (PPDA). The UNRA Executive Director, among others, opposes the attempt to strengthen the punitive powers of the PPDA on the grounds that the checks and balances on which its procedures are based are already ill-adapted to sectors like roads where prompt contract revisions to take account of unanticipated eventualities are inherent in the business. He might have added that they are ineffective.

4.4 Difficulties for private sector suppliers

Private sector suppliers of roads' services are potentially on the side of reform. We found plenty of evidence, including frank testimony, to suggest that the construction firms and consulting engineers already present in the country are seriously dissatisfied with the previously prevailing system for awarding, managing and monitoring contracts, which has been bad for their business development, impacting badly on cash flow, profitability and reputations.

International firms that are not presently working in Uganda are likely to come in response to the much increased funding for the sector if, and only if, a genuinely level playing field is instituted and some continuity of funding is guaranteed. But there is a chicken-and-egg problem here. The international players are a force for change if, and only if, there are interests within the Uganda system that are actively interested in attracting them.

The locally based private firms have additional complaints and additional reasons to want to see change. But they also face special difficulties. The local contractors feel disadvantaged by tendering criteria which require them to demonstrate financial capacity and sufficient staffing and equipment in advance of being awarded a contract. They take the view that a sound policy for the sector would permit contracts to be awarded on the basis of track record, pre-qualification bids and potential for growth. There should be affirmative action provisions to facilitate the emergence of a strong locally based construction industry in the face of what is perceived as the overwhelming financial power and political influence of the few internationally connected firms that get the larger contracts. A National Construction Industry Policy including a few of these elements has existed in draft for five years, although a draft was only published in 2008 (Ministry of Works and Transport, 2008).

Acting against the potential for pro-reform pressure from suppliers is a set of factors making the realisation of the potential difficult at best. First, some of the firms in both the international and the local categories are very much a part of the system, participants in the same networks that are likely to resist change on the government side, if not actually owned or controlled by their 'godfathers' in the political establishment or by government-employed engineers. Their interest in change is likely to be quite muted. For the others, there is a dilemma. They would like to complain and press for change, but it could prove very costly for them. Unless and until it is guaranteed that bidding rules will be applied in a fair way, such firms would risk being denied contracts. 'Blacklisting exists', we are told. It is, in particular, out of the question to say publicly what has been reported to one privately about how contracts are being awarded or supervised.

Group pressure on the part of the associations to which firms and engineering professionals are affiliated is the standard solution to this type of dilemma. However, this can only work under somewhat special circumstances. If membership in these organisations were to become a condition for official registration, those failing to meet industry standards could be threatened with expulsion and loss of livelihood. Self-regulation might then play a significant role, and the associations might also become effective pressure groups vis-à-vis government. A move of this sort is in fact advocated by the Uganda Institution of Professional Engineers (UIPE), the Uganda Association of Consulting Engineers (UACE) and the Uganda National Association of Building and Civil Engineering Contractors (UNABCEC) among others. They argue, in effect, that so long as membership is voluntary and covers only a proportion of the potential membership, there is no self-disciplining potential. Members also face a classic collective action problem. If the association becomes at all threatening to powerful interests, members are open to victimisation, while non-members stand to gain whatever the outcome.

These are interesting possibilities. However, studies of the equivalent issues in the heath and veterinary professions in a number of African countries suggest that the obstacles may be insurmountable. Success in self-policing seems to call for enforcement motivations and capabilities both among association members and on the part of government that are typically not found in those countries (Leonard, 2000).

4.5 Other public pressure

If in these ways the balance of forces within the sector remains unfavourable to deepening reform, despite the new structures, are there reliable alternatives outside the sector, in the wider political system? What about those conventional remedies, parliament, the mass media, civil society advocacy and donor dialogue? None of these can be neglected entirely as a source of benign influences on the process of change in Uganda roads. However, each is, in strict decision logic terms, quite a weak player when it comes to exercising the kind of influence that concerns us here.

Parliament has a capacity to cause public embarrassment that, observers say, is genuinely feared by senior officials and ministers. The same has been true of the media, including daily newspapers and radio phone-in programmes and chat shows, particularly perhaps when there is some interaction among them. There have been significant instances in the roads sector, and this is one of the reasons why the stakes appear to be higher in the sector than they were only a few years ago. The limitations are considerable, however, when it comes to sustaining a campaign. Other news sooner or later pushes stories off the front pages, as happened with the *Daily Monitor*'s exceptionally effective campaign of a few years ago targeting the 'Ministry of Potholes'. The media themselves are obviously not equipped to act upon their revelations, while parliament has been notoriously susceptible to being bought off. The parliamentary investigation into the scandal around the NSSF in 2008 has set quite a low standard for expectations about parliament's possible role in enforcing executive compliance with the law.

Formal sector civil society in Uganda is notoriously weak. What is not weak is what might be called informal sector civil society; that is, social protest with a definite ethnic or localist flavour. That seems to be confirmed by such recent although contrasting examples as the resistance among the Baganda to Museveni's land reform proposals, and the street protests against his decision to grant land in the Mubira Forest Reserve to an Asian-owned sugar plantation company. The campaigns against trade liberalisation mounted by the Kampala City Traders' Association (KACITA) – a predominantly Ganda organisation of traders – would be another example. This type of movement mobilising the *wananchi* in a particular place can be an influence on the politics of roads, but only where this refers to the decision to build or maintain a road here rather than there. It is hard to visualise its acting as a source of pressure for more and better roads for everyone.

4.6 Donor decision logics

Lastly, donor influence is not negligible. It has been responsible, along with other factors, for bringing the roads reform process to its present stage. However, it has well-known limits. Conditionalities and threats to suspend support typically lack credibility because of the combination of disbursement pressures – applying particularly but not exclusively to the concessional lenders – and the impossibility of decisive action by donors as a group. We are reliably informed that, in what appear to have been critical instances in the relatively recent past, donors in the Uganda roads sector have failed to act in concert against high-level corruption as they might be expected to have done. Correspondingly, donors who have stood out on issues of this type have been successfully sidelined by the Government.

Joint monitoring in a general budget support context may be more effective, because it relies more on intellectual persuasion around a negotiated set of objectives and targets, and less on non-credible financial leverage. However, both forms of influencing are typically hampered by what the political economy literature calls information asymmetry. The donor (the principal) does not know enough about what the recipient (the agent) is actually doing to be able to exercise effective control or impose appropriate sanctions. And the same is true about every link in the principal-agent chain down to the final service provider. Under these conditions, it appears often the case that the introduction of more and apparently more robust monitoring instruments merely adds new layers of avoidance of control. This standard analysis seems eminently applicable to the case of what actually happens behind closed doors in a national roads procurement body.

4.7 Implications

The implication of all of the above seems clear. It would not be wise to design a large programme of support to the Uganda roads sector on the assumption that the reforms now in place have *already* made a significant difference to incentives, with actors following a distinctly different decision logic. In all cases, we have identified some potential for change, but also some substantial factors working against it. In several areas, this is a matter of a discrepancy between what is in a stakeholder's long-term interest, and what s/he feels constrained to do in the short term. The short-term problem is often of a 'prisoner's dilemma' type. That is, it is impossible to act confidently in concert with another for fear that the other will defect. This is most particularly the problem for the private sector suppliers whose transformation into competitive, efficient designers and builders of roads is a critical objective of the reform, who are currently caught in a series of vicious circles which they are unable to break out of without some kind of help from outside their bilateral relationship with their main client, UNRA. These observations take us directly to the subject of room for manoeuvre.

5. Room for manoeuvre in the change process?

The above analysis can be taken as a warning about expecting too much from the Uganda roads reform, and in particular as a warning not to base support on the notion that funding for 'facilitation' (vehicles, fuel, computers and allowances) or TA and training are the only things needed to turn the reform into a success. While some of these things may be useful, it is clear that the main thing that is required is another kind of facilitation, namely the brokering or negotiation of difficult change processes, turning potential realignments of interest into actual realignments.

This follows from the analysis above in the sense that each one of the suggested sources of resistance to change is matched by a potential positive. There are uncertainties and risks everywhere, often because people are interacting with others under conditions which have become more fluid because circumstances have changed. These are the kinds of conditions in which an intelligent third party can expect to play a useful role, as an enabler of constructive realignments. Several particular examples have been suggested by more than one close observer of the change processes currently under way.

5.1 Communications

If UNRA fails to project itself to the public and to the President as a reliable supplier of the public goods of roads and road maintenance, this will reinforce the President's cost benefit reasons for favouring patronage over service delivery as his prime political strategy. However, this is an area in which there is room for different outcomes.

UNRA is already doing a reasonable job of making the public case for itself, for which it is currently well funded. For example, it contributed multi-page advertisements to several national newspapers during the NRM's 'Manifesto Week' in May 2009. Providing details of the impressive volume of construction, upgrading and design work now being financed, this propaganda must have convinced more than a few newspaper-reading voters. However, this kind of effort needs to be maintained, broadened beyond the urban elite and done in increasingly imaginative ways, which may mean linking up overworked engineering and procurement professionals with the right kind of communications professionals. This is unlikely to happen automatically, meaning there is scope for a broker.

5.2 Brokering dialogue

While relations within the roads sector appear in some respects far too cosy, in other respects they appear unnecessarily adversarial. In several parts of the system, there is a level of mutual recrimination that seems unwarranted and unhelpful. Here too there seems to be a potential for involving a third party who has the skills and the credibility to be able to sponsor a dialogue or 'bang heads together' as appropriate. The leadership of UNRA has made some play of wanting dialogue with the private sector, but it does not seem to have the capability to convene suitable events in which the different interest groups make presentations to each other about issues needing to be resolved in a non-adversarial setting. A third party with the time, resources and experience could be what is required to make this happen.

5.3 Countervailing networks

Our analysis has suggested that the reasons for being less than fully confident of the change orientation within the new public institutions in the roads sector is that there are dense networks of mutuality and shared heritage with which individuals may not wish to break. To some extent, these involve both politicians and civil servants, and include some of the private firms that undertake much of the contracted work. There does not seem to be at present an equivalent network of individuals on the pro-reform side, particularly on account of the success of the lobbyists who advocated on behalf of the former Ministry of Works staff. Even the professional and industry associations mentioned earlier admit that they are not in regular contact with each other. However, there is no reason why this has to be treated as a fixed feature of the situation.

There are potential members of a pro-reform coalition in the private sector. Contractors and consultants with whom we spoke were not confident about the prospects for a real change and wished to avoid being seen as making trouble by being vocal about the need for change. But they could be said to be 'quietly praying' for a new dispensation. If they could do so without putting their heads above the parapet, as it were, they would support reform. They might be even more inclined to do so if it were clear that the coalition included big commercial road users such as the international truckers, Mukwano Enterprises, and members of the Clearing and Forwarding Agents' Association. Therefore, with sufficient inside knowledge and good networking skills, a well-positioned reform broker might be able to put together a coalition of interests that at least matches the no-change lobby in weight and prestige.

5.4 Lowering barriers to collective action

Even in the absence of any adversarial intent, there are vicious circles of destructive behaviour from which it seems unlikely that stakeholders will be able to break out without the involvement of a relatively neutral party. This is clear, at least, in the key matter of how firms bid for public contracts. What follows is a description of how firms were bidding typically up until the formation of UNRA last year; however, it was suggested to us that the approach is unlikely to change just because there is now more money in the sector and a different set of formal rules.

Other things being equal, the normal approach is to 'underbid and make up on the claims'. That is, price the work below likely actual cost, making no allowances for unanticipated eventualities (even though these are always to be expected) and hope thereby to get the work; then seek a variation order or contract revision in order to cover the actual costs and make a profit. In the recent past, the frequency and scale of contract revisions have been a major source of suspected or actual corruption, involving the consulting and government engineers whose responsibility it is to make the technical judgements and sign off. It has been at the root of several long-running cases of contract time and cost overruns. Today, it is a major bone of contention between the UNRA management and the PPDA, the body responsible for overseeing privatisation processes and procurement disputes, with the former complaining of unreasonable delays and the latter alleging incompetent procurement.

It is clear that bidding habits have to change if contract management is to be streamlined in the way that UNRA management wishes and the flow of work now requires. However, this will only happen if bidders become confident that they will not lose out by pricing work accurately. There are no doubt technical aspects to this, but it seems highly likely that the sort of step-change that is called for will also call for confidence-building measures that those directly involved are unlikely to be able to provide on their own.

5.5 'Infant industry' support

There are three further areas in which it seems likely that a broker role and active facilitation are going to be required to overcome an existing logjam. While in principle the issues listed above might be addressed by any kind of relatively independent actor, those that follow are probably particularly in need of attention from a donor or donor-supported body.

As discussed earlier, local construction firms and consultants appear to face a set of problems in competing with internationally linked companies which they will not overcome without special support of the kind the proposed EC programme may provide. Some of their problems have been shared with the non-local firms and arise from the lack of regularity and continuity in the funding to the sector. Throughout the sector, lack of continuity has resulted in an inability to retain staff and acquire equipment on credit and/or high unit costs as a result of inability to spread capital costs over a number of contracts. However, each of these problems is felt more strongly by firms that cannot use their international reputation and experience or financial viability to win contracts and raise funds.

Training of lower grade staff (not engineers but technicians such as grader operators) appears to be a bottleneck that donor support could help to release. An attractive approach during the current global construction recession might be to bring in a number of short-term trainers registered with the Construction Industry Training Board of the UK. An effort to establish training centres in Uganda could then be pursued in the medium term.

Unless complementary measures are taken, however, the smaller firms may not be able to retain the trained personnel. The lack of plant hire pools (mentioned in the draft National Policy but not acted upon until now) clearly needs to be addressed in some practical and sustainable way, for which facilitation of a dialogue is probably the first step. There may also be a useful role for the loan and performance bond guarantees which many of the smaller firms see as a suitable instrument of 'affirmative action'. However, it would probably be unwise for a guarantor to enter into agreements without quite an involved and hands-on relationship with the firms.

In this and other respects, the impression given is that the local private sector needs not an arms' length form of 'infant industry protection' in the form of unconditional subsidies, but a carefully monitored engagement with a sensitive, well-informed and at the same time tough interlocutor responsible to the funding agency. Close study of the forms of support that have worked to increase very substantially the contribution of the local private sector to the roads industry in Tanzania would clearly be in order.

Something similar seems to be applicable to strengthening the business associations in the sector. At present, they are placing most of their hopes in compulsory membership, which they would like to see in the promised National Construction Industry Policy – although nothing of the sort is in the current draft. However, it may not be wise to rely on early passage of the policy, or on its inclusion of compulsory membership in its provisions. Even if these demands were to be met, it would probably not solve all the problems, for the reasons explained earlier.

Subsidised funding does not seem a suitable form of support in the case of membership organisations. There may be some scope, however, for improving their capacities for action on behalf of members in the context of the kind of active networking among pro-reform interests proposed above. Support could usefully be given to liaison with counterpart associations in neighbouring countries concerning East African Community standards and regulations. Undertaking activities of these kinds could increase the perceived value of membership, encourage new members and increase subscription income. DFID might be well placed to complement or prepare the ground for larger EC support in these areas.

5.6 Enabling change at the Ministry of Works

The design of the direct support that DFID is intending to provide to the Ministry of Works in partnership with the World Bank is going to be challenging. As noted, World Bank experiences with road agency creation are not encouraging about the ability of ministries formerly managing Force Account operations to assume effectively their new policy and monitoring roles. The general pattern has been 'do nothing'.

The signs are that this experience could be repeated in Uganda. The staff remaining in the Ministry of Works and Transport, including large numbers of assistant engineering officers, are reported to be demoralised and ill-prepared to assume new roles. Around 50 new established posts need to be filled according to Ministry plans, and training will be needed on a significant scale. The Acting Engineer in

Chief visualises that this can be achieved alongside a change management process of no longer than six months. However, it is hard to see any of this happening if it is not possible to reduce the payroll substantially.

One of the factors expected to prevent this happening is that staff who might otherwise accept redundancy will not do so because of the expectation that they will not actually receive their terminal benefits in a timely way. It is understood that the MFPED has declared that donor support is not required to cover these costs. However, there is a well-established tendency for terminal benefits not to be released to retrenched civil servants over periods of five or more years. There is, at least, a widespread belief that this is the case. The problem is not thought to lie in the availability of funds (hence the statement by the MFPED is insufficient). Rather, it involves institutionalised abuses in the Ministry of Public Service, where beneficiaries are expected to pay for the release of their benefits. This difficulty might be less intractable if a well-placed donor were prepared to make a special case about it and mobilise its influence in a targeted way.

6. Operational implications

If the argument so far is correct, there are some definite implications for the design of the donor support to the roads sector. We are wary of getting into the kind of detail that would be appropriate for a design or appraisal mission but not for a rapid political economy exercise of the kind we have undertaken. Therefore, we limit ourselves to just three points about the general approach that seems to be suggested by our analysis.

6.1 A process design

First and most importantly, it is essential that the DFID component, if not the whole package of support, has strong elements of an adaptive or learning process design, and very few blueprint features.[15] That is, the funding should be committed to some broadly defined objectives or a menu of broadly defined activities, otherwise remaining only loosely earmarked. Expenditure for specific purposes should be subject only to the approval of the responsible DFID advisor, so that it can be used in a strategically opportunistic way to support the kinds of interventions visualised in the last section. The alternative of designing a multiyear intervention in detail in advance would almost certainly prevent the limited opportunities that we have identified from being taken.

There seems no particular reason why this advice should be inconvenient. A possible practical obstacle is the need to complete a logical framework with detailed specification of indicators or milestones, and firm links through the results chain to the desired outcomes and impacts. However, in principle logical frameworks are fully compatible with process designs, and there should be no problem if activities are able to be specified in generic terms.[16]

6.2 Investing in people and relationships

Priority should be given to identifying, hiring and supervising the personnel responsible for delivering the support, on the understanding that their contributions as facilitators, brokers or organisers of networks are the most valuable elements that will be provided to the change process in the sector. While the cost of the other services and material inputs provided under the programme may be higher than the total cost of the project personnel, the political economy analysis above is quite clear in suggesting that the personnel will be the active ingredient, not the other inputs.

DFID programmes developed in other countries under the general title of Making Markets Work for the Poor provide excellent examples of the feasibility and potential impact of focusing on upon facilitation and brokering of relationships between major stakeholders in a particular sector. These programmes, in Latin America (DFID, 2008; PEMCE, 2008) and elsewhere, have revealed the power of aid to contribute to the solution of the miscommunication or collective action problems that are often the principal obstacle to progress in a sector.

In these contexts, large, long-term TA packages are probably to be avoided, because of the risk of their substituting for changes in the host organisation rather than enabling such changes to take place. In the Uganda roads case, there are reportedly ongoing needs for short-term TA in UNRA in several areas. To cater to this, the Executive Director of UNRA proposes to appoint an in-house TA coordinator. This

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[15] See Footnote 6 for an explanation of these terms.
[16] As David Mosse puts it, 'process-oriented approaches are not a substitute for other forms of monitoring, impact assessment or planning. Indeed, existing planning tools such as logical framework analysis … help frame the concerns of "process" monitoring'. On the other hand, the use of the logical framework does need to be somewhat different: 'while programme goals and purposes may be clearly stated, programme outputs and activities are devised (and revised) in the early stages of the project itself on the basis of project experience' (1998).

step would be very consistent with the approach we are proposing. An UNRA TA coordinator would be an important partner for the staff appointed to manage the DFID and EC support.

In the case of the Ministry of Works, short-term TA needs are also reported. Consideration might be given to linking coordination of these inputs to the other brokering and linkage roles visualised above, rather than locating it inside the Ministry. This ought to be possible even though the DFID funding in support of the Ministry is to be delivered in the form of co-funding of a World Bank loan. Here too there are Latin American experiences to draw upon.

In several countries, DFID's recently concluded Regional Assistance Plan for Latin America developed ways of working with World Bank and Inter-American Development Bank (IADB) offices that were widely appreciated by the banks' staff (Rocha Menocal et al., 2008). The key to these successful experiences was use of the relative flexibility of the DFID funding to enable bank staff to undertake outreach, networking and policy engagement activities which they ordinarily are unable to undertake (and would not have been able to undertake if the DFID funds had been merely used to supplement mainstream bank resources). This seems relevant to the support being considered for Uganda roads.

6.3 Personnel

Observers with experience of how international TA personnel and locally recruited specialists operate within the Ugandan environment suggest that a pairing of an international with a local professional is the most likely to meet the management and execution needs of a flexible, strategically opportunist, package such as suggested here. On the one hand, only a carefully selected Ugandan national is likely to have the local knowledge and networking capacities necessary to carry out the core of the task. On the other hand, there will be occasions when it is essential to make use of the freedom of action that an international professional may enjoy on account of his/her lack of past or future involvement in local networks. A division of labour that maximises the respective advantages of the two types of person will be the optimal arrangement.

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Annex 1: General features of the Uganda political system and regime*

The most important claim here is probably the one about the pre-eminence of President Museveni in Ugandan government policy decisions. There seems to be little doubt that this is a central feature of the current situation, and that it endows the President with significant scope to override opposition and impose his views when he considers it important to do so. Disagreements are found only about whether it is a systemic feature or merely a feature of the current regime.

In other words, there are no actors, within the executive or legislative branches of government or elsewhere within the state (e.g. the army or judiciary), with the power to veto a presidential policy decision. 'If he wants it, he can do it' was a statement made, unprompted, by more than one interviewee, from different parts of the political spectrum. This is partly a matter of the strength in Ugandan political culture of the 'big man syndrome' and of the lack of strong constitutional barriers to presidential dominance. However, the firmness of the President's command of the army is a major factor helping to maintain this pre-eminence, in part by reinforcing his ability to garner a substantial majority of rural voters in national elections. These are features of the regime rather than the system.

Strictly speaking, this judgement about the regime is relevant only until the next presidential and parliamentary elections in 2011. However, in view of the political benefits of incumbency under the current system, there are few who expect a new president to be elected in the next period. Were the unexpected to happen, the continuation of extreme presidentialism under a different leader is less certain. The personalistic basis of political party and alliance formation in the prevailing political system suggests that some things would very likely remain the same. However, likely alternative incumbents of the presidency would not have the same basis for controlling the army or, relatedly, for intimidating, manipulating or bribing potential or actual opponents to accept his views. They would in this respect have to behave very differently.

Presidential dominance is not mere dictatorship, however. Presidential policy preferences are highly 'political' in the sense of involving calculations about getting and keeping the support of other actors within the state or society. Many observers find that they are becoming more complexly political on account of the length of time he has been in office, and the corresponding growth in the network of obligations within which he must manoeuvre in order to maintain his position. They involve a careful balancing of visionary desires, harking back to his more revolutionary early career and forward to 'legacy' concerns, and pragmatic political calculations concerned with keeping the whole political show on the road.

For the foreseeable future, President Museveni needs to ensure that a range of his supporters and potential or actual opponents are looked after in one way or another – that is, given jobs, sinecures or other opportunities that keep them loyal and stop them becoming disgruntled to the point where they might cause serious trouble (e.g. 'return to the bush', taking up armed opposition). This is not just a matter of *realpolitik*. Preventing friends and enemies from falling into poverty and becoming alienated is, for the President, incumbent upon any self-respecting 'big man', as well as politically expedient, within Uganda's political culture.

All this imposes limits on the degree to which a policy can be pursued vigorously, and not merely espoused formally, if it makes powerful supporters unhappy. It also opens the way for technically questionable or even harmful policies to be pursued if they facilitate a short-term influencing objective (notably, winning an election).

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* Adapted from Booth and Golooba-Mutebi (2008).

Good policies can cause discontent by harming directly or indirectly either legitimate or illegitimate interests. In the former case, business interests can be affected by a particular public investment decision, and resources can be taken away from other public sector activities. Alternatively, a policy can imply curtailing existing opportunities for formally illegitimate, but tolerated, pillage of public resources or reduce the scope for distributing 'prebends' in the future. Last but not least, restructuring measures can upset the perceived distribution of power and privilege between Uganda's main ethnic groupings, for example by increasing the under-representation of northerners or showing further favour to the President's own Hima people. For any one of these reasons, good policies that have been formally adopted may not be implemented.

Bad policies, on the other hand, may be adopted and persisted with because they are politically useful. The abolition of the Graduated Tax and the current policy of creating additional districts are cases in point. These are instances where the level of presidential political interest is high, but this is of little benefit to the political viability of the kinds of policies that are of concern in this paper.

In summary, the President's informal preferences may be different from the formal ones. And it is the former that matter from the point of view of predicting what is likely to happen to a given policy option. Arguably, the contents of President Museveni's 2008 New Year speech, which expresses support for *all* of the pro-growth infrastructure investments favoured by the World Bank's growth diagnostics in more or less equal measure, is illustrative of his formal preferences only. This involves taking a step beyond the usual, correct but insufficient, observation that government policy cannot be read off from the poverty reduction strategy paper (PRSP). Even relatively 'political' policy statements in which there has been relatively little direct donor influence may not be an accurate guide to the actual probabilities.

If the President's preferences are basically favourable to a policy that is technically sound, a crucial factor in its success will be whether or not he is prepared to invest political capital in 'protecting' its implementation. This is necessary because, other things being equal, there is a high probability that powerful individuals, including some within the President's own circle, will undermine implementation by engaging in corrupt deals and/or hijacking the policy as a means of patronage.

The role of special measures to 'insulate' particular reforms or organisations from the effects of the normal functioning of the political system is an established theme in research on Uganda. For example, Robinson (2006) attributes initial success in three areas – civil service reform, the revenue authority (before the most recent changes) and anti-corruption agencies – to 'strong political support to technocratic or bureaucratic elites with some degree of insulation from political and societal interests'. But he also traces the subsequent decline in performance to the unravelling of these same enabling conditions. The probability of 'insulation' measures being taken *and maintained* thus emerges as an important dimension of political viability for any given pro-growth policy measure in Uganda.

There are in fact two ways of ring-fencing the activity so that it is not affected by the normal functioning of the neopatrimonial system. Both have precedents in Ugandan experience in the period since Robinson completed his survey.

One is to take it out of country control completely, as happens with some large infrastructure projects. The other, which is more interesting and generally applicable, is to protect the branch of government – department or executive agency – charged with its implementation. Our Kampala informants converged strongly in observing that there is currently a subset of government departments or agencies (most often the latter) that 'work' – that is, do what they are supposed to do and do it effectively, under more or less sound professional leadership. There is also a larger subset (including executive agencies established by recent reforms) that 'don't work' – are systematically corrupt or otherwise ineffectual.

Our interviewees also agree about the reasons for the difference. In the former case – currently including the Uganda Revenue Authority, the NSSF and the Civil Aviation Authority – presidential authority has been used to secure the appointment of a professional leadership, and protect the management of the operation from high- or middle-level interference from politicians and others wishing to profit personally from their influence. Plausible hypotheses are offered to explain why the President has chosen to exercise this type of discretion in these particular instances and not in others. It is, however, clear that the scale of his obligations to political supporters, including members of his own extended family, would not permit him to apply the same approach comprehensively. It is also the case that, as observed by Robinson, these arrangements are not necessarily permanent. The National Forestry Authority is a recent example of previous protection being removed, with disastrous consequences for the organisation's ability to work to its mission.[†]

These examples illustrate two things: 1) if a particular policy option were to be considered of sufficiently high priority, a means of protecting it from normal 'capacity weaknesses' could in principle be found; but 2) it cannot be taken for granted that this step will be taken and maintained, even where quite a high level of positive presidential interest has developed.

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[†] Within months of our writing these lines, the NSSF went the same way, following a scandal and parliamentary enquiry arising from the involvement of two very senior members of the cabinet in an illegal deal involving NSSF funds.

Annex 2: Lessons learned about applying political economy analysis to growth policy options

This annex provides a brief account of how the present exercise has differed from the previous ODI study on political economy of economic growth policy options (Booth and te Velde, 2008a). The previous study was concerned to set out a generic 'framework' for assessing the political feasibility of different growth policy options. It provided an illustration based on the case of Uganda and taking the growth diagnostics of the World Bank's Country Economic Memorandum on Uganda as a starting point.

The illustration was intended to reveal the strengths and weaknesses of an approach loosely modelled on the assessment of country political risks. The approach included an effort to arrive at a comparative assessment of the political feasibility of a set of possible policy initiatives, of which larger and more efficient spending on the national road network was one. Numerical scores were assigned to the relative feasibilities, as a handy way of conveying the implications of the qualitative analysis.

It was argued in the previous study and the subsequent summary Note (Booth and te Velde, 2008b) that political economy analysis can be useful as an input to thinking about investment priorities, either by donors, in the context of country assistance programming, or by partner governments, in the context of the budget. It was also suggested that it could be helpful to either donors or governments in identifying ways to make any selected investments work better. We would stand by this account of the different purposes to which political economy analysis can be put. However, we would now argue that the rating and ranking approach to political feasibility that was a central feature of the previous exercise has some fairly serious limitations. For most purposes, a problem-focused exercise using a layered political economy analysis is likely to prove superior.

The previous study assigned quite low probabilities to political feasibility in the roads sector, with various caveats about the quick-and-dirty and purely illustrative character of the assessment. Along with almost everyone else, we failed to anticipate the large increase in roads spending in the budget for 2008/09, meaning that the caveats were very much in order. However, the study had a more serious limitation arising from the use of an undifferentiated concept of political feasibility. It is clear in retrospect that the approach we took narrowed artificially the range of policy options that could be considered.

We were in effect doing what economists call partial equilibrium analysis on a highly interactive system, and therefore making *ceteris paribus* ('other things being equal') assumptions about all the variables that were not of direct concern, including actions by donors. This can be a useful thing to do. The presence or absence of donor support for a policy initiative is not as critical to political feasibility as sometimes believed. Nonetheless, it will often be more interesting to drop the initial assumption and ask questions about what may be possible under *different* sets of circumstances, particularly different modalities of donor involvement. This is one of the things the layered analysis in this report tried to do. We were invited to consider the contributions that well-designed donor support might make to a change process, which led us to internalise the various possible donor contributions within the analysis. This allowed us to reach a different *sort* of conclusion about political feasibility. We would submit that the additional insights are worth having and represent progress with respect to what was achieved, illustratively, with the previous 'framework'.

How much of the previous framework remains valid and useful, as a general tool for bringing political economy analysis to bear on thinking about growth policies? To answer this, we need to distinguish two aspects of the framework: 1) the tabular checklist of questions about the relevant stakeholders, their interests and the rules governing their interaction; and 2) the experimental effort to summarise the conclusions of the analysis in numerical scores for 'political feasibility'.

Imperfect and crude as it is, the checklist still seems valid and useful as a guide to the kinds of questions that need to be answered in doing the first two layers of a layered political economy analysis.

In fact, in the present study we have continued to make use of questions of exactly this type in analysing the role of systemic constraints and stakeholder decision logics in the Uganda roads sector. And, so long as one is concerned with fairly broad-gauged questions about investment or reform priorities, these questions may be enough.

As we have seen, however, if one is focusing on a specific 'problem', considering, for example, whether and how a donor might support a particular reform, the first two analytical layers are not enough. The third – dealing with the uncertainties involved in the change process – is essential. In sum, the framework represents a suitable starting point but needs to be supplemented.

We are less positive about the idea of summarising the results of the political economy analysis with a single numerical score. Reducing political feasibility to a single issue, based on strong *ceteris paribus* assumptions, does not seem a particularly promising avenue of advance for this type of work, for the reasons just explained. Yet any requirement to express the results as a ranking or rating will tend to force analysis down this path and exclude systematic consideration of the options for donor action. So we would not recommend including this dimension in any future studies.

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