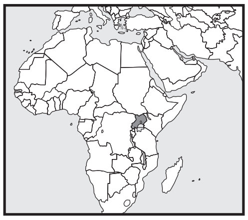
Privatisation versus the poor

DAVID OBOT



Although in some areas such as telecommunications and electricity, the liberalisation has improved quality, in others, the improvement is hardly cosmetic. While most of the poor and rural population do not have access to basic services, for women in particular privatisation has increased their work load. So that those excluded receive better basic services it is necessary to develop policy and regulatory mechanisms that reinvest the resources generated by privatisation in the social infrastructure.

The population of Uganda was projected at 22.8 million in 2001 with 88.7% and 11.3% living in rural and urban areas respectively. Thirty-five percent of the population live below the poverty line.[1] Although pro-poor budgeting of the components of the Poverty Eradication Action Plan[2] aims at improving services for the poor, poverty is still between 30% and 65% in some regions of the country. The impact of privatisation on basic services varies. Health status indicators reveal no improvement in infant, child and maternal mortality rates. There was a downward trend in the rates of immunisation between 1996 and 2000.[3] Research on HIV/AIDS revealed an increase in cumulative reported AIDS cases of 15.6% from 1993 to 1995, an average of 3% per year, but a decline on new reported cases from 3,032 (1996) to 1,149 (1999).[4] There has been improvement in access to clean and safe water, currently reaching about 55% of the population, with piped water mainly in urban centres. The rural population mainly depends on protected springs and bore holes.[5]

Enrolment in Universal Primary Education (UPE) increased from 2.7 million (1996) to 6.59 million (1999), due to increased budget allocation to primary education and benefits arising from the savings from the HIPC Debt Initiative and other bilateral support channelled through the Poverty Action Fund. This trend reversed after 2000 as a result of high pupil dropouts, the main reason for which was parents' inability to pay non-tuition costs.[6] Programmes to improve quality of education, which is uneven, include training of teachers, textbook distribution and classroom construction. The Functional Adult Literacy Programme, launched in 1992, has enabled a majority of adult participants to attain a fourth grade level of literacy and number proficiency.[7]

Review of the legal and political framework

Uganda has been implementing liberalisation policies since the early 1990s. Subsidies for small farmers have been cut and the diversity of exports has narrowed. There has been a downward trend in economic performance due to a fall in commodity prices (especially coffee and cotton) and high oil prices. It is estimated that the GDP growth will fall from 6.0% in 2000/2001 to 5.6% in 2001/2002. The economy is heavily dependent on agriculture, which contributes 42% of GDP and creates employment for about 80% of the population. Unfortunately agricultural contribution to GDP is on the decline and earnings from the non-traditional exports are still low.[8] Since exports are mainly of unprocessed products that fetch low prices and imports consist of mainly high-value consumption and capital goods, there have been persistent trade deficits since 1996.

The privatisation process was put to public debate, mainly through the Parliament, but the contributions of the parliamentarians were more «endorsements» of government proposals than in-depth analysis of the issues. Some corruption was later revealed; it is alleged that one Minister received a bribe of USD 10,000 to manipulate the Electricity Generation Bill then at the development stage, as well as push for approval of construction of Bujagali Hydroelectric Dam. The present laws and policies regarding privatisation, such as those for investment in hydroelectric power and financial institutions, demand revisiting.

One of the government's key economic reforms, to be completed by 2004, has been the privatisation of public enterprises, including Uganda Hotels Limited, Uganda Cement Corporation and the Uganda Development Corporation and its subsidiaries.[9] Government plans to continue supporting privatisation in such areas as electricity generation and distribution, rail transportation and water in the hope that competition will improve efficiency, quality, cost and access, which are seen as requirements for improved living conditions. However, privatisation is not contributing effectively to increasing household access to basic services.

It has had somewhat more success in such areas as transport, communications, mining, quarry, manufacturing, construction, wholesale and retail sectors, but the jobs created in these sectors tend to be mainly unskilled and low-paying. According to participants at the Social Watch Stakeholders Workshop at Hotel Africana, Kampala, in September 2002, «The Government poorly managed its privatisation programmes and failed to involve public workers and citizen groups in these processes, while existing regulatory mechanisms have proven ineffective at ensuring adequate oversight.»

Finally, there is a significant gender gap in access to quality social services. Women's access to privatised services is insignificant because only a small percentage of women own productive assets and the majority still cannot participate in the privatisation process. Although women are 51% of the population, fewer than 10% of them own land or other productive assets. Privatisation of services has meant an increased burden on women who must join the labour market but must still perform their domestic chores.

1 Uganda Bureau of Statistics, *Statistical Abstract*. Kampala, 2001.

2 Ministry of Finance, *Poverty Eradication Action Plan, Building Partnerships to Implement the PEAP*. Vol. 3. Kampala, 2001.

3 Ministry of Heath, Resource Centre, Entebbe, 2001.

4 Ministry of Health, *AIDS/STD Control Programme*. Entebbe, 2001.

5 Ministry of Finance, Planning and Economic Development, Budget Speech: 2002/2003 Budget. Kampala, 2002.

6 Ministry of Finance, Planning and Economic Development. *Background to the Budget: Financial Year 2002/2003*. Kampala, 2002.

7 Ministry of Gender, Labour and Social Development, *Annual Report*. Kampala, 2001.

8 Ministry of Finance, Planning and Economic Development, *Op.cit.*

9 *Ibid.*

Incentives to private companies: «Tax Holidays»

In the early 1990s, the government offered investors «Tax Holidays» in the hope of attracting Foreign Direct Investments (FDI), which were supposed to create employment and improve basic services. The government scrapped this idea around 2000, perhaps because of the many violations that occurred. Most private companies in Uganda, national or foreign, lack business plans that incorporate social responsibilities to the poor. Responses such as support of tree planting by tobacco companies have linkages to international production chains, and not to specific social capital related to basic services. Therefore, there is no logic in subsidising corporations.

Liberalisation has improved quality in some areas, such as telecommunications and electricity, but these services are limited to the people who can afford them in urban centres. Prices are left to market forces and exclude most rural and poor people. For example, most mobile phone services cover only major cities, yet the companies portray coverage as national. The mechanism to monitor performance of such companies is lacking, as most of their agreements with the government are kept secret. Indicators to show impact and quality are also lacking and the poor are least empowered to monitor performance. Currently there is no regulatory institution for hearing public complaints about service delivery. The offices of the Inspector General of Government and Ethics and Integrity are more concerned with corruption and financial mismanagement than monitoring provision or quality of basic services.

Private companies have not offered a successful alternative to the poor state provision of social services. In the health sector, «clinics» offer a whole range of services with questionable professionalism and quality. Similarly, private educational institutions provide more attractive infrastructure than quality learning services but most are urban-based, excluding rural and poor people.

TABLE 1

Proportional morbidity of the top ten causes in the Outpatient Department (%)

Disease	1995	1997	1998	1999	2000
Malaria	25.0	32.1	36.8	36.0	45.5
ARI*- Not pneumonia	20.2	16.0	15.8	15.4	25.0
Intestinal Worms	8.3	9.2	9.6	10.0	10.7
Diarrhoea diseases	6.3	5.4	4.8	5.0	8.0
Trauma (injuries, wounds)	6.5	7.5	7.4	7.0	n.a.
ARI* - Pneumonia	9.2	9.2	7.3	7.0	n.a.
Skin Diseases	3.7	5.3	4.6	4.5	n.a.
Eye disease	4.1	4.4	3.1	3.2	3.3
Anaemia	n.a.	2.3	2.7	2.8	n.a.
Ear diseases	n.a.	1.5	1.5	n.a.	2.0
Others	n.a.	7.5	8.0	9.1	5.7

Source: Resource Centre, Uganda Ministry of Health / * Acute Respiratory Infections

Benefits from export of services

Uganda has a high potential to increase its earnings from the export of services such as nursing and teaching, but benefits from exporting services are insignificant because there is no legal framework or development strategy to support service providers in foreign countries. Local firms in the construction, manufacturing and non-traditional export sectors have been stimulated by government negotiations to access foreign markets through such arrangements as the Africa Growth and Opportunities Act, but still lack business strategies for sustained competition at the international level.

Shift of ODA to private sector

Official Development Assistance (ODA) emphasises gender equality in its programmes. ODA gender policy includes room for capacity building, space to inform on inadequacies in governance, accountability and transparency. ODA conditionalities emphasise utilisation of funds for social services, provision of counterpart funding by government and reduced defence expenditure. Some ODA funds have supported private not-for-profit hospitals, such as missionary hospitals, which provide important services. However, it is difficult to assess the impact on the poor of the shift of ODA funds to the private sector. Benefits of ODA to society have gone far less to the rural poor than to the urban population.

Conclusion

Privatisation and the poor are on parallel lines. Privatisation aims at profit, and neglects the responsibility to provide basic services that are needed by the poor. The poor cannot access the benefits of privatisation and policies and regulations of the public sector have failed to facilitate their access. For the poor to benefit from privatisation and receive improved basic services there is a need to develop policy and regulatory mechanisms that encourage keeping the resources generated by private firms in the country and reinvesting them in the social infrastructure. ■

References

Development Network of Indigenous Voluntary Associations, *The Effects of Economic Globalisation in Uganda.* Kampala, 2001.

DENIVA, *The Socially Marginalized; Which Way to Their Liberation*? Kampala, 2000.

Ministry of Finance, Planning and Economic Development, *Uganda Participatory Poverty Assessment Process.* Kampala, 2000.

Ministry of Finance, Planning and Economic Development, *Background to the Budget: Financial Year 2002/2003.* Kampala, 2002. Website: www.finance.go.ug (2000/01).

Ministry of Finance, Planning and Economic Development, «Uganda Poverty Status Report (1999)», *The Challenges of Implementing the Poverty Eradication Action Plan.* Kampala, 2000.

Ministry of Finance, Planning and Economic Development, *Uganda Participatory Poverty Assessment Report Learning from the Poor.* Kampala, 2000.

Ministry of Finance, «Poverty Eradication Action Plan,» *Building Partnerships to Implement the PEAP,* Vol. 3. Kampala, 2001.

Ministry of Gender, Labour and Social Development/World Bank, *Report of Evaluation of the Functional Adult Literacy Programme in Uganda.* Kampala, 1999.

Ministry of Gender, Labour and Social Development, *Social Development Sector Strategic Plan.* Kampala, 2002.

The Republic of Uganda. *The National Framework for HIV/AIDS Activities in Uganda 2001-2005/6.* Kampala, 2000.

United Nations Development Programme, *Human Development Report 2000.* Oxford: Oxford University Press, 2000.

Uganda Bureau of Statistics, *Statistical Abstract.* Kampala, 2001.

DENIVA
<denivaug@infocom.co.ug>