

Rethinking Development Strategies in Africa

The Triple Partnership
as an Alternative Approach –
The Case of Uganda

Johnson W. Makoba

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AFRICA IN DEVELOPMENT
Vol 5

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Oxford · Bern · Berlin · Bruxelles · Frankfurt am Main · New York · Wien

Bibliographic information published by Die Deutsche Nationalbibliothek. Die Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available on the Internet at <http://dnb.d-nb.de>.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data:

Makoba, Johnson W.

Rethinking development strategies in Africa : the triple partnership as an alternative approach : the case of Uganda / Johnson W. Makoba.
p. cm. -- (Africa in development ; 5)

Includes bibliographical references and index.

ISBN 978-3-03911-948-6 (alk. paper)

1. Economic development--Africa. 2. Economic development--Uganda. 3. Non-governmental organizations--Africa. 4. Non-governmental organizations--Uganda. 5. Microfinance--Africa. 6. Microfinance--Uganda. I. Title. II. Series: Africa in development ; v. 5.

HC800.M349 2011

338.96--dc23

2011032320

ISSN 1662-1212

ISBN 978-3-03911-948-6

© Peter Lang AG, International Academic Publishers, Bern 2011

Hochfeldstrasse 32, CH-3012 Bern, Switzerland

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Printed in Germany

*To my wife, Karen, and daughters,
Laura Namataka and Emma Ludesi,
for their love and understanding.*

Acknowledgments

This book is the culmination of my research efforts and evolving thought process over the past three decades centring round the challenges and prospects for development in Africa. The study builds on my previous work on state and market strategies of development and celebrates a proposed triple partnership for development in Africa. This calls for the state, the non-governmental sector and donor agencies to collaborate in the development process.

I wish to express my thanks and gratitude to Dr Jeggan Senghor, Editor of the *Africa in Development Series* issued by Peter Lang International Academic Publishers, for his support, encouragement and helpful comments on the draft manuscript. I am also grateful to Professor Tim Shaw, Director of the Institute for International Relations, the University of West Indies (UWI), who read the completed manuscript, provided insightful comments and suggestions, and recommended it for publication. I salute Professor Goran Hyden of the University of Florida for his inspirational insights on the Autonomous Development Fund Model for improving the impact and effectiveness of aid in Africa. I am also grateful to Lucy Melville, the Publications Director and her team in Oxford, England, for the technical aspects of production.

I am thankful to all my colleagues in the Sociology Department at the University of Nevada, Reno, who have persistently encouraged me to write a book on development strategies in Africa, focusing on how non-governmental organizations and microfinance can best work. They have often heard me talk about these things and the theme has been prominent in my course on Third World Development. Because of their encouragement and support I was able to use my sabbatical leave in 2008 to embark on this book project. Now it is a reality.

My special thanks go to Jennifer Lowman, a graduate student in the Interdisciplinary Social Psychology doctoral programme at the University of Nevada, Reno, who served as my research assistant for five months. Her hard work, dedication and professionalism improved the quality of the research materials I used to write this volume. I am also grateful to Kathie Stanfield, my Administrative Assistant, for typing revisions to the final manuscript draft and assisting with the indexing. Jon Ashby copyedited the final draft of the manuscript and provided me with valuable advice on the presentation of the text. I wish, too, to thank Dr Jonathan Kelley for reading the initial rough draft of the manuscript and making useful comments on style and presentation.

Last, but not least, my heartfelt thanks to my wife, Karen, and daughters, Laura and Emma, to whom this book is dedicated – for their love, patience and understanding over the time I was doing the research and writing the manuscript. I am especially grateful to Karen for typing and retyping various drafts of the manuscript with great enthusiasm and a high degree of professionalism.

I am solely responsible for the views expressed and the conclusions reached in this book.

July 2011
Reno, Nevada, USA

Acronyms and Abbreviations

AAF-SAP	African Alternative Framework to Structural Adjustment Programs
AAS	Advisory Agricultural Services [provided by the National Agricultural Advisory Services]
ACIR	Africa Capacity Indicators Report
ADF	Autonomous Development Fund
AFCAP	Africa Community Access Programme
AFDB	African Development Bank
Afri Cap Fund	Africa Capital Microfinance Fund
AGI	Africa Governance Initiative
AGOA	[The US] African Growth and Opportunity Act
AIMS Project	Assessing the Impact of Microenterprise Services [USAID]
AMFIU	The Association of Microfinance Institutions in Uganda
APRM	African Peer Review Mechanism under the New Partnership for Africa's Development [NEPAD]
ARAs	Autonomous Revenue Authorities [in Sub-Saharan Africa]
ASA	Activists for Social Alternatives [microfinance in India]
ASA	Association for Social Advancement [Bangladesh]
AU	African Union
BRAC	Bangladesh Rural Advancement Committee
BRICS	Brazil, Russia, India, China and South Africa
BRI	Bank Rakyat Indonesia
CAADP	Comprehensive Africa Agricultural Development Programme

CARD	Center for Agriculture and Rural Development in the Philippines [an NGO and bank]
CBK	Cooperative Bank of Kenya
CBOs	Community-based organizations
CBTs	Community-based trainers in Uganda [established by CARE]
CBZ	Commercial Bank of Zimbabwe
CEM	[Uganda] Country Economic Memorandum
CEPR	Center for Economic and Policy Research [Washington DC]
CERUDEB	Centenary Rural Development Bank [Uganda]
CGAP	Consultative Group to Assist the Poor [World Bank Unit]
CMF	Center for Microenterprise Finance [Uganda; funded under the USAID-PRESTO Project]
CMH	Commission on Macroeconomics and Health [World Health Organization]
COD	Cash on Delivery
COWI	Consultancy Within Engineering
CPI	Corruption Perception Index [used by Transparency International]
CRBs	Cooperative Rural Banks [Sri Lanka]
CRECER	Credito con Educacion Rural [Bolivia]
DANIDA	Danish International Development Agency
DBS	Direct Budget Support
DBZ	Development Bank of Zambia
DFID	[British] Department for International Development
DREPs	District Resource Endowment Profile Survey [carried out in Uganda, 1999]
EBA	[European Union] Everything But Arms
ECA	[United Nations] Economic Commission for Africa

EITI	Extractive Industries Transparency Initiative
ERP	Economic Recovery Program [launched in Uganda in May 1987]
EU	European Union
EXIM	[Chinese government] Export-Import Bank
FDI	Foreign Direct Investment
FFH	Freedom From Hunger
FINCA Uganda	Foundation for International Community Assistance
FOCCAS	Foundation for Credit and Community Assistance [Uganda]
FSDU	Financial Sector Deepening Project in Uganda [British Department for International Development]
G8	The top eight (8) industrialized countries of the world
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GOU	Government of Uganda
GSP	[The US] Generalized System of Preferences
HIPCs	Highly Indebted Poor Countries
IAMFI	International Association of Microfinance Investors
ICC	International Criminal Court
ICF	Investment Climate Facility
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering [of shares to the public]
IPOD	Inter-Party Forum for Dialogue [Uganda]
KIA	Kenya Institute for Administration

K-REP	Kenya Rural Enterprises Project Bank [a leading commercial bank targeting the microfinance sector]
MAAIF	The Ministry of Agriculture, Animal Industry and Fisheries [Uganda]
MABS	Microenterprise Access to Banking Services [the Philippines; funded by USAID]
MCA	[The United States] Millennium Challenge Account
MDGs	[United Nations] Millennium Development Goals
MDIs	Deposit-taking Microfinance Institutions [established in Uganda in 2003]
MFA	[Norwegian] Ministry of Foreign Affairs
MFDP	Ministry of Finance and Development Planning [Botswana]
METI	Ministry of Economy, Trade and Industry [Japan; created in 2001 to replace MITI]
MFIs	Microfinance Institutions
MIP	Microenterprise Innovation Project [USAID]
MITI	Ministry of International Trade and Industry [Japan; created in 1946]
MIVs	Microfinance Investment Vehicles
MOFPED	Ministry of Finance, Planning and Economic Development [Uganda]
MOP	Microfinance Outreach Plan
MPs	Members of Parliament [Uganda]
MSC	Microfinance Support Center [Uganda]
MSEs	Microfinance and Small Enterprises
MTCS	Medium Term Competitiveness Strategy [Uganda]
NAADS	National Agricultural Advisory Services
NDP	National Development Plan [Uganda, 2010–15]
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organizations

NPM	New Public Management Approach
NPOs	Non-Profit Organizations
NRA	National Resistance Army
NRM	National Resistance Movement [Uganda]
ODA	Overseas Development Aid
OECD	Organization for Economic Cooperation and Development
OI	Opportunity International
OIBM	Opportunity International Bank of Malawi
PAF	Poverty Action Fund
PAP	Poverty Alleviation Program
PAPSCA	Program for Alleviation of Poverty and the Social Costs of Adjustment
PAT	Poverty Assessment Tool
PEAP	Poverty Eradication Action Plan [Uganda]
PEPFAR	[US] President's Emergency Plan for AIDS Relief Program
PFA	Prosperity for All Program [Uganda]
PMA	Plan for Modernization of Agriculture [Uganda]
PPP	Public-Private-Partnership [business model developed by the Uganda Investment Authority]
PRDP	Peace and Reconciliation Development Plan [for Northern Uganda]
PRESTO Project	Private Enterprise Support and Development Organizational [USAID]
PRIDE Uganda	Promotion of Rural Initiatives and Development Enterprises [Uganda Limited]
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD/CB	Private Sector Development Capacity Building [financed by World Bank]

PSDSG	Private Sector Donor Sub-Group [created in Uganda]
PVO	Private Voluntary Organization
RFIs	Regulated Financial Institutions
RFS	Rural Farmer's Scheme [Uganda]
RFSS	The Rural Financial Services Strategy [Uganda]
RMSP	Rural Microfinance Support Project
ROSCAS	Rotating Savings and Credit Associations
Rural SPEED	Rural Savings Promotion and Enhancement of Enterprise Development [USAID Program, launched in Uganda in 2004]
SACCOS	Savings and Credit Cooperatives
SAPs	Structural Adjustment Programs
SD	Sustainable Development
SEEP	Small Enterprise Education and Promotion
Shs	Uganda Shillings
SL	Sustainable Livelihoods
SLF	Sustainable Livelihoods Framework
SPAs	Social Performance Assessments
SSA	Sub-Saharan Africa
SWAPs	Sector-Wide Approaches [for funding by donors]
TCDTF	Tanzania Cultural Development Trust Fund
TI	Transparency International
UCA	Uganda Cooperative Alliance
UCB	[Defunct] Uganda Commercial Bank
UCSCU	Uganda Cooperative Savings and Credit Union
UCSD	Uganda Coalition for Sustainable Development
UIA	Uganda Investment Authority

UMI	Uganda Management Institute
UML	Uganda Microfinance Limited
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UPE	Universal Primary Education in Uganda
UPPAP	The Uganda Participatory Poverty Assessment Project
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
UWFT	Uganda Women Finance Trust
VSLAs	Village Savings and Loan Associations
WHO	World Health Organization
WTO	World Trade Organization
YES	Youth Entrepreneurship Scheme [Uganda]

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CHAPTER ONE

Development Strategies in Africa: An Assessment

What Africa requires is clear. It needs better governance and the building of the capacity of African States to deliver. It needs peace. It needs political and economic stability to create a climate for growth – and growth in which poor people can participate.

— Commission for Africa Report, 2005: 65

Africa's development and the welfare of its people depend above all upon the political commitment and the capability of its leaders ... and ... an international environment that is fair and supportive of their efforts. Currently, it has neither.

— Africa Progress Report, 2010: 56

1.0 Introduction

Nearly three billion people in the world today live in abject poverty, most of them in developing countries, especially in Sub-Saharan Africa. The international community has made poverty reduction one of its top priorities, as exemplified in the United Nations Millennium Development Goals (MDGs), which, *inter alia*, aim to halve extreme poverty by the year 2015. Until recently, development aid has been seen as the primary tool to reduce poverty and promote development. However, this has proved inadequate both in reducing poverty and inequality, and in promoting sustainable economic development. As a result, the international community and governments in developing countries have embraced development-oriented nongovernmental organizations and microfinance as new agents for promoting *bottom-up* economic development and poverty alleviation.

In this study, we argue that the state, nongovernmental organizations and even the private sector, each working on its own and separately, cannot bring about the desired development in Africa. More importantly, the study contends that state and market failure in Africa call for a new paradigm that enables the state, the nongovernmental sector and donors, as well as the private sector, to collaborate in the development process. We discuss this strategy within the conceptual framework of a triple partnership which focuses on three major actors, namely the state, the nongovernmental sector and donor agencies. The establishment of a proposed Autonomous Development Fund model is seen as a new vehicle to promote and strengthen three-way collaboration among the three dominant actors in the development process.

Development-oriented nongovernmental organizations (NGOs) and microfinance institutions (MFIs) are regarded as the *third sector* and are located between the state and market (in terms of institutional space); they are seen as fostering the well-being of the poor and other marginalized segments of society. However, despite the growing popularity and importance of NGOs and MFIs there is a need for a tripartite approach that engages all three dominant actors in the development process – especially in Sub-Saharan Africa. The proposed Autonomous Development Fund (ADF) model would greatly complement these major actors by seeking to achieve the twin goals of greater aid effectiveness and increased accountability in African countries determined to pursue sustainable development.

In this introductory chapter, we examine three interrelated themes concerning the development process in Africa. First, we consider development in broad and inclusive terms and seek to link development to a human-centred approach. Second, we make a critical examination of the two dominant models of development – the state and the market – with a view to proposing a new model that includes development-oriented nongovernmental organizations (NGOs) and microfinance institutions (MFIs). Third, we analyse the role played by aid, trade, direct foreign investment and diaspora remittances in Africa's development.

Development is concerned with economic growth, poverty reduction and empowering people (Harper and Leicht, 2007). It entails improving people's economic, social and psychological status as well as increasing