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**Towards Identifying an Effective and suitable approach of  
guided aid response in Situations of Prolonged Conflict: Case  
Study: Uganda**

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## **DEDICATION**

To the Muriithi's for their never ending cheer leading...

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## **ABSTRACT**

Foreign aid has had a significant role in Uganda's development as well as economical activities. It has been hailed by international donors, especially the World Bank and the International Monetary Fund, as an African economic success story. While the effectiveness of aid has been questioned by Ugandan and foreign scholars as well as policy makers alike, none doubt the pervasive role it has played in the last decade.

Today, however, the disruption in the country's political sphere as well as the intensification of the onslaught by the LRA has not only led Uganda to a situation of a political stalemate but it has also hampered expected outcomes of development programs in the northern part of the country. This has led to aid actors rethinking their roles in the conflict ridden northern part as well as bringing about a debate between development and humanitarian assistance gradually dominating donor discourse. The issue of fungibility of aid at the national level and the imminent possibilities of 'leakage' at the local level has immeasurable implications for further fuelling of the conflict in northern Uganda not to mention the efficacy of development programs. This paper attempts to unpack these issues concerning aid effectiveness in a country that is experiencing intra state conflict and gives insights on how the situation can be improved from the donors' side of the equation.



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## **CHAPTER ONE:**

### **1.0 INTRODUCTION**

In its wake, conflict brings about shocks to populations especially women and children. These shocks tend to have lasting as well as long term effects especially on children. Significant populations of children for example have their education interrupted during a shock and do not get back to school or in other scenarios have their school performance undermined in a permanent fashion. Negative health impact of these shocks also tends to persist into adulthood. For adults, shocks that lead to loss of assets are difficult to recover from. This suggests that aid should increase during a conflict situation to safeguard the well being of the vulnerable. Aid for victims of conflict remains the primary responsibility of the warring parties. The need for outside help arises when the parties to a conflict are unable or unwilling to shoulder that responsibility.

Given that Aid is fungible and an increase of Aid to a government in a conflict situation may seriously undermine Aid effectiveness given that the state more often than not is not neutral to the conflict, certain groups of the society may not benefit from this Aid.

Conventional models for development assistance suggest that States respond positively to foreign aid. Donors pouring in money=the recipient's condition and well-being improve= giving the donors incentive to contribute more. Such an approach in a conflict situation has several shortcomings-the main one being the state as a custodian is sometimes a hindrance given that in conflict it is more often than not biased/not neutral to the conflict.

Since 1980, almost half of the world's least developed countries have suffered a major conflict. The African continent has been plagued by more armed conflicts as well as having to endure casualties more than any other continents especially after the ending of the Cold War period. The toll in terms of human suffering, economic dislocation and wasted development opportunities has been enormous (Buchanan-Smith, 2000).

There is no direct causal relationship between poverty and conflict. Poor countries do not automatically descend into conflict and not all conflict-prone countries are poor. However, research has shown that poor countries are more at risk of violent conflict than are countries with higher per capita incomes (Collier, 2000)

When violent conflict occurs, along with its direct consequences – military and civilian deaths, the displacement of populations and the collapse of state institutions, just to mention a few– there can be long-term political, economic, environmental and social costs that increase poverty.

Conflict leads to increased military expenditure, which diverts resources from public and social spending and contributes to poor quality education and inadequate service delivery. This effect is amplified by the reduced ability of the government/state to collect revenue and manage the economy due to the weakening or collapse of key state institutions.

The cycle of conflict and poverty is hard to break. Violence militates against economic growth, erodes gains made in governance and undermines public confidence in state security forces and the credibility of lawmakers.

Displaced populations create new pressures on marginal lands, health systems and governance structures.

During a conflict, a state shifts, or possibly destroys the structures and institutions that had laid out the country's development path. As such, conflict affected states are unique cases in that they present state formations that are less coherent and with obvious needs for a comprehensive approach in as far as aid is concerned. In a prolonged conflict situation, the immediate needs to be addressed are mostly to do with protective, political and socio-cultural dimensions. Prolonged conflict undermines the strength of a state and pushes it off its development path.

Some countries have been so completely paralyzed by conflict that their governments cease to function. Most conflict affected states lack effective and legitimate governance. Poverty, human rights violations, unstable security and the consequent rise of alternative security systems each undermine the formal systems of governance and the key social contract between the state and its citizens. As a result, the legitimacy of the state is undermined and potentially challenged. This can further be exacerbated when it is the government/state and its state security apparatus that is perceived as the aggressor. Other instances are when a government/state disenfranchises itself through rent-seeking behaviour and patronage-both related to incumbency syndrome where political activity is focused on the retention of power.

Outside help or interveners in a conflict affected state are forced to address the absence of governance structures (Buchanan-Smith, 2000). In a conflict situation

where there is a break-down of these state structures, engaging stakeholders in participatory processes-which are an integral component in the delivery and disbursement of aid-becomes a real challenge. In an ideal situation of course, an example being the Poverty Reduction Strategy Paper-is designed in a fully participatory process, with the government taking the lead role of ownership of the document as well as carrying its core responsibility or mandate for its implementation. This is untenable in a state that is experiencing prolonged conflict. In this situation, the state is a political entity that is beset by diverging interests without agreed upon mechanisms for how to legitimize the authority of government. The worst bit is the public/population/citizenry having no means other than violence to attain political attention of the government.

The World Bank noted in its 2003 publication *Breaking the Conflict Trap – Civil War and Development Policy* that the economic and health costs of conflict are not usually compensated by any post-conflict improvements in economic policy, democratic institutions or political freedom- All the three deteriorate. Therefore, it becomes imperative for Aid to be channelled in a sustainable and effective manner even during the conflict so as to make any post conflict interventions have more impact especially given that a transition has to be made from relief into development going forward.

In conflict affected states or in states affected by a prolonged conflict, the search for legitimacy at times pushes donors to completely avoid the government as a vehicle in disbursement of aid. What this means is that other means are used in aid delivery. Therefore, this study will contribute to ongoing debate on aid effectiveness especially in a situation where a recipient is in a state of prolonged conflict and instability.

## **1.2 RESEARCH OBJECTIVE**

Assess the effectiveness of existing approaches of aid delivery in situations of prolonged political instability and conflict so as to identify a suitable approach of guided aid response.

### **1.2.1 Research Question**

What are the mechanisms through which conflict influences the effectiveness of aid?

### **1.2.2 Sub- Questions**

- How should Aid be administered in a conflict situation?

- Who should get it? Could the State be side-lined?
- What are the Socio-Economic conditions that shape aid modalities for countries under prolonged conflicts?

This paper attempts to address these questions by using the conflict in Northern Uganda as a case study.

Uganda is a country to focus on given that the war in northern Uganda has raged now for 21 years, making it Africa's longest running conflict and as described by one UN official: "the world's worst neglected humanitarian crisis." The war has led to the displacement of 1.7 million people - over 80% of the region - who now live in camps of the most squalid conditions. According to recent reports, 1,000 people die each week as a result of the poor conditions in these camps. The war is also known for the brutal abduction and use of child soldiers. The situation in northern Uganda is a complex conflict that has been misunderstood by various actors, leading to inadequate and ineffective policy prescriptions. The war is essentially two conflicts in one: first the fighting of the LRA, which is waging war against the Ugandan government and terror against civilian population in the north, and second, the real grievances of Ugandans in the north against the existing government.

## **CHAPTER TWO:**

### **2.0 A Conceptual and Theoretical Framework**

Despite universal agreement that 'development' is a priority in countries and regions with low standards of living, there is little consensus on the form that development should take. Even the definition of a 'standard of living' is contested, with economists favouring per capita gross domestic product (GDP) as a measure and other social scientists advocating more inclusive measures that account for health, education, political freedom and other elements of well-being. Similarly, academics, policy makers and development actors are proponents of different approaches to development. Broadly understood, development is the expansion of economic and personal opportunities through the improvement of public services, infrastructure, and the business and legal environment. Western nations have traditionally emphasized economic and policy reform as the foundations of development, while developing countries and many non-governmental organizations have focused instead on the role of society and community groups. This section of the paper will review general studies of aid in conflict and aid effectiveness to provide context for the operation of official development assistance in Uganda, an analysis of conflict as well as the political economy of war.

#### **2.1 Analyzing Conflict:**

Academic discourse about the origins of conflict particularly, though not exclusively, domestic conflict, has been informed mainly by two theoretical approaches. The first approach associates conflict and violence with the nature and behaviour of human beings. According to this view, conflict (war) results from selfishness, from misdirected aggressive impulses of human beings. Based on this view, other causes are considered as secondary and therefore have to be interpreted only in the light of these causes (Waltz, 1968:16). The second approach views conflict as arising primarily from the environment in which actors in the conflict operate or find themselves in. This is what is sometimes called the structural view of conflict or violence. Viewed from this perspective, conflict arises from the manner in which society is organized and governed. In other words, it arises from the nature of governance including the way in which public resources are distributed by the political authorities.

Bearing the above two theoretical approaches in mind is important precisely because they are likely to influence responses to conflict or violence situations. In addition, the understanding of the causes of the conflict is also important for purposes of developing appropriate policy interventions. Closely interlinked is the issue of governance which is a critical aspect in this paper as the conscious management of public affairs through rules and structures that have been promulgated publicly do directly have an effect on the political action as well as the solving of problems affecting societies and states today.

At the centre of governance is the state. In order to explain the relevance, role and impact of the state in these conflicts as well as aid delivery, we approach the issues from a political economy perspective.

## **2.2 Political Economy of War:**

Actors as well as stakeholders participating in a conflict in terms of who wins and loses, leads to an understanding of the conflict genesis. In any conflict/war there are economic incentives and disincentives available to actors both local and international while trying to restore peace in conflict ridden countries. Duffield (1994) states that political survival of regimes in conditions marked by human misery, failing economies calls for the proposition that there are both winners and losers only in the event that peace is reached at in any given conflict. Growing awareness of the problems of humanitarian aid in situations of conflict and chronic conflict and political instability have led to the emergence of a general consensus that a political economy analysis of conflict is required in order to inform approaches to humanitarian assistance as well as general aid delivery (Buchanan-Smith, 2000: 10; Leader, 2000; Duffield, 1998; Le Billon, 2000; Keen, 1994).

Political economy approach to chronic conflict and political instability attempts to uncover 'who gains and who loses' from the war economy and instability (Le Billon, 2000).

Throughout history, economic factors have played a central role in warfare. Faced with a post-Cold War decline in superpower support, both rebels and governments have sought alternative sources of revenue to sustain their military campaigns. In addition to the traditional means of pillage and plunder, the trades in lucrative natural resources, Diaspora remittances, and the capture of foreign aid have become increasingly important sources of combatant self-financing (Jean and

Rufin 1996). Facilitated by weakly regulated globalization and weak states in the developing world, combatants benefit from business deals with criminal networks, arms traffickers, and scrupulous corporate entities, reaching well beyond the war zones to the world's commodity markets and major financial centres (Duffield 1999). How the regime in power has used the conflict for serving its interest is seen from examples in Africa, where states in conflict have authoritarian regimes and absolute disregard for democratic culture and practice. This leads to political inequity between entities such as ethnic groups or people living in different regions in a country for example, who then use a militia to gain power and privilege. In most of these conflicts, the ruling regime has constructed a nationalism based on 'majority' politics and has attempted to isolate or integrate the ethnic/tribal/religious minorities. Most of the democratic regimes in states with conflicts have used minorities and excluded people primarily as a vote bank; or used religion or language issues to homogenize people for electoral purposes; or used one religion/ ethnic group against another etc. In all these conflicts the state has resorted to tactics of majority militarist nationalism and sought legitimacy by evoking images of threat perceptions, territorial disintegration, and 'national honour' (Keen,1997). These exclusions lead to conflict situation and can be identified with states at risk of future conflicts.

Particularly, the armed forces have been used to control and manage dissent that gradually evolves into conflict. They have treated dissent and dissatisfaction of a group against state policies as law and order problems and attempted to use one faction against the other or repress the conflict, before trying to look for a negotiated solution. All these states where there is a history of conflict have promulgated highly draconian national security laws and legislation (Berdal and Malone, 2000). In all the regions of armed conflict emergency provisions and Acts like special powers for the Armed Forces and paramilitary are operational. Armed Forces have special rights like conducting searches without warrants, destroying shelters that could be hideouts, granting wide discretionary powers to even junior officers, disallowing assembly or meetings of large numbers of people, and giving immunity to officers who have committed human rights violations. According to Berdal and Malone (2000), they state that all these states show a record of systematic human rights violations especially in the region of conflict. Such laws that are meant to provide security actually lead to insecurity and alienation that feeds into the conflict and creates support and cadre for the conflict. Most of the

conflicts have armed militias that operate on behalf of the conflicting sides. This militia is law unto itself in the region where it operates. They have access to small arms and even sophisticated weapons. They collect taxes, indulge in kidnapping, extortion, sale of drugs and are involved in a clutch of illegal activities. They are an integral part of the conflict economy and absorb unemployed youth, especially young boys and increasingly young women as cadre. In dysfunctional states, militias are the main controllers of political power and have a vested interest in the conflict.

As Keen (1997) puts it, up until recently, most scholarly writing on civil conflict tended to treat war as an inherently dysfunctional disruption of "normal" social, economic, and political interaction within a society.

Functional approaches to violence and civil war demonstrated that far from being irrational or dysfunctional, violence and instability often serve a range of political, social, and economic functions for individuals (Berdal and Keen 1997; Reno 1998). Expanding the famous dictum by Carl von Clausewitz, Keen described many of the conflict dynamics as "the continuation of economics by other means" (Keen 1998). In fact, where there is "more to war than winning", those benefiting from violence may have a vested economic interest in conflict continuation. Economic life does not cease to exist during war. Rather, it adapts and takes on new forms. As stated earlier on, every conflict has its own history, dynamics, and stakeholders. Development funds that go into such states or even regions of conflict often find their way into the 'black' or illegal economy that sustains the conflict. For example, in Chad, the World Bank's assistance in 2000 of US \$ 4 million for developing oil pipelines was used to purchase arms for the civil war. Similarly, development assistance for millions of dollars in most conflict regions, has been given to states who themselves are partisan in the conflict and would disburse it to the majority or powerful communities (Keen, 1998). This example is repeated in the conflict that is the one in northern Uganda. Clearly then, alternate methods of development assistance have to be rethought and assistance giver and taker have to be made more accountable.

All states in conflict have seen increases in their military budgets, in the number of Armed Forces and acquisitions of weapons. States like Nepal, Sri Lanka, and Uganda are few examples that have been doubling their defence expenditures and strength of their armed forces within a few years. The consequence is a militarization of their entire system. In many of these states official expenditure on



military as percentage of GDP is higher than that on the expenditure on education and health combined (Berdal and Malone, 2000). All these are indicators reveal that these states use militarist responses to ethnic / identity movements and that the policies of militarization lead to greater emphasis on defence expenditures and the use of militarist values in resolving essentially civil disputes. The ethnic/secessionist/anti-state movements in all these states also have many common features. According to Ostrom(1990), most of these anti-state movements begin as demands for justice or social change and are often based on ethnic sub-nationalism that incorporate ethnic-nationalist myths, symbols and strategies. Most of these movements have a number of factions and different strategic perceptions, tactics and goals and some of these groups have used violence against each other. Many of these movements have sections that use militant/ violent strategies, labeled as terrorism. Many of the movements are hierarchically organized, based on military principles and are 'underground'.

To adequately assess the different functions of war economies, Jonathan Goodhand proposes a particularly useful taxonomy of "combat" and "shadow" economies (Goodhand 2004).

The *combat economy* is based on economic interactions that directly sustain actual combat. It is dominated by a variety of actors, including the security apparatus of the state (military, para-military groups, police) and rebel groups, as well as domestic and foreign "conflict entrepreneurs" who supply the necessary weapons and military material. Generally, the combat economy serves to fund the war effort of these actors as well as to achieve military objectives (Brömmelhörster and Paes 2003). The preferred means of resource generation include the predatory taxation of licit and illicit economic activities, extortion of local businesses, the control over the exploitation of natural resources, the imposition of "customs" in border areas or setting up roadblocks, the sale of future resource exploitation rights to foreign companies, or the capture of foreign aid.

The *shadow economy* (sometimes called "black market economy") encompasses the broad range of informal economic relationships that fall outside state-regulated frameworks. Key actors are a range of less scrupulous "conflict profiteers", including mafias and criminals, who seek to benefit from the business opportunities that open up in highly unregulated and chaotic war situations. Frequently, the shadow economy is already widespread before the outbreak of

conflict and is a permissive factor for conflict when it contributes to violent state collapse or serves as a source of income to would-be-rebels. Once conflict erupts, shadow economies are easily captured by combatants and, thus, often become the basis for the combat economy.

For the purposes of this paper, the combat economy will be implied to and referred to as a war economy that fits the description of the situation in northern Uganda.

### **2.3 The State:**

This is the political association with effective dominion over a geographic area usually includes the set of institutions that claim the authority to make the rules that govern the people of the society in that territory. In spite of this, its status as a state often depends in part on being recognized by a number of other states as having internal and external sovereignty over it. State actors are to an important degree autonomous. In other words, state personnel have interests of their own, which they can and do pursue independently especially in times of conflict with actors in society ( Rueschemeyer, Dietrich, 1985). The specific nature of the state in these situations of conflict is crucial in influencing the livelihood options open to the population, the extent of their vulnerability, and the potential effects of external intervention.

The role of the state in a conflict can be understood from a number of perspectives. In line with observations made by Macrae (2000), it is the state which establishes the rules of governance and is responsible for the enforcement of these rules. To the extent that the state fails to enact legitimate rules and structures that ensure good governance then the state will have created conditions for potential and eventually actual conflict and violence. States can also create conditions for conflicts by failing to observe governance rules. Although there is not yet a developed typology of situations of chronic conflict and political instability, it is useful to note which characteristics could be employed to distinguish between different situations for the purposes of analyzing the delivery of aid (Buchanan-Smith, 2000). The two central characteristics of chronic conflict and political instability identified by most observers as centrally relevant to analysis and intervention are the nature of the state, and the nature of the war economy.

Macrae, uses the term 'quasi-states' to describe these situations in which the state's control over territory is challenged fundamentally, by both lack of resources and institutional failure (2000: 21). Chronic conflict and political instability can exist in 'quasi-states' that are simply very weak or contested, as well as in those in which the term 'collapse' most adequately describes the absence of any functioning state authorities at a national level. Somalia and Liberia would be cases of the latter, while Angola, Sudan and Afghanistan would be cases of the former. Buchanan-Smith notes that the crisis of the state is often characterized by competition over power rather than a vacuum (2000). Harvey adds that local authorities can continue to be powerful even when the authority of the national state has been weakened (1997: 15) as is the case in northern Uganda, where the populace over the years of the conflict has resulted to relying on.

The state can also contribute to the genesis and perpetuation of conflict by failing to exercise fairness in the allocation of public resources under its control. The resources in question include political power.

The state has not always demonstrated neutrality in many of these conflicts. Instead it has behaved as an interested party and an actor with part of it being the object of conflict. The commonly used term, 'state failure', carries the implication that there were positive intentions to build the state and its institutions, and the problem lies simply in mistakes made in implementation. However, evidence of the way in which certain groups profit from the situation of state crisis suggests that it is not a question of accidental failure, but in some cases, intentional production or sustaining of crisis (Chabal et al, 1999: Bayart et al 1999) This recognition has to be basic to the analysis of situations of chronic conflict and political instability. The tendency of international commentary to consider current intra-state conflicts as 'irrational', caused by prejudice and misunderstanding rather than as rational means to achieve particular ends, makes accurate analysis and response to these conflicts very difficult (Duffield, 1998: 39; Keen, 1997). 'The survival strategies of the politically dominant centre on the displacement and impoverishment of the losers, is a key component of today's emergencies' (Duffield, Macrae and Zwi, 1994: 225). Attention is therefore directed explicitly to the nature and character of the conflicts themselves. The political economy of war approach directs attention to three primary areas: the war economy, the collateral impacts of war, and economic strategies of war (Le Billon, 2000: 1).

An analysis of these conflicts show that most are rooted in civil society and extend into state structures, social and political institutions (Ostrom, 1990). For instance, one would find class, caste, ethnic, religious, gender based biases, practices and policies in most social, economic and political institutions. These practices extend to social interaction, employment, cultural practices and laws that can be subliminal or overt but are nonetheless present. Ostrom (1990) further states that in most conflicts and dysfunctional states (DS) Sectarian/ethnic/fundamentalist/right wing political parties and movements reflect and use the social divisions in different ways. Such political parties base themselves as representative of one (religious/Ethnic) group specifically in opposition to the 'other' and use this as a primary method of mobilization. They create a threat perception of the minorities as 'outsiders' who are linked to the enemy 'other' and whose loyalty to the nation is suspect.

The role of the state in most of these conflicts has been far from neutral. This is evident from the examples of Liberia, Ethiopia, Rwanda, Sudan, Uganda etc. where the state has blatantly backed one particular ethnic community against others. With state backing, the level of oppression is much higher, than in circumstances where the state has a semblance of neutrality. Macrae (2000) indicates that the state in these cases has an official army that is used in the repression and in addition supports militia and vigilante groups. In such cases, abuse, human rights violation and possible genocide against one community become sharper and are prone to be covered up by the state.

#### **2.4 Chronic conflict:**

The terminology 'chronic conflict and political instability' has surfaced recently as a replacement for 'complex political emergencies'. 'Complex emergencies' was the phrase which began to appear in the late 1980s, when many conflicts which were previously associated with the bipolar world order did not cease with the end of the Cold War. The central idea behind the term 'complex emergency' was that these were conflicts with multi-level causation, which resulted in major humanitarian crises (Harvey, 1997: 14).

Duffield's definition explains the addition of the term 'political': "Complex emergencies are essentially political in nature: they are protracted political crises

resulting from sectarian or predatory indigenous response to socio-economic stress and marginalization (1994: 38).”

The substitution of the term ‘emergencies’ with ‘chronic conflict’, is indicative of the persistent nature of these situations. Acute emergencies may surface now and then, but chronic conflict and political instability can exist without an ‘emergency’ of the kind that attracts immediate humanitarian attention as is the case of the situation in northern Uganda. Situations of chronic conflict and political instability are considered to exist where one or several – but not necessarily all - of the following aspects occur:

- A state in which public institutions (executive, judicial, legislative) are seriously weakened or non-existent
- External legitimacy of the state is withheld or contested
- Strong parallel or extra-legal economy
- Existence of, or high susceptibility to violence
- Forced displacement: refugees and internally displaced people
- Sections of the population are deliberately excluded from enjoying basic rights
- Livelihoods are highly vulnerable to external shocks
- Existence of serious poverty

Situations of chronic conflict and political instability may exist in localized geographical areas within states that might otherwise be considered as stable. Such pockets of insecurity may present many of the same problems for donors and operational agencies working in these areas as those that exist in situations of chronic political instability that are defined at the level of the state. Examples of such localized pockets of conflict and insecurity include northern Kenya which is associated with conflicts over natural resources and are further compounded by climatic uncertainties such as drought. There is thus a link between localized pockets of chronic conflict and political instability and environmental factors in which violent conflict over natural resources is combined with livelihood vulnerability, serious poverty, and often a weak state unable to fulfil its responsibilities towards large segments of the population (Macrae, 2000).

However, the serious crisis of statehood, the deliberate nature of the destruction of livelihoods, and an economy cantered on conflict in which

entrenched interests benefit from the crisis, all suggest that for some purposes chronic conflict and political instability should be considered separately from instability related to environmental hazards. Macrae argues that 'where countries do indeed face multiple environmental, economic and political risks, it is the political dimension of conflict-related emergencies which makes them particularly deadly' (2000: 48).

Harvey identifies the degree to which warring parties and local authorities predate upon the population as a key distinction between different situations of chronic conflict and political instability (1997: 15).

### **2.5 Theory of Aid:**

Carol Lancaster (2000) identifies some of the limitations of aid programs in the past and outlines recommendations for a new approach to aid. She focuses on the role of U.S. aid in three main arenas: making peace, dealing with the opportunities and tensions resulting from globalization, and improving the quality of life for the world's poorest citizens. In peacekeeping, the U.S. can use aid to bring intrastate or interstate combatants to the bargaining table and provide recovery assistance to prevent severe economic inequalities from arising or persisting.

Aid can also provide the cushioning necessary to offset the volatility that results from increased international capital flows, as in the Asian financial crisis of 1998. Lancaster foresees a diminished role for development aid in the 21<sup>st</sup> century, with a stronger focus on responding to humanitarian emergencies. She makes an exception for many African nations, however, which have made less progress than other regions in providing regulatory environments that attract private investment and have not benefited fully from aid because of weak institutions (e.g. protection of private property and a strong and independent judiciary). She places some of the blame on the multiple of aid agencies in the region that fail to coordinate their programs, and challenges the World Bank to provide leadership for the future. She also recommends that the World Bank refocus on its core mission of long-term development aid.

David Dollar and Paul Collier (2001) proceed from such aggregate evaluations of aid to investigate the developing country conditions that favour poverty reduction. From the point of view of donor countries from the Organization for Economic Cooperation and Development (OECD), they find that aid and good

policies mutually reinforce each other to result in increased growth rates relative to countries that do not implement policy reforms successfully. They measure policy strength using a data set created by William Easterly which incorporates

According to Collier and Dollar (1998), macroeconomic indicators, structural policies, public sector management and social inclusion forecast little to no growth in sub-Saharan African economies over the next 15 years, given the current policy environment, with depressing implications for poverty reduction. However, they note that holding policies constant, poverty in low-income countries is more responsive to aid, so that poorer countries should be allocated a greater proportion of aid in order to maximize overall poverty reduction. Under this framework, success requires that donors be selective in directing aid towards countries with good economic policies (e.g. low budget deficits, low inflation, and a positive balance of payments). Interestingly, Collier and Dollar cite Uganda as an example of relatively efficient aid allocation, with strong policies and moderate amounts of aid (Collier and Dollar, 1993).

#### **2.5.1 The evolution of aid practice in chronic conflict and political instability...**

From the late 1980s, at the same time as situations of chronic conflict and political instability were on the increase in areas facing the negative effects of economic globalization, aid budgets declined rapidly to the lowest levels in recent years because of reduced support in western donor countries for the aid project in general. As a proportion of aid, however, humanitarian relief increased at the expense of development aid because donor's political conditionality precluded giving development aid to states whose international legitimacy is in question, a category into which many countries with intra-state conflicts fall (Buchanan-Smith, 2000: 6). In this context, many development agencies have since shifted their operations to take on work in humanitarian emergencies and thus developed dual mandates.

Humanitarian aid has been asked to step into the vacuum left by declining development aid, by making relief assistance more 'developmental'. In the face of long-term crisis situations, donors, agencies and independent commentators have questioned the potential for relief aid to cause more harm than good by creating dependency, distorting local markets and potentially feeding into conflict (de Waal, 1997; Anderson, 1996; Buchanan-Smith, 2000: 8-9). Agencies involved in humanitarian work are also increasingly expected to use their programmes to

resolve conflicts because foreign policy interest in these non-strategic areas has declined to the point where donor states are not willing to attempt political solutions themselves (Duffield, 1998; Leader, 2000: 6; Le Billon, 2000: 17).

The first approach by humanitarian agencies to their new mandate was to apply the so-called 'relief to development continuum', which was originally developed for emergencies related to natural disasters (Macrae, 2000: 48). This approach is based on the idea of a linear progression back to normalcy: relief aid is needed to save lives immediately, and then once the crisis is over, rehabilitation of essential productive structures can begin, until conditions have been restored for the resumption of developmental programming.

However, the relief-development continuum has been gradually discredited as an inappropriate conceptual approach in situations of chronic instability, for a number of reasons. First, in these situations there is rarely a distinct 'end' to the emergency (Cliffe and Luckham, 2000: 299), and therefore no clear point at which a transition can be made into rehabilitation and development work (Harvey, Maxwell and Campbell, 1998: 6). Second, the assumption that all parts of a country are at the same point on a continuum was challenged by the emergence of islands of relative peace within countries in which instability also existed (White and Cliffe, 2000). Most importantly, the assumption of improving security and diminishing emergency need as aid moves along the continuum has not been upheld by experience (Macrae et al. 1997).

White and Cliffe suggest that 'relief' and 'development' approaches should be differentiated according to their objectives and outcomes rather than the content or 'modalities' of aid (2000: 323). They argue that many different outcomes other than pure relief can be promoted by assistance that is delivered through channels other than the state or discredited local institutions. This approach also raises the issue of the 'grey area' between the concepts of relief, rehabilitation and development, and the blurring of boundaries between them (Harvey, Maxwell and Campbell, 1998).

It is worth noting that there exists a fundamental clash between the humanitarian principles of neutrality, impartiality, and independence, and developmental approaches of engagement, conditionality and solidarity (Macrae et al. 1997: 232).



### **2.5.2 Aid practices in prolonged conflict within a state-**

In countries that are experiencing conflict they could be corrupt, inept or weak, the extreme nature of the failure of the state to ensure the basic rights of the citizenry in situations of chronic conflict and political instability makes the institutional question a central issue for any approach to working in these situations. White and Cliffe argue that aid serving purposes other than pure relief can be delivered through channels other than discredited governments (2000: 324). Thus it is therefore true, just as states have been eroded; it means that the constitutional link between development aid and state legitimacy can also be broken. This is the reason that there was widespread promotion of structural adjustment policies and the increased practice of channelling of official aid through nongovernmental organizations rather than United Nations agencies or bilaterally from government to government (Hanlon, 1991). However, the division of responsibilities between actors in the delivery/disbursement of aid is often tenuous.

However, channelling aid through NGOs has its negative side. Enough criticism has been directed towards this practice as contributing to the demise of the state (Christoplos, 2000a; Hanlon, 1996), and the rise of a contract culture amongst non-governmental organizations that diminishes accountability to citizens (Hulme and Edwards, 1997).

### **2.6 Aid Effectiveness:**

Several studies have examined the effectiveness of early attempts at development in Uganda. Dennis Rondinelli (1979) identifies the motivations behind the transition in the development community's focus from expanding aggregate income to promoting equitable outcomes, resulting in the introduction of Integrated Rural Development (IRD) in the late 1960s. The shift was a response to increasing disparity between rich and poor nations and between the rich and poor within developing nations – evidence that the promised benefits of economic growth were not reaching everyone. IRD was an effort to promote “balanced” development strategies that could target all regions of a country instead of relying on urban and industrial growth to be the engine of the national economy (Rondinelli 1993).

It also reflected the free-market countries' chagrin that socialist states such as China appeared to be improving overall consumption through rural collectivization.

IRD, according to Rondinelli, was often undertaken with an incomplete understanding of the actual effects of development efforts on the target regions, but factors such as political commitment, administrative support, sophisticated technical inputs and local administrative capacity were identified as crucial to the success of international financial and technical assistance. These prerequisites remain important for any development agenda today.

J.A. Binns and D.C. Funnell (1983), in their subsequent analysis of Integrated Rural Development, highlight the wide range of considerations that enter into projects with a regional focus. An area in dire need of irrigation or improved public services may be identified, or conversely the kind of project may be chosen first and then a suitable location found. While the World Bank embraced IRD and hoped to achieve through integrated projects results that could not have been obtained piecemeal – for example, through combining investment in an irrigation system with the improvement of local roads so that surplus agricultural produce could reach other markets – the actual choice of locations has often been subject to political manipulation. Thus, the attempt to choose regional targets for development that are either most in need or poised to reap the greatest rewards may be tempered by well-connected politicians with ties to specific regions within a country. In fact, government agencies are likely to be dominated by representatives of relatively wealthy regions, so that their influence diverts development funds away from the areas most in need.

Mabogunje's (1981) major criticism of IRD is the naiveté demonstrated by international donors who expect projects tailored to one region to be replicable across an entire country. He emphasizes the repeated failure to adapt pilot projects to local circumstances even when the political will existed to expand development initiatives. While Mabogunje refers mainly to geographical considerations, the social structure and other defining characteristics of different regions must also be considered part of the local conditions that development must accommodate. He also suggests that donors funding IRD projects may prefer to focus on inputs rather than community mobilization, avoiding in that way equity issues and the sensitive topic of land reforms. This analysis paves the way for incorporating local feedback in the design and implementation of development projects, a trend that is gaining traction today.

Lele (1975) contrasts "maximum packages" provided by the World Bank with less invasive "minimum packages." The former include large-scale social and

physical reorganization, with a range of interventions such as irrigation, infrastructure development and resettlement of local populations. Minimum packages, which focus on the methods and inputs of production, are less likely to disrupt the social fabric, and diffusion is more likely to be successful. Location-specific projects that require concentrated investment may have a dramatic effect on the target region, but the likelihood of replication is small. It may be preferable, according to his critique, to identify regional strengths and build on them, working in collaboration with local governments, rather than try to implement nationwide one-size-fits-all prescriptions for development.

The Paris Declaration on Aid Effectiveness testifies to the growing importance of the aid effectiveness agenda internationally.

The international aid effectiveness consensus constitutes a powerful and ambitious agenda for doing things differently, and for operating a culture change in the way donors and their non-state partners do business, for example with regard to the use of local systems. Not so long ago, most donors were averse to making use of local systems. Much of the literature on aid effectiveness seems to assume that relationships involving non-state actors are commercial relationships, ideally involving procurement models based on competitive selection processes and untying of aid (Williams et al, 2003). According to Demerjian (2002), partnership refers to “an agreed-upon arrangement between two or more parties to work collaboratively toward shared objectives - an arrangement in which there is:

- (i) sharing of work, responsibility and accountability;
- (ii) joint investment of resources;
- (iii) shared risk-taking
- (iv) Mutual benefits.

Several studies have looked at the relationship between decentralization and aid effectiveness as well as civil society involvement and aid effectiveness. Klaus Deininger and Paul Mpuga (2005) examined the effect of corruption on a range of outcomes in developing countries. They find corroboration for the expectation that corruption reduces the productivity of public investments and raises the expected cost of doing business; both effects act to slow a country’s rate of economic growth. A heavy dependence on aid transfers is correlated with a lack of accountability and poor governance, but the direction of the causality is uncertain. The authors do identify a positive relationship between accountability in public

service delivery at the local level (e.g. voter control of local government) and quality of service delivery. Their case study is based on Uganda.

Craig Johnson (2001) also explores the veracity of the argument that democratic decentralization (i.e., the devolution of power and responsibility to locally-elected councils) leads to rural development by making the state responsive to individually expressed local needs and aspirations. He finds that democracy and decentralization are not prerequisites for poverty reduction, but that a particular combination of conditions can improve poverty outcomes. Specifically, local autonomy must be balanced with accountability; support from external actors bolsters the process of development in a democratic context; and support for continued democratization ensures that gains are lasting. Johnson makes the link between corruption in rural infrastructure projects and calls for increased accountability via democratic decentralization. He also points out that local decision-making will only result in development and poverty-reducing outcomes if the resources and technical capacity are present to implement the changes identified as necessary by local constituents – hence, a role for external actors to support decentralization and development. These influential actors can be domestic or foreign, and include NGOs, donor states and higher levels of government.

Milton Esman (1978) was among the first to highlight the important role of civil society as an intermediary between individuals and the state. He sought to clarify the relationship between the state and service-receiving individuals in low-income countries, in particular trying to explain the gap between significant macroeconomic growth and the stagnation of rural areas. On the basis of his research in Asia, he advocates for the formation of constituency groups of farmers that have the wherewithal to negotiate with government and with aid agencies for favourable policies. He proposes similarly organized groups for the poor in general in order to increase the likelihood of access to improved public services. However, he also notes that social and political organization is extremely costly for many rural poor, and is only likely to succeed with government support – a paradoxical situation if well represented elites have a vested interest in conserving resources for other matters. External actors seeking to promote accountable development would do well to anticipate this potential obstacle. Dual accountability – to the central

government and to constituents – appears to be the most beneficial structure for local government.

Mikael Karlström (1999) offers an updated interpretation of civil society as it functions in Uganda. He rejects the restrictive definition of civil society as comprising only voluntary associations in favour of a rubric that encompasses kinship and religious groups as potentially valuable members of civil society. His analysis devotes considerable time to the democratically elected Local Councils which function at the village level in Uganda, and finds wide variation in their levels of organization and effectiveness. According to Karlström, pessimistic evaluations of civil society's strength in Uganda do not take these existing sources of identity and association into account. These village councils, as will be demonstrated in some individual projects, can contribute significantly to aid effectiveness, but are not in and of themselves a solution to the development question.



## CHAPTER THREE:

### 3.1 DEVELOPMENT AND SECURITY: AN ANALYSIS

Security and Development are linked as shown by the growing consensus in policy making circles as well as among researchers. This is backed up by statistical evidence of a strong correlation between violent conflict and poverty. For example, a conflict affected country typically has only one-third the per capita income of a country with similar characteristics but at peace. Furthermore, a country with a per capita income of \$500 is about twice as likely to have a major conflict within five years as a country with an income of four times that amount (Millennium Project, 2005).

There is a high level of chronic poverty in Uganda, with a strong association between depth and severity (Lawson et al 2003, Okidi and Kempaka 2002). It appears that chronic poverty is likely to be disproportionately and unequally experienced by those living in remote rural areas (Sseweya 2003), the landless (Nabbumba Nayenga, 2003), people with disabilities

(Lwanga-Ntale, 2003), the elderly (Najjumba-Mulindwa, 2003), and who experience multiple asset depletion (Bird and Shinyekwa, 2003). Health plays a key role in determining who is trapped in long-term poverty (Lawson, 2003), especially in relation to HIV/AIDs (Shepherd, 2003).

Poverty and underdevelopment make countries more vulnerable to violent conflict. Underdevelopment is linked to weak state capacity, causing countries to be less able to manage conflicts peacefully. It undermines the state's ability for sound and equitable economic and environmental management and is linked to scarcity of resources (e.g. pasture, water) which, particularly in situations where there are sharp horizontal divisions (based e.g. on ethnicity, regions, religion), can increase the likelihood of conflict between groups. It also affects demography and social structures leading to high child to adult ratios which are associated with greater conflict risks. In Uganda, of particular concern is the evidence that the poverty-reducing benefits of the growth experienced between 1997-2000 were highly uneven in its distribution. With a low Gini-coefficient during the early 1990s allowing for a high level of 'elasticity' in the relationship between growth and poverty reduction (Okidi et al 2002), and with growth concentrated in the newly liberalised and labour intensive coffee sector (e.g. Blake et al 2002), the

conditions for 'pro-poor growth' (Hamner and Naschold 2000) were effectively met during this period. However, it is doubtful that the same can be

said of the more recent pattern of growth, which was urban biased, benefited the richest 10 per cent to more than double the extent that it benefited the poorest and did nothing to ameliorate the regional inequalities that affect the North in particular (Okidi and Kempaka 2002: 8).

On the other side of the coin, conflict and armed violence increase poverty and undermine development (World Bank, 2005). Conflict destroys physical and human capital disrupts economic activity and livelihoods, reducing growth, trade and investment. It destroys health and education systems and causes the rapid movement of refugees and internally displaced persons (IDPs), deepening poverty and inequality by spreading malnutrition and infectious diseases and reducing educational opportunities. At the same time, conflict encourages high levels of military expenditure, diverting essential resources away from development and poverty alleviation. High levels of gun violence also obstruct poverty alleviation, deter investment, restrict food production and distribution and undermine livelihoods in both rural and urban areas (Centre for International Cooperation and Security, 2005).

Ongoing political conflict in the North has led to further increased poverty levels there, with over two-thirds of the population living below the poverty line. However, conflict is not the only force towards greater inequality in Uganda. As argued by Okidi and McKay (2003: 1),

"...the chronic poor appear not to have benefited much from the market-oriented development policies that have been responsible for much of Uganda's macroeconomic success over this period".

Development, which signifies progress in human well-being, used to be equated with economic growth, but it is now widely acknowledged that this is a very inadequate characterization.

The average per capita incomes are one important means to achieve such progress, but not the only one (Seers, 1971). Not only does average income fail to capture distribution across households, but it also may not be a good indicator of



many important aspects of human well-being, such as people's health, education or their security.

Sen (1999) has suggested that the development objective should be the enhancement of people's capabilities, or the opportunities open to people of being and doing a variety of things. UNDP's Human Development Report defined the objective succinctly as enlarging people's choices in a way which enables them to lead longer, healthier and fuller lives (UNDP 1990, p. 9). These are important advances, but do not explicitly incorporate security as an aspect of development. People may have the potential to do and be many things, yet this potential may be cut off, or people's sense of well-being may be seriously adversely affected with high levels of insecurity. Such insecurity includes the possibility of economic vicissitudes, health crises, and injury or death as a result of criminal or political violence. Sustained political violence may lead to the break-up of communities and families, forced migration and the need to re-establish lives in strange and alien environments, or even a suspended existence in refugee camps (Narayan-Parker and Patel, 2000). There is no question that if such events are widespread, they have a serious negative impact on many people's lives, and therefore adversely affect the achievement of development.

The UNDP developed the concept of 'human security' to encompass not just the achievement of minimal levels of material needs, but also the absence of severe threats to them of an economic or political kind: 'Job security, income security, health security, environmental security, security from crime – these are the emerging concerns of security all over the world'. According to Sen (1999), 'Human security is concerned with reducing and – when possible – removing the insecurities that plague human lives' (p. 8).

Achievement of the development objective defined as the enlargement of human choices is adversely affected by such individual/community insecurity because it cuts life short and thwarts the use of human potential. Moreover, if we take a more utilitarian approach to the definition of development – that it furthers human happiness – insecurity has severe adverse affects. In consultations with poor people, the need for security comes up as one of their foremost priorities, even in peaceful societies (Narayan-Parker and Patel, 2000).

Thus individual and community security are an important dimension of development. Their absence – even if progress is being made on all other aspects of development – then seriously detracts from development achievements.

Development and security are therefore linked in themselves, even in the absence of the causal connections between them.

### **3.2 FOREIGN AID AND CONFLICT IN UGANDA**

The long on-going conflict in the North, however, which has resulted in thousands of deaths, has meant that the benefits of such development have not been extended to a substantial portion of the country and cast doubt on Uganda's "good performer" status. Donors have been criticised for undermining the Ugandan Government's accountability for the security of its people by not placing the situation in the North at the centre of its decision-making on aid allocations to Uganda. In essence, donors tend to treat the North as a different country in need of humanitarian rather than development assistance.

Development cooperation or foreign aid as it is referred to in Uganda, has long constituted a major component of the Uganda state's development expenditure. Uganda has had a turbulent history since it gained independence on October 1962.

While expectations were high in the 1960s, in 1971, a military coup and a subsequent economic war against the Asian community (which dominated the commercial and the industrial sector) marked the beginning of economic collapse and increasing social and political disorder. This culminated in many years of civil war that ended in 1986, when the government of the current President Museveni came to power. His government inherited a politically divided country with high levels of insecurity. Much of the physical infrastructure was destroyed and GDP per capita was about 40% lower than it was in 1971. Also the first widespread effects of HIV/Aids became manifest in Ugandan society (United Nations Uganda, UNDAF, 2005)

In the economic realm as the World Bank "*Voices of the Poor*" (2000) report states: in 1987, the Government of Uganda (GoU) launched an Economic Recovery Programme (ERP) to stabilize the economy and bring about structural adjustment. Initial success was limited, but the situation improved considerably after 1992 when the Ministry of Finance was merged with that of Planning and Economic Development into a single Ministry of Finance, Planning and Economic Development (MFPED). This process of economic growth was accompanied by certain improvements in living conditions. Between 1992 and 1998, the percentage of people living below the poverty line fell from 56 percent to 44 percent

(Appleton 2001). There were, however, as mentioned before, substantial regional disparities in economic growth and poverty reduction, with the central and western regions growing the most strongly, and the northern and eastern region lagging behind (Appleton 2001, Mijumbi and Okidi 2001, Okurut 2002).

The key strategic planning framework for Government of Uganda (GoU) policy and approaches to development and poverty reduction is the Poverty Eradication Action Plan (PEAP). According to the GoU, the purpose of the PEAP is to “provide an overarching framework to guide public action to eradicate poverty, defined as low incomes, limited human development and powerlessness” (MFPED, Poverty Eradication Action Plan (2004/5–2007/8)).

It is a home-grown document which was first drafted in 1997 prior to the introduction of the World Bank’s Poverty Reduction Strategy (PRS) process, and was later adopted as Uganda’s Poverty Reduction Strategy Paper (PRSP) following its first revision in 2000. It was revised again during 2003/4 and the current version runs from 2004/5 to 2007/8.

The PEAP provides the overall framework for the development of Sector Strategies and District Plans which are linked to the Medium Term Expenditure Framework (MTEF). The MTEF links the Sector Strategies to the overall resources available by setting sector budget ceilings and is presented to Cabinet as part of the annual Budget Framework Paper. The MTEF is intended to guide all public expenditure including the use of resources committed by donors.

GoU has been able to ensure that its home-grown document was accepted by the IFIs. The production and revision of the PEAP coincided with the IFIs’ Enhanced Heavily Indebted Poor Country (HIPC II) Initiative which required the preparation of a PRSP by eligible governments (European Commission Report, 2004).

Donor relations in Uganda currently on the other hand, are characterised by high levels of harmonisation of operational policies, procedures, and practices and by alignment with the PEAP framework (<http://www.aidharmonisation.org>)

There are co-ordination mechanisms led by the MFPED, and donor assistance strategies and implementation processes are predominantly aligned with GoU priorities and processes via general and sector budget support and the MTEF.

The majority of donors deliver their assistance either through budget support to the GoU’s central budget or to sectoral ministries to support the implementation

of Uganda's Sector Wide Approaches (SWAs) (European Commission Report, 2004).

The purpose of budget support is to support the implementation of the PEAP as the GoU's strategy for poverty reduction by providing substantial un-earmarked financing in a way that increases GoU's control and reduces the burden of donor co-ordination and liaison on the GoU and its ministries. According to Picciotto (2004), nine donors provide general budget support via the World Bank's Poverty Reduction Support Credits (PRSC). They have agreed on a joint policy matrix, known as the 'PRSC Matrix', of proposed GoU actions and commitments, which are monitored and linked to disbursements. According to the, '*Conflict and peace analysis report for the Northern Uganda Shea Nut Project*'- Conflict issues are not at the heart of the decision-making process regarding direct budget support to Uganda, despite the increasing recognition that development assistance can help to fuel conflict and exacerbate tensions. Whilst direct budget support to Uganda has failed to increase development in the north of the country, in contrast, the UPDF has been increasing their annual expenditure (Saferworld, 2005).

The figure below shows the amount in dollars of official development assistance that the country receives as well as the donors who disbursed the highest in the year 2004-2005 based on figures from both the World Bank and the OECD.

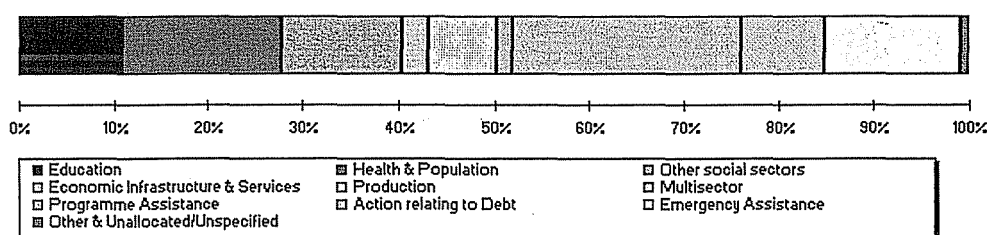
## Uganda

Receipts	2003	2004	2005
Net ODA (USD million)	976	1 198	1 198
Bilateral share (gross ODA)	56%	55%	54%
Net ODA / GHI	15.9%	17.9%	14.0%
Net Private flows (USD million)	16	- 8	15

For reference	2003	2004	2005
Population (million)	26.9	27.8	28.8
GHI per capita (Atlas USD)	230	250	260

Top Ten Donors of gross ODA (2004-05 average) (USD m)	
1	IDA 344
2	United States 225
3	EC 102
4	United Kingdom 82
5	Netherlands 76
6	Denmark 64
7	AfDF 62
8	Ireland 48
9	Germany 47
10	Sweden 45

**Bilateral ODA by Sector (2004-05)**



Sources: OECD, World Bank.

Uganda has been ahead of other countries in the degree to which government has tried to solicit 'grass-roots' views on the poverty reduction strategy, including in PPAs that have informed revisions of the PEAP. Civil society organisations (CSOs) have contributed to debates through participation in sector working groups, by monitoring the impact of PAF, in providing analyses of the PEAP and in UPAPP. In 2000 and 2003, government invited CSOs to contribute formally to the PEAP revision process through a Civil Society Task Force. However, the organisations involved in these processes tend to come from a rather select group of NGOs in Kampala that are not typical of the country as a whole. CSOs themselves point out that they participate by invitation and not by right, that certain – possibly less compliant – CSOs are not included in consultation processes (for example, trade unions, the media, groups representing people with disabilities, religious organisations), and that CSOs have no say in setting the terms of the debate or in policy formulation. (Brock, et al., 2003; Hickey, 2003).

A more substantive issue than the possible marginalisation of some CSOs in the discussions on poverty reduction is that the PEAP has never been widely owned by citizens or by the bodies that are formally democratically accountable to them (Piron and Norton, 2004 p.25).

The policy dialogue on poverty reduction has been an ineffective mechanism for engaging the government on matters of democracy, conflict and defence spending. In principle, 'good governance' is seen both as a prerequisite for poverty reduction and as a dimension of welfare. In practice, the concept of 'governance' embraces different kinds of concerns, many of them touching on sensitive internal political and security matters where governments are typically resistant to external interference. By the same token, these are issues over which the donors' main interlocutors on poverty reduction – Ministries of Finance and sector ministries – have little power or influence. Donor discussions on governance are still based on the Good Governance and Security pillar of the PEAP, but the locus of these discussions has shifted to the Office of the Prime Minister. The dialogue remains a difficult one, with the President repeatedly asserting government's sovereignty and stating that he will not accept "political conditions". What this difficulty shows is that donors "cannot 'buy reforms' or ensure government behaviour that meets (International Partners') standards of democracy when the governing regime feels that its fundamental interests and ultimate survival are at stake". (Lister et al., 2006:114)

The northern Uganda conflict is posing challenges to how development cooperation has traditionally functioned in the country. At this point in time, it would be prudent for the international community, more so all involved in the aid business to find sustainable means of administering aid without further fuelling the conflict-which is rather tricky. This is so because this conflict is in a context where challenges abound in quelling it given the porous borders that make it difficult to contain the war entrepreneurs who seem to be spread into neighbouring south Sudan as well as in the DRC. According to the Small Arms survey conducted by International Institute of Strategic Studies (2006), the LRA conflict has been sustained by the ability of LRA units to operate from and cache their arms in Southern Sudan. Since the signing of the Comprehensive Peace Agreement in January 2005, the hope is that the LRA will lose its back bases. The SPLM leader, Salva Kiir, has made it clear that the LRA conflict needs to stop and skirmishes have taken place between SPLA and LRA units. However, there are still rumours

of supplies going to the LRA from Khartoum, despite a formal undertaking by the Government of Sudan to stop all support. In addition, most recently LRA soldiers have also been engaged in the DRC as their space in Sudan has become more restricted. The United Nations Mission in Congo (MONUC) and DRC troops have had skirmishes with LRA units and it is hoped that the combined pressure will reduce their operation space further. The danger is now that the LRA may become more fragmented, perhaps leading to small groups committing banditry that may or may not be linked to formal LRA activities.

Fungibility of aid has received considerable attention in related literature on aid. The issue of fungibility potentially does pose a problem and donors need to be watchful as the conflict in the north of Uganda given that the state is using this to siphon resources away from the much needed development initiatives in this affected region. The aid that the donor community provides to Uganda should not provide a basis or give the state a reason not to invest in the country's development-since lack of and inequitable development has been identified as key contributor to the conflict.

However, no less complicated is the possibility of funds provided through donor assistance getting into the hands of the Lord Resistance Army combatants at the local level thereby further fuelling the conflict thus making the aid even more ineffective. This is particularly so in a context where the presence of the state at the local level is indeed marginal in the affected area. When development approaches give emphasis on community management and envisage to a large extent the local community itself handling funds, it could very much likely be that development funds meant for the community would find its way in LRA management who then use it to further their cause. Thus how to administer aid in a way that avoids fungibility at the central/state level while at the same time preventing it from getting into the hands of the LRA combatants at the local level in the north becomes the challenge for the donor community providing aid to Uganda. Administering aid in conflict thus becomes intricately tied up with aid effectiveness.





## CHAPTER FOUR:

### 4.0 AID AND THE CONFLICT IN NORTHERN UGANDA

The armed conflict in northern Uganda has been overlooked and misunderstood for the past 21 years. Initially rooted in a popular rebellion against President Yoweri Museveni's National Resistance Movement (NRM) government, it has since been transformed by Joseph Kony's Lord's Resistance Army (LRA) into a brutally violent war in which civilians are the main victims with thousands killed, raped and abducted. While people living in the north have grievances against the current government, Kony's LRA does not represent their views and it enjoys very little popular support among the civilian population (Refugee Law Project Working paper no 11, February 2004)

As stated, the misunderstanding has resulted in a tendency to simplify the conflict to merely "getting the bad guy" while ignoring the complexities that continue to fuel the conflict. The war between the Lord's Resistance Army (LRA) and the Government of Uganda (GoU) has continued because of historical grievances, a legacy of militarised politics, external interference and national and international indifference.

According to a report "*Behind the Violence: Causes, Consequences and the Search for Solutions to the War in northern Uganda*" Uganda's post-colonial history has been one of violent coups, numerous armed rebellions and regional and ethnic divisions. This has created a militarised political system with a legacy of accessing state power through violence. The LRA insurgency was initially a political response to the current government's coup and ensuing cattle theft by various government soldiers. The nature and duration of the conflict have created tremendous humanitarian, social and economic costs for all of Uganda.

Until mid-2003, the LRA conflict was very much seen as an Acholi problem and not a national issue. As the conflict spread in 2003 to Lango and Teso, this perception changed and this has partly been evidenced by the strong focus of the Poverty Eradication Action Plan (PEAP, Uganda's Poverty Reduction Strategy Paper) on conflict resolution, disaster management and security. However, many people in the north continue to feel that the conflict is not getting the attention it deserves from the government or wider international community (Refugee Law Project report, February 2004).

The economic costs of the war have been enormous for the entire country. It is morally and academically challenging to quantify the value of a human life and the social costs of war, but attempting to do so paints a picture of the costly damages of this prolonged conflict.

A conflict assessment conducted by Saferworld in a number of regions of Uganda, including Pader in the north, highlighted that one of the main root causes of the current conflict is the region's exclusion from development (Saferworld, February 2005). Historically, the north has been neglected in terms of economic development, and deep-rooted divisions between the north and south of the country have been manipulated by both the colonial administration and various post-independence leaders over the past 40 years. Competition between groups that politically dominate the Ugandan state and those that have been excluded from its power and resources (e.g. wealth, education and status) is a key cause of poor relations between different ethnic groups. Since the start of the conflict, development prospects in the North have worsened. Infrastructure is very weak and inhibits economic growth and activity (e.g. agro-processing industries). Social service delivery through schools and hospitals is also very poor.

According to the *United Nations Development Assistance Framework – Uganda 2006-2010*, over 1.4 million people have been displaced by the conflict and live in around 200 camps, in the northern and eastern parts of the country. The humanitarian situation in the camps continues to present difficult challenges (United Nations, 2005). The rural camps set up to provide security for the internally displaced persons (IDPs) remain insecure and the Ugandan People's Defence Force (UPDF) is failing to protect the communities. A recent conflict assessment in Lira district found that economic opportunities in the camps are being hampered by the fear of LRA attacks and very limited access to land, whilst allegations of the UPDF's human rights abuses against the IDPs are creating mistrust in the UPDF. This is contributing to civilians in the camps having the increasing perception that the government is not committed to ending the conflict (Refugee Law Project Working paper no 11, February 2004)

The conflict in northern Uganda has indeed created a unique relationship between the state, civilians, civil society groups, humanitarian and development practitioners. Non-state actors such as traditional authorities, national and international NGOs, religious leaders, and a host of civil society organizations help

fill the void, where the State fails to provide adequate support to a region populated by 1.5 million displaced persons (International Crisis Group, April 2004).

#### **4.1.1 Who should get the aid? Could the state be sidelined?..**

The above scenario has had significant impact upon authority and governance structures in the region. As a consequence, traditional authorities, religious leaders and civil society organizations have taken up roles nearly equal to the responsibility, accountability and authority of the state. To some extent, the special circumstances have developed to create a sense of mutually shared authority between the state and non-state actors. It is important to note that the newly developed shared authority structures in northern Uganda differ significantly from those in the rest of the country. There is a deep mistrust of the NRM government by the Acholi people, many of whom believe that the government is pursuing a policy designed to keep them politically and economically weak by allowing the conflict situation in the North to continue (Centre for Conflict Resolution, 2005)

The 21 years of National Resistance Movement (NRM) rule have produced a stable and secure environment, particularly in the western and central parts, whereby the State plays a significant role in service delivery and authority representation. For example, the Local Council (LC) system, in which local councillors are elected on 5 levels - from village to district level, is much better respected in these other areas of the country. The LC system provides for dispute resolution, governance and implementation of Government policies at the local level (Africa Peace Forum, 2004)

By contrast, in the conflict area of northern Uganda, alternative traditional and religious groups are turned to by the people seeking assistance to the resolution of their local disputes. The cooperation between NGOs and local officials is especially noticeable when providing for persons in IDP camps, where the Government only provides at very minimal levels. Non-state actors are thus elevated to a greater degree of authority in northern Uganda (Quaranto, and Poffenberger, M. 2006). This presents an opportunity for aid delivery be fashioned in a way that includes NGOs at the local level.

The failure of the state to ensure equitable distribution of aid-be it development assistance or of a humanitarian nature in situations of chronic conflict and political instability makes the issue of aid effectiveness a critical item that needs attention. Foreign aid can be detrimental to the overall security situation of a

given country as is evident in the Uganda case. This comes about when donors go 'blind' by not pointing out critical issues that need addressing/tying in peace initiatives as part of aid conditionality to countries and by the receiving country 'playing the game' of politics in order to receive funds. As already mentioned, a country like Uganda depends on foreign aid for nearly 50 percent of her budget. Foreign aid is important in Uganda because it finances free primary education, free basic health care, and infrastructure rehabilitation and maintenance. It is apparent that Uganda spends too much on the military. According a government report, in 2005, government spent 11 percent of its annual budget, or US\$200 million, on the military (Kampala: Ministry of Finance, Planning and Economic Development, 2005).

From a report in the Foreign Policy Briefing, "Foreign Aid and the weakening of Democratic Accountability in Uganda, Mwenda reveals that, about 20 percent of the budget, or US\$40 million, was lost to corruption in 2005 (July,2006).The army payroll includes thousands of "ghost soldiers," whose salaries go straight into the pockets of the army officers. The government also spends 12.5 percent of its annual budget on public administration that is mostly political patronage. Uganda has 68 cabinet ministers, 73 presidential advisers, a stadium-sized parliament, and numerous local governments, which in the last year alone increased from 56 to 80(Foreign Policy Briefing, 2006).

Corruption in Uganda is endemic. For example, a 2004 study by Ritva Reinikka from the World Bank and Jakob Svensson from Stockholm University found that 20 percent of Uganda's total public expenditure went to cater for education in the mid-1990s.However, only 13 percent of Uganda's sizable education budget ever reached the schools. The rest "was captured by local officials (and politicians)" (Quarterly Journal of Economics 119, May, 2004) Not surprisingly, a study by Uganda's own Ministry of Finance concluded that expenditure on political patronage could be cut by 50 percent and the country would get better services at a cheaper price (Kampala: Ministry of Finance, Planning and Economic Development, May 2004).

Uganda was the first country to benefit from the HIPC initiative. When it qualified for HIPC status, Uganda's total debt stock was about US\$3.2 billion. Under both the "original" (1998) and the "enhanced" (2000) HIPC program, Uganda got debt relief to the tune of US\$2 billion. This is arguably estimated to be

nearly two thirds of the country's debt was written off (International Herald Tribune, 2005)

Aspersions have been cast as a result of this move, with questions such as the justifications for Uganda's qualification for HIPC being raised. The World Bank argued that Uganda "deserved" debt relief because government had created a "good policy environment" through macroeconomic policy reforms that led to impressive and sustained economic growth rates for over a decade (World Bank report, 2004). The saying of every story does have two sides is clearly illustrated by the way the World Bank pushed its argument for Uganda by stating that, Uganda "needed" debt relief because its debt burden was unsustainable and not only was going to undermine future economic growth but also was going to put economic reforms in jeopardy.

Arguably, if Uganda did indeed "deserve" debt relief, then it should not have "needed" it in the first instance. It goes without saying that, when a government implements good reforms leading to high growth rates, those growth rates should then enable the government to meet its obligations to its creditors. Conversely, countries that need debt relief often don't deserve it because they have pursued wrongheaded economic policies. In such cases, debt relief could encourage them to continue down the wrong path (Foreign Policy, p.61, 2005).

It is worth mentioning that debt cancellation has the potential, a great potential that leads to moral hazard. That is the reason that one finds some countries being seen as 'donor darlings' while others being categorized as 'difficult partnership' countries. How this is so is for this- one government may borrow, work hard, and use the loan in a productive way that allows it to repay the loan. Another country may also borrow but allow the politicians and bureaucrats to steal and misuse the money. When it fails to repay the loan, international donors forgive it. Such an approach penalizes good performers and rewards corrupt and incompetent borrowers (Foreign Policy Brief, No.88, 2006). This does not create the right incentives for better loan management but directly induces governments to think that they can borrow and spend money in any way they like without paying the price for their actions. In the case of Uganda, one would have thought that the donors would include as part of aid conditionality, commitment of the government towards working for peaceful resolution to the conflict in the North, on the contrary!

As Table 1 below shows, in the six years before HIPC, foreign aid to Uganda averaged US\$593 million per year. In the six years after HIPC, it averaged US\$783 million per year. What this implies, after HIPC, foreign aid inflows to Uganda increased by 32 percent. Following the HIPC initiative, donors increasingly moved away from loans and toward grants. In 2001, for example, 60 percent of total foreign aid inflows into Uganda were in the form of grants (i.e., free money). The rest came in the form of highly concessionary loans from multilateral donors like the World Bank (Foreign Policy Brief, No.88, 2006).

**Table 1:**

**Gross Inflows of Foreign Aid before and after HIPC (adjusted for inflation)**

Inflows of Aid before HIPC	Inflows of Aid after HIPC
1991–92 US\$509m	1997–98 US\$842m
1992–93 US\$696m	1998–99 US\$795m
1993–94 US\$508m	1999–00 US\$700m
1994–95 US\$651m	2000–01 US\$666m
1995–96 US\$668m	2001–02 US\$849m
1996–97 US\$525m	2002–03 US\$847m

*Source:* Uganda, Ministry of Finance, Planning and Economic Development, “Background to the Budget,” 1999–92 through 2002–03.

In spite of the generosity showed towards it, Uganda’s external absolute debt—all of which was public or publicly guaranteed—substantially increased (Table 2 below). Uganda’s relative debt (debt/GDP) also increased and reached a peak in fiscal year 2002–03. Uganda’s relative debt has fallen since then, but the IMF and the World Bank warned that Uganda’s debt was unsustainable as recently as 2004 (World Bank and International Monetary Fund Report, 2004).

From independence in 1962 to 1998, Uganda’s debt grew to US\$3.2 billion. In the five years following the HIPC debt relief of US\$2 billion, the debt rose to US\$4.9 billion. Uganda did not accumulate that debt burden because of “mismanagement” under the brutal regime of Idi Amin. On the contrary, over 90 percent of Uganda’s debt was incurred during the implementation of World Bank– and IMF-sponsored economic reform policies of stabilization and structural adjustment, beginning in 1981. If those policies had worked as their advocates

argued, Uganda should have been able to pay its way out of debt (Washington: Overseas Development Council, 1997)

**Table 2:**

**Key Indicators of Uganda's External Debt in Millions of U.S. Dollars**

**(Adjusted for inflation)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Total debt stock	3,574.8	3,785.8	4,284.2	4,510.0	4,874.9
Total debt service	164.7	133.6	172.0	179.7	192.1
Debt service after HIPC	90.3	53.2	78.8	97.0	96.6
Savings from HIPC	74.4	80.4	93.2	82.7	95.5
Ratio of debt stock to GDP	63.2%	64.8%	68.5%	63.2%	56.2%

*Source:* Uganda, Ministry of Finance, Planning and Economic Development, "Background to the Budget," 2005-06.

Consequently, Ugandan military spending almost doubled from US\$110 million in 2000 to US\$200 million in 2005 (*Daily Monitor* July 19, 2005). In spite of all this, the conflict in the North of the country grew worse as the corruption in the military skyrocketed. Uganda's experience is important because it demonstrates the strength in the argument that, when there is a conflict in a country, development aid is not able to be effective in that the populace living in affected area are not able to benefit from this aid especially if they happen to fall on the opposing side of the state-the state being the most preferred channel of disbursing aid.

The World Bank and the IMF argue that Uganda has one of the best policy environments in sub-Saharan Africa. Additionally, both institutions maintain that Uganda has the highest return on each dollar of foreign aid spent. It is indeed disappointing to think that both these multilateral institutions can have this frame of mind. Despite the long suffering conflict in the north, the UK Government - the second largest donor to Uganda - has been rewarding President Museveni and the Government of Uganda with large amounts of development assistance, most recently, in the form of direct budget support (Global Issues, September 2005). Given that the relationship between aid and development outcomes is fragile and often ambiguous (Rajan and Subramanian, 2005; Easterly et al, 2003; Clemens et al, 2005), this resulting from the fact that Aid has often been for non-developmental objectives, such as disaster relief or for military and political ends. Much aid is lost due to instability and conflict: roughly half of aid to Sub-Saharan Africa has gone to countries facing civil war and/or frequent military coups (Fitzpatrick et al, 2007). In the case of Uganda, the close as well as cooperative relationship that has evolved over the years with the IFIs-namely the IMF and World Bank has brought the situation whereby little attention has been paid to the nature of the political system that has been prevailing since 1986. It is unfortunate that the donors who stress on 'good governance' have backed a quasi authoritarian government, rewarding them with cascades of cash while at the same time subjecting state personnel and operatives to limited scrutiny and control. According to the report "Governance: The World Bank's experience" (Washington, DC, 2004), where an emphasis has been laid on good governance, corruption, arbitrariness, authoritarianism and other manifestations of patronage politics continue to dominate the darling of the donors-Uganda, despite the dismal performance in terms of aid effectiveness in the conflict ridden north of the country.

In addition, Conflict issues are not at the heart of the decision-making process regarding direct budget support to Uganda, despite the increasing recognition that development assistance can help to fuel conflict and exacerbate tensions. Whilst direct budget support to Uganda has failed to increased development in the north of the country, in contrast, the UPDF has been increasing their annual expenditure (*Conflict and peace analysis report*, December 2005)



The state on its part has continued to draw international sympathy as a result of the brutalities of the conflict giving them lots of leeway in increasing its military spending while neglecting the survival needs of the people in the affected areas.

#### **4.1.2 How then should aid be administered?...**

Donors engage in Ugandan politics with different agendas and strategies although the framework under PRSP combined with the budget support and sector wide approach has increased coordination among the different donors. Specifically, donors are important actors' vis-à-vis the CSO sector in that they provide almost all funding to these organizations. This influence for instance is exerted in the change in prioritizations from support to service delivery organizations to focus on advocacy and lobby organizations.

Ugandan CSOs have been going through the same process of change as seen in other developing countries, i.e. from "gap-fillers" involved in service delivery as contractors with government and donor agencies to a more specific political role as advocacy and "watch-dog" organizations. This development has been closely linked to the introduction of poverty reduction policies with their specific requirements about national ownership and involvement of non-state actors in policy formulation (i.e. World Bank Poverty Reduction Resource Book 2003, Lister and Nyamugasira 2003, Barr et al. 2003). Most CSOs, however, are not either advocacy or service delivery but maintain "*...a holistic approach which give them more flexibility to respond to the perceived needs of the population they serve*" (Barr et al. 2003:3)

At the community level most CSOs are more exclusively involved in service delivery activities, i.e. HIV/AIDS, agriculture, health, and different sorts of income-generating activities (Lister and Nyamugasira 2003:104).

At the district level most CSOs in Uganda are involved in service delivery (Barr et al. 2003). As resources and decision-making have been decentralized CSOs may access resources directly as sub contractors of the local government in the implementation of PEAP. What this means is that donors are also able to engage directly the CSOs in an attempt to ensuring that the aid reaches the populations in the northern part of Uganda.



## CHAPTER FIVE:

### CONCLUSION

The desire to improve development aid effectiveness is one that has challenged economists and other social scientists for many years. The question of aid effectiveness is of special importance in sub-Saharan Africa, where many national budgets are supplemented by foreign aid in part or in majority. The recent promise by the G-8 nations to provide \$50 billion in additional development assistance is accompanied by the tacit understanding that tolerance for development failures is at an all time low. Yet, when many economic analyses indicate that recipient countries require strong institutions, low corruption or political stability in order to use aid effectively, how are states that lack these qualities to appeal to donors? However, the goal of this paper was never to provide a definitive answer to the aid effectiveness question but to show that decentralizing the way donors do business by involving Civil Society Organizations in the aid chain.

The conflict provides further an avenue for endemic corruption. Corruption and leakages have reduced the impact of development efforts and undermined public confidence in Government, helping to fuel the conflict to some extent. Decisive action to tackle corruption should improve the effectiveness of public spending and help to restore public confidence. The impact could be rapid. Successful action against wrongdoers would send a powerful message, resulting in behavioral change and altered public perceptions.

The rule of law takes time to develop, and eliminating corruption can be a decades-long process, especially as the negative effects of perceived corruption can linger even after the root of the problem is addressed. The question, then, is taken to the individual country level: within a certain policy and social environment, what can a donor do to make its aid funds more effective?

Governments in fragile states face lots of daunting challenges. They must consult with ordinary people, many of whom they distrust, and build developmental capacity, instilling new skills and open, accountable processes. Yet powerful leaders, insecure of their own authority, often fear that change will destabilize already delicate situations. Similarly, donor agencies face the difficult

transition from relief to development, and from substituting for government institutions to enabling them to perform key tasks.

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The failure of successive governments to establish appropriate governance institutions that are responsive, inclusive and accountable to the majority of Ugandans has resulted in the under-development of northern Uganda. Any development assistance to Uganda must therefore be based upon a comprehensive assessment of the peace and conflict dynamics in the country if development is to prosper.

Availing donor aid is not the only way to influence governments. Continuous dialogue into new ways of doing business is essential in the sense that like in the case of Uganda where the aid concentrates programmes in single sectors, it is necessary to find new ways that do not give individual ministries e.g. Ministry of Finance power that may be abused or might undermine the legitimacy of others at lower levels such as multipurpose councils found in the conflict ridden north thus rendering aid ineffective. Decentralization is an important means of bringing development closer to the rural poor by involving local communities in developing appropriate programs, which are best suited to their needs and in implementing them, ensuring greater accountability for use of public resources, and mainstreaming the poor and deprived groups. Equally, decentralization is one of the important mechanisms available to address social exclusion by empowering people who are away from traditional centres of power and privilege and also helping to deliver services to them effectively.

Indeed governments do matter and as such are an unavoidable feature in the whole donor-recipient landscape that has capacity to do good as well as harm. Given their ability to reach as well as have more command on resources than other non state actors; it is vital that partnerships of governments with non state entities be further encouraged in the long term and donors should incorporate them in channeling of aid especially in prolonged conflict situations.

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