

When do ruling elites support productive sectors?: Explaining policy initiatives in the fisheries and dairy sectors in Uganda

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**When do ruling elites support productive sectors? Explaining policy initiatives in the fisheries and dairy sectors in Uganda**

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**ABBREVIATIONS**

ADB	African Development Bank
AFALU	Association of Fishers and Lake Users of Uganda
BMU	Beach Monitoring Units
DC	Dairy Corporation
DDA	Dairy Development Authority
DFR	Department of Fisheries Resources
EU	European Union
FAO	Food and Agricultural Organization
LVFO	Lake Victoria Fisheries Organization
MAAIF	Ministry of Agriculture, Animal Industry, and Fisheries
MOFPED	Ministry of Finance, Planning, and Economic Development
MP	Member of Parliament
NaFIRRI	The National Fisheries Resources Research Institute
NRM	National Resistance Movement
PEAP	Poverty Eradication Action Plan
SALL	Sameer Agriculture and Livestock Ltd.
UCCCU	Uganda Crane Creameries Cooperatives Union
UFPEA	Uganda Fish Processors and Exporters Association
UNBS	Uganda National Bureau of Standards
UNDATA	Uganda National Dairy Traders Association

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## **ABSTRACT**

This paper explains the differences in ruling elite support for the fisheries and dairy sectors in Uganda. Although production in Uganda has not generally been promoted in any sustained way, ruling elites have to varying degrees supported the dairy and fisheries sectors. The paper shows that the ruling elite initially supported the fishing industry because of industry pressure. They have failed to enforce fisheries management because there are big political costs associated with such enforcement. The dairy sector in the southwestern milk region was initially supported because the ruling elite wanted to build a coalition of support in this region. Coming from the region himself, the president had a keen interest in dairy cattle. The sector was subsequently regulated because the biggest processor put pressure on the ruling elite to do so. Even when the ruling coalition is fragmented, promoting production is possible if there is strong industry pressure and when the initiatives to promote the sector are also seen to help build or maintain the ruling coalition.

## I. INTRODUCTION

Uganda's economy has been one of the fastest growing in sub-Saharan Africa, with an average annual growth rate of 7 percent between 1996 and 2008. It is considered one of 17 so-called emerging African economies (Radelet, 2010: 13) that have experienced growth, poverty reduction and improved political accountability over the last fifteen years.

In spite of growth, however, Uganda's economy has not been substantially transformed. There has been no shift from low-technology agricultural production to higher technologies. There have been no major or widespread increases in productivity. Growth in the manufacturing sector has been limited. An important reason for this is that there have been few sustained state initiatives to support the productive sectors. In spite of explicit intentions to promote industrialization, the National Resistance Movement government has failed to achieve that goal.

Yet some sectors have seen spurts of growth. Throughout the 1990s and until 2006, fish exports from Lake Victoria became a real success, almost overtaking coffee as Uganda's most important foreign exchange earner. However, since then fish catches, exports and fish stocks have declined rapidly. The sector suffers from a lack of enforcement of regulatory initiatives, as well as lack of sustained government attention to the development of alternatives to lake fisheries, such as fish farming.

The Ugandan dairy sector has seen milk production boom since the mid-1990s. While the quality of the milk used to be highly questionable due to practices such as diluting milk and boiling it in saucepans, quality, although still far from perfect, has gradually improved due to regulations being enforced.

In addition, since the late 1980s a number of government initiatives have successfully supported the sector.

The aim of this paper is to explain the differences in ruling elite support for these productive sectors. Why did ruling elites initially support the setting up of testing procedures that enabled fish exports to Europe but subsequently fail to support the enforcement of fisheries management? And what made them provide sustained support for the dairy sector? In spite of a general lack of support for production, sometimes factors come together that give elites incentives to take initiatives to support production. Adopting a political-economy approach focusing on the structure of the ruling coalition, I explain when and why elites supported the fisheries and dairy sectors. In countries where patronage generally is needed in order to keep the ruling elite in power and hold the ruling coalition together, such a framework also helps us understand why and when so-called pockets of bureaucratic efficiency can emerge. It is not enough for ruling elites to support productive sectors through good policies: bureaucratic capability is needed in order to implement such policies.

The two sectors have been chosen because they both experienced booms and because they were both subject to government initiatives, but with varying outcomes. Through these case studies, we will be able to learn more about why and when ruling elites support particular productive sectors and about what makes some of them succeed, even in a general context of clientelism. Such an approach is generally lacking in the literature about economic growth in Africa, including Uganda.

I argue that the ruling elite supported the fishing industry in living up to European standards because of industry pressure result-

ing from the European bans on fish imports from Lake Victoria. The ruling elite has failed to enforce fisheries management because there are political costs associated with such enforcement. Actors whose political support is important benefit from the status quo; for example, many members of security units help protect fishermen and in return receive a share of the profits from illegal fishing. Enforcing fisheries management may also cost votes. The dairy sector in the southwestern milk region was initially supported because the ruling elite wanted to build a coalition with a support base in this region. Coming from the region himself, the president had a keen interest in cattle. The sector was subsequently regulated because the biggest processor (both as a state-owned and later as a privatized unit) put pressure on the ruling elite to do so, and because the implementing agency was able to bargain with the producers, who were well-organized.

The paper draws on results from an ongoing comparative research project on productive sectors in Uganda, Tanzania, Mozambique and Ghana ([www.diis.dk/epp](http://www.diis.dk/epp)). I base the paper on over sixty interviews with key policy and industry actors, as well as sector experts such as researchers and scientists, carried out between 2008 and 2011, several of them being repeated more than once as new information emerged. In addition, I draw on a careful reading of important policy documents, newspaper articles and minutes of parliamentary sessions (Hansard) since the late 1980s. In the following, I first characterize developments in Uganda's economy generally and in the two sectors specifically before explaining how an understanding of the structure of the ruling coalition matters. The next step is to give a brief introduction to the organization of the present ruling coalition in Uganda. Finally I analyze how these po-

litical-economy factors have affected the two sectors.

## 2. PRODUCTIVE SECTOR DEVELOPMENTS IN UGANDA

Uganda's growth has been significant, and even with a large increase in population has averaged 3.8 percent per capita between 1996 and 2008 (Radelet, 2010: 13). Poverty has been reduced from 56 percent below the national poverty line in the early 1990s to 29 percent today (Kjær and Katusiimeh, 2011). However, growth has not been driven by a structural transformation of the economy that has increased productivity and job creation. Rather, it has been driven by the following factors: (i) A one-time increase in coffee production after peace was established in the late 1980s. This increase was due to area expansion rather than increased productivity and further area expansion for coffee seems unlikely, as land is scarce and population growth puts increasing pressure on the land (Piron and Norton, 2004; World Bank, 2006; African Development Fund, 2005). In addition, coffee incomes are dependent upon the world market price, which fluctuates tremendously. Finally, with climate change the extent of future coffee production in Uganda is uncertain (Magrath, 2008: 18). (ii) Aid, which over a long period through the 1990s and 2000s was increasing, and which finances the major part of public service expenditure in Uganda. Aid has made up over half of the Ugandan budget but is now at about 25 percent. Net official development assistance to Uganda has gone up from about 500 million dollars in 1990 to about 1.8 billion dollars in 2009. International donors provided about 600 million dollars annually in general budget support throughout the first decade of the

2000s (Barkan, 2011: 9). Aid has thus given a boost to public expenditure and helped drive growth. (iii) Services, which constitute almost half of GDP and which cover public services in education and health (paid for mainly by donors) and private services, such as ICT, tourism and other services largely dominated by micro-enterprises (e.g. hairdressing salons, small shops or taxi-drivers). Since the service sector has limited potential in terms of productivity increases compared to manufacturing, the largest potential for job creation must be found in increased productivity in agriculture or manufacturing.

There are no accurate data on agricultural production, but according to the Uganda Bureau of Statistics, real growth in agricultural output has been declining, from 7.9 percent in 2000/01 to 0.7 percent in 2007/08 (UBOS, 2008) and 0.9 percent in 2010/11 (Background to the Budget). This is much less than population growth, which is estimated to be 3.2 percent. Every year, there are another million mouths to feed (Kjaer and Joughin, 2010). Manufacturing is at 8 percent of total GDP, not much more than at independence. Although total factor productivity has grown over the last two decades (Kasakende, 2008), manufacturing's share of total Ugandan exports has been much lower than would be predicted given its resource endowments, and among the lowest in Africa (Wood and Jordan, 2000). In addition, investment and savings levels are much lower than they were in the Southeast Asian countries when they started their transformation processes (Selassie, 2009). Although from the outset the Ugandan National Resistance Movement (NRM) government explicitly supported industrialization, it has failed to promote such a transformation process at all consistently.

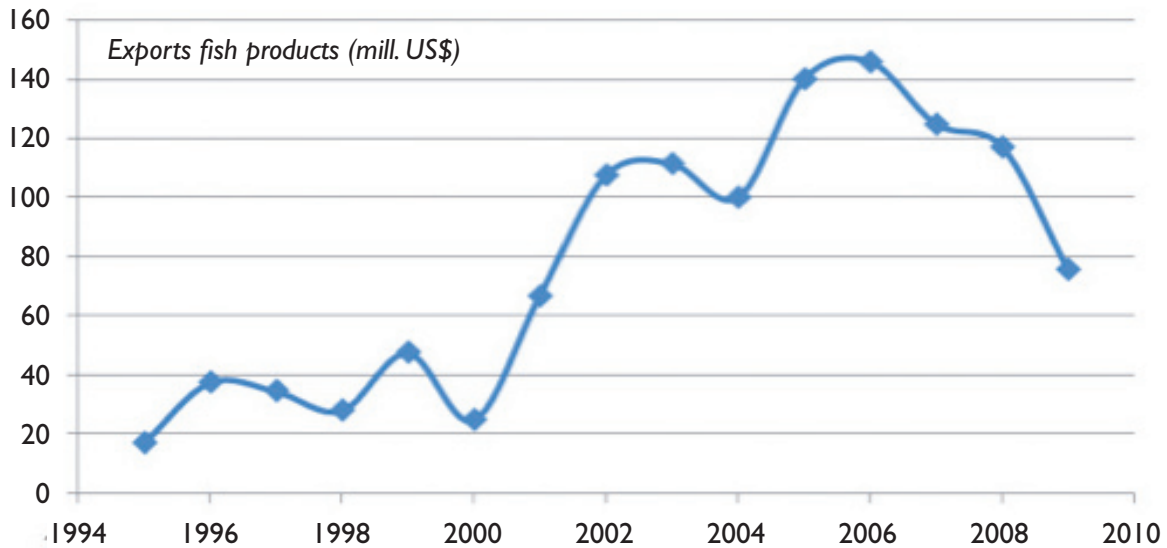
In this paper, I look closer at government initiatives in two sectors: the fisheries

and dairy sectors, for three reasons. Both of them have been the subject of comprehensive government plans to promote the sector. These plans have been referred to in the country's overall Poverty Reduction Strategy, The PEAP (Republic of Uganda, 2004), and they were selected as strategic exports in an initiative launched in 2001. This makes it possible to examine why these sectors were supported. Secondly, both sectors are important to Ugandans' livelihoods (about one million people depend on the dairy sector and the same on fisheries). This means that both sectors have considerable poverty-reducing potential. Thirdly, both sectors have experienced booms, and the dairy sector continues to do so. Hence, in an economy where initiatives have generally failed to promote structural transformation, these cases enable us to explain when and why initiatives to promote the transformation of a sector are taken and when and why they are also actually implemented. In the following, I give a brief account of developments in the fish and dairy sector.

## 2.1 The fisheries sector in Uganda

For much of the last decade, fish and fish products have been Uganda's fastest growing non-traditional export, and it was until recently the second most important foreign exchange earner after coffee, contributing 16 percent of total export revenues in 2004 (US \$103.3 mill) (Africa Development Fund, 2006). Fisheries, mainly frozen Nile Perch, have contributed 7-8 percent to GDP, and exports of frozen or chilled Nile Perch were considered a real success. In the fisheries sector there are strict international standards that exporters have to live up to. Due to a series of European bans on imports from Lake Victoria, which dealt a serious blow to

Figure 1. Decline of exports of fish in Uganda



Source: IMF statistics, Bank of Uganda, quarterly reports, and Private Sector Foundation, 2010.

the industry in the late 1990s, industry actors put pressure on the government and its Department of Fisheries Resources to help set up procedures in terms of hygiene and laboratory testing. This successful public-private partnership helped reestablish exports, which then grew radically. However, since 2006 fish catches and fish exports have been declining rapidly, as indicated in Figure 1.

Declining exports might indicate successful regulation:<sup>1</sup> when restrictions on fish capture are successfully enforced, export earnings go down. This could indeed be the case, since the thirteen fish factories in Uganda around Lake Victoria have submitted themselves to self-regulation, collectively hiring independent inspectors to show up on unannounced visits to check that they are not buying Nile Perch of a size below 50 cm.<sup>2</sup> However, there are plenty of indicators that the fish stock is

in decline as well: stocks of Nile Perch have declined from an estimated 2 million tons in 2005 to 370,000 tons in 2008 (FAO Globefish report, 2009). In addition, the numbers of large Nile Perch (above 35 cm) have declined quite rapidly over the last two decades. The National Fisheries Resources Research Institute (NaFIRRI) carries out regular stock assessments of the lake using acoustic surveys. These surveys also show a drastic reduction in the biomass of Nile Perch. Between 1999 and 2009, the biomass is expected to have fallen from 1.3 million tons to 0.3 million (UFPEA fish newsletter, Vol. 9, 2009).

Personal narratives from the lakes have the same bottom line: there are fewer and smaller fish in the lake. Fishermen have to spend a longer time on the lake and come back with fewer fish.<sup>3</sup> Fisheries officers at Katozi landing sites told the author in 2009 that: 'The trade has been high over the last years, but it is now dwindling due to too much fishing

<sup>1</sup> The author thanks Stefano Ponte for this point.

<sup>2</sup> Interview, factory-owner and chairman of Uganda Fish Processors and Exporters Association (UFPEA), Entebbe, October, 2009. Interview, Secretary of UFPEA, August, 2010.

<sup>3</sup> IRIN Aug 1, 2008: 'Lake Victoria degradation threatening livelihoods'.

efforts. We used to get 15-20 tonnes a day at this landing site. Now it is about 3. This year has been the worst' (interview, 8 October 2009). The decline in fish stocks has reportedly begun to affect local communities around Lake Victoria, where over 6 million people (in the three countries bordering the lake) are estimated to be dependent upon incomes from fisheries (Marshall, 2010).<sup>4</sup> Accordingly, export earnings in Uganda have declined in recent years, as indicated in the figure above. Some processing factories around the lake have closed, and the rest operate at reduced capacity.<sup>5</sup> A large part of the decline is associated with the increasing number of fishermen, along with the increased capacity for fish-processing. In addition, a lot of the decrease in biomass can be explained by the overfishing of young fish. Surveys show that there are many young Nile Perch, but they are being caught when they are still below 30-50 cm of length (Kjær et al., 2011).

Fishing in Lake Victoria is basically free for everyone, making it a classic example of a Common Pool Resource, where regulation is not enforced. Fishing licenses were issued by the local government where there was a strong interest in obtaining many license fees, especially after the abolition of the graduated tax. At the moment of writing, regulation on this is non-existent and in principle anyone can go fishing on the lakes. The increasing demand for fish therefore resulted in a large increase in the number of fishing boats on Lake Victoria of 349 percent between 1985-2000 (van der Knaap and Ligtvoet 2010: 432). Brian Marshall (2010) reports a considerable increase in the number

of fishermen, fishing boats, illegal and legal gill nets in the period between 2000 and 2008 (about a 15 percent annual increase).<sup>6</sup> According to the Lake Victoria Fisheries Organization (LVFO), whereas there were about 10,000 vessels fishing in Lake Victoria in the 1980s, this rose to 60,000 around the millennium, with an approximate crew of three men per boat. LVFO sources estimate the total number of fishermen in Lake Victoria to have gone up from 129,300 in 2000 to about 199,300 in 2008.

There is a considerable degree of illegal fishing in the main lakes. Illegal nets are so closely knit that they catch undersized fish, and this contributes to the deterioration of the stock. The number of illegal gillnets in Lake Victoria, for example, is thought to be around 208,000, a quarter of the number of legal nets (805,700). Fish are smuggled into Congo and other neighboring countries, contributing to the overfishing.

All in all, there is a glaring lack of regulation of the sector, in spite of a number of initiatives. On the regional level, the Lake Victoria Fisheries Organization was established in 1994 with the support of the European Union. Its main purpose is to help Uganda, Kenya and Tanzania manage the fisheries in the lake. It has had a number of achievements, such as improving landing sites, and has helped offset up Beach Management Units (BMUs) to control the fisheries and monitor the catches. These units consist of the different stakeholders such as the fishermen, fishmongers and the local government fish officers. However, there has been limited efficiency, and there is a lack of sanctioning of illegal practices (MAAIF, 2004; LVFO, 2004).

<sup>4</sup> Inter Press Service, 18 October 2010; own interviews at landing sites.

<sup>5</sup> In Uganda, 3 out of 16 factories closed down completely, according to the Uganda Fish Processors Association, UFPEA, interviewed, August, 2010.

<sup>6</sup> Although recently, the average catch per boat is estimated by the LVFO to have declined from 300 kilos per day in 2005 to 80 kilos per days in 2008 (Inter Press service, 18 October 2010).

Whereas the Department of Fisheries Resources (DFR) within the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) and the Bureau of Standards were able to cooperate with the fish processing industry in order to set up testing procedures to live up to European standards, the same bureaucratic capability was not established in the area of fisheries management. DFR attempts to support the BMUs, but it does not have the human or technical resources required, such as patrol boats or an adequate number of inspectors.

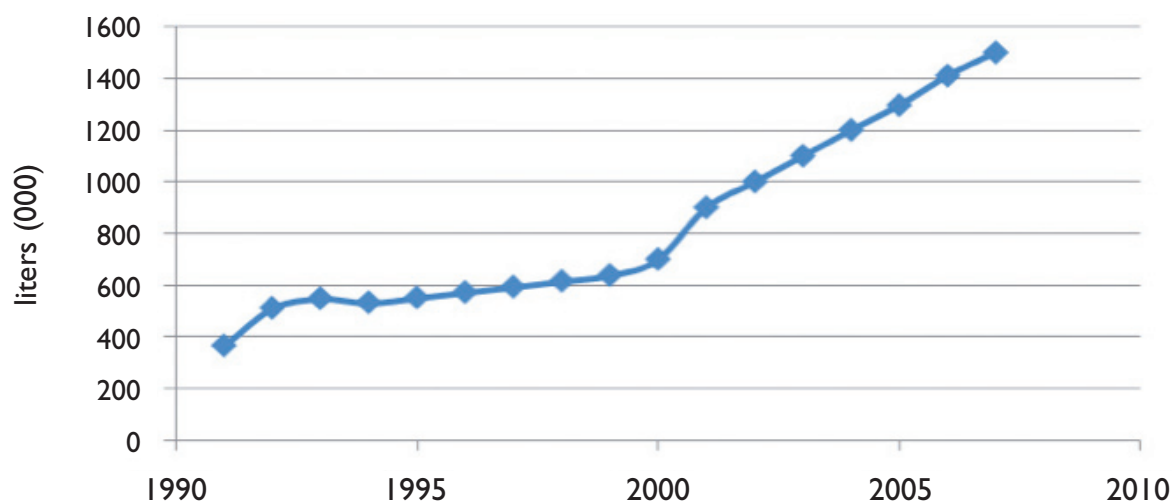
In order to strengthen management of the fisheries a Fisheries Authority was proposed, but although it was part of the enactment of a new fisheries bill in 2004 and was therefore passed in parliament (and emphasized in the PEAP), it never passed through the cabinet and therefore was never established. As one research officer said: ‘The sector has collapsed. We have a number of legal instruments – all of them are in a draft fisheries act which is still pending before cabinet’ (interviewed, March 2011). Realizing that the lake was rapidly being depleted and reacting against inefficient government management of the lake, in 2008 the

thirteen remaining fish processors initiated a system of self-regulation in which they commit themselves to not accept fish of less than 50 cm. However, illegal fishing continues and fish stocks keep falling. All in all, fisheries resource management is highly inadequate and fish resources are dwindling as a result. A possible alternative to the incomes from fishing the lake and rivers is fish farming. However, in spite of plans to strengthen aquaculture, there has been no sustained government effort to develop it (Kjær et al., 2011).

## 2.2 The Ugandan dairy sector

The Ugandan dairy sector has grown since the late 1980s. Dairy products are not exported to a significant extent, but the sector has become increasingly important and is now estimated to constitute about 3 percent of Uganda’s GDP (Technoserve, 2008). Milk production has been increasing rapidly in Uganda. The Food and Agricultural Organization (FAO) estimates that between 1996 and 2005 the annual growth rate of milk production was 5.7 percent, which is double the 2.8 percent

Figure 2. Milk Production in Uganda, 1991-2008



Source: DDA, 2009

growth rate for Africa as a whole (Ndambi et al., 2008). Production increased from around 200 million liters annually in the 1980s to an estimated 1.4 billion liters in 2008. Though there are slightly differing reported figures for milk production trends, depending on the source, they all show a similar rising trend. Figure 2 is based on data from the Dairy Development Authority (DDA) and shows this clearly.

The main source of increased milk production is a mixture of higher yields per cow and an increased number of cows (FAO, 2010). At the micro-level, there has been an increase in average milk yields per cow, mainly because some dairy farmers have invested in improved breeds and also adopted better livestock management approaches. Increased milk production and trade were the result of twin developments. The liberalization of the milk trade meant that dairy farmers started to acquire outlets for their milk, an important change from the times where they had had to pour away milk because of the inability of the state-owned Dairy Corporation to buy it. Another important factor was early government initiatives to support dairy infrastructure in the southwestern milk shed (Kjær et al., 2011).

As production gradually increased, the need for the regulation and upgrading of milk-handling practices became more pressing. It was common to dilute milk with water, to add anti-bacterial medicine or to boil it in saucepans. A Dairy Board was proposed as part of the (Danida-supported) Dairy Master Plan developed in the early 1990s by a consultancy firm. Although it took some time to be enacted, the Dairy Development Authority (DDA) was established in 2000 after the passing of the Dairy Industry Act in 1998. Although regulation of the sector remains a challenge and is still not adequate, the DDA

has achieved a number of objectives. The authority has managed to upgrade the sector slowly through, among other things, a series of bans. The first ban was on transporting the milk in plastic jerry cans. Although this still happens, the DDA was successful in the sense that aluminum cans are now the most common container in which to transport milk. Another ban has been on transporting un-cooled milk, which has resulted in a large increase in the number of milk-coolers and cooling trucks. The DDA has engaged with south-western dairy farmers and traders organized in cooperative unions and a trader and small-scale processor association, and achieved their cooperation in the implementation and enforcement of important regulatory initiatives.

### 2.3 Summary of the productive sectors

In sum, we have a fisheries sector in which there was an initial success consisting in bringing in catches, processing and exporting Nile Perch and establishing procedures in the form of a public–private partnership to live up to international standards. However, the success resulted in subsequent overfishing and a failure to enforce measures to manage the resource. The dairy sector has experienced more sustained growth, as well as the government's support initiatives. A pocket of bureaucratic efficiency was set up in dairy but not in fish. The Dairy Authority receives regular funding and also has its own source of revenue from fees it collects on coolers and on processing. In contrast, a Fisheries Authority was proposed but never set up. The Department of Fisheries Resources is generally considered to be underfunded and weak, lacking the basic physical and human resources to control the lake. So the pressing question is why and

how did the fisheries sector initially develop, and why was it subsequently neglected? Why was there strong political support of the dairy sector that is relatively less important in terms of foreign exchange earnings than the fisheries sector? The following presents a brief outline of literature that may help to explain elite support.

### **3. THE LITERATURE: WHEN DO RULING ELITES SUPPORT PRODUCTIVE SECTORS?**

The literature on Uganda focuses either on explaining growth at a general level or at analyzing the type of political regime and its development. None of them focus on explaining why and when ruling elites support particular productive sectors. Regarding the first, accounts such as Reinikka and Collier (2001), Kasakende (2008), and Kuteesa et al. (2010) all focus on how macro-economic management, the policy environment and institutions improved under the NRM after 1991-92 and how this helped promote economic growth. These accounts are valuable but fail to explain why there are differences between sectors and why sustaining growth in a sector can be difficult. Observers such as Mwenda and Tangri (2005), Barkan (2010) and Tripp (2009) all focus on the type of political regime. Tripp (2009: 181-5) sees the economy as an independent variable and argues that economic growth may have functioned to depress further democratization because it has helped a semi-authoritarian regime stay in power. Barkan (2010) argues that inflationary patronage, combined with declining budget support, threatens to slow growth in Uganda, while Mwenda and Tangri (2005) argue that patronage and foreign aid will tend to undermine further economic

reform. While I dispute none of these arguments, they are not helpful in understanding why, in a general environment of neo-patrimonialism, ruling elites support some sectors and actually sometimes succeed in building pockets of bureaucratic efficiency.

New contributions in the political-economy literature on developing countries in general have done a great job of explaining why some economies outperform others in terms of development. For example, Doner et al. (2005) focus on the combination of external threats, scarce resources and broad coalitions in order to explain differences in development between Asian countries. Through a comparative analysis of Brazil, Korea, Nigeria and India, Kohli (2004) argues that colonial history affected the nature of the post-colonial states in ways that enabled or impeded the state to promote development. Focusing on Africa, Kelsall and Booth (2010) and Kelsall (2011) use the concept of 'developmental patrimonialism' to explain differences in developmental performance between African growth experiences. They use Rwanda under Kagame as an example of how centralized rent management, combined with what they call "a long-term time horizon", a sense of security in power, of the ruling elite, can result in economic development. There is a consensus in this literature that the sustained development of productive sectors requires some state intervention, especially in late developing countries where catching up with the rest of the world needs investments on a scale that private entrepreneurs often cannot raise. Also, in order to develop a productive sector, complementary investment decisions often have to be made (Whitfield and Therkildsen, 2011; Lauridsen, 2010).

While this literature helps explain differences between countries, it is less helpful when the ambition is to explain within-coun-

try variation. The EPP analytical framework draws upon Khan (2010), Geddes (1994) and Evans (1995), among others, to argue that ruling elites will support productive sectors when they perceive this will help them remain in power (Whitfield and Therkildsen, 2011). Ruling elites build coalitions and seek to win elections. Coalitions are often maintained through patronage and by maintaining clientelist relations. Elections can be won in various ways, but they often induce political elites to appeal to voters broadly and to decide on policies that can benefit many voters on the short term (Kjaer and Therkildsen, forthcoming, 2012).

Promoting production is a long-term endeavor. It has uncertain results that are rarely immediate. Fragmentation within the ruling coalition means that elites have to spend considerable resources on maintaining the support of factions and on holding the ruling coalition together in the short term. This situation does not provide incentives to take initiatives to promote the productive sectors. Such initiatives have uncertain outcomes in the long run and are therefore not likely to be able to increase legitimacy and support in the short term. Also, they may be perceived to hurt the interests of powerful factions, who will then resist them, with a threat to political legitimacy as a result.

Promoting production often requires quite targeted investments that in the short term only benefit actors in a certain industry. Elections tend to induce political elites to take initiatives that have the contrary effect of benefiting a large number of voters in the short term. These could be productive sector initiatives such as fertilizer support or tangible productive inputs such as seeds, or fish fry. However, initiatives that tend to spread resources thinly throughout the country are not always the best at pro-

moting a particular industry (Whitfield and Therkildsen, 2011).

In addition to exploring how a productive sector relates to the ruling coalition and how it is affected by elections, whether supportive strategies are implemented also depends on the government's relations with the actors in the particular industry being examined. It is therefore important to understand the interests and strength of the industry actors, not least their relation to the government bureaucracy. A feature of the bureaucracy which is particularly important is its capacity, in terms of human and physical resources, to implement sector initiatives. In addition, the agency's relations with productive entrepreneurs in the relevant industry are important in that close links between government and business will tend to ease the implementation of initiatives in the sector. In order to succeed in building a growth-enhancing institution, or what might be termed 'a pocket of bureaucratic efficiency' in an otherwise clientelist setting, political backing without too much political interference is generally seen to be necessary (Evans, 1995; Taylor, 2007).

Overall, then, we examine each sector's relationship with the ruling coalition, whether elections have been important, the nature of government-business relations and the role of industry interests.

#### **4. UGANDA'S RULING COALITION**

Before setting out to explore these factors, it is important to understand the nature of Uganda's present ruling coalition. Key members of the National Resistance Movement (NRM) government make up the core of the present ruling elite in Uganda, members of which possess the key positions of power in

government. They are dominated by the president (Museveni), who is also party chairman and the commander in chief of the armed forces. The NRM came to power after a civil war in 1986 and, after a drawn-out process of drafting a new constitution, won the first elections in 1996. After that, the Movement and Museveni have won elections in 2001, 2006 and 2011, the latter two under a multi-party system. Museveni's winning margin declined significantly from 54 percent in 1996 to 22 percent in 2006, and then went back up to 42 percent in 2011. The National Resistance Movement (NRM) is still strongly represented in parliament with 263 out of 364 elected seats, but there is considerable competition for parliamentary seats, increasingly within the Movement itself. Winning elections with a clear majority is increasingly important in order to stay in power, and expenses for election campaigns have increasingly burdened the national budget. There has been clear misuse of public funds in order to win elections (Kjær and Katusiimeh, 2011).

The ruling coalition consists of the individuals and factions who help the ruling elite gain and remain in power. It consists of a number of factions, which can perhaps best be defined regionally. The most important part of the ruling elite comes from the southwestern part of the country, the former Ankole Kingdom, and the top positions in government and the army are occupied by members of the Bahiima, a sub group of the Ankole (Kjær and Katusiimeh, 2011). The main support base for the ruling elite is therefore in this region. At the lower levels, NRM cadres are important support bases for the ruling coalition. The president appoints key government officials in the districts, resident district commissioners who play an active role in political mobilization through the local government structures and who are also chairmen of the local security commit-

tees (Ssemogerere, 2011: 82). Local movement chairmen are powerful and have become more so with the introduction of Movement primaries and decentralization.

Initially, the ruling coalition was primarily based on an alliance between the Baganda and the Banyankole. However, this alliance has fallen apart, and key Baganda members have left the ruling coalition. Former vice-president Gilbert Bukenya, for example, was charged with corruption in connection with the big Commonwealth meeting in Uganda in 2007, whereas other members of the ruling elite who were involved were not charged. Although not all Baganda are loyal to their king, the Kabaka, a series of issues around whether to adopt federalism and questions of land reform have resulted in clashes between the president and the Baganda. Uganda's ruling coalition has thus become more narrowly based. The Baganda have increasingly fallen out with the Museveni regime, but they are not expected to provide any real political or military threat to it (Tripp, 2010). Therefore, the most important conflicts may be within the ruling coalition, as new young Movement members recently elected to parliament as well as the so-called independents are challenging the older established elite.<sup>7</sup>

Funding for the ruling coalition comes to a great extent from state resources. Most observers would argue that development aid has helped Museveni fund patronage to hold the ruling coalition together (Mwenda and Tangri, 2005; Tripp, 2010; Barkan, 2011). The Movement also receives funding from individual businessmen, many of them Asian Ugandans, some of whom also have posts within the party (Kjær and Katusiimeh, 2011). Some of Museveni's family members hold important

<sup>7</sup> Tripp, 2010; *The Monitor*, 4 October 2011: 'They set the dogs on Bukenya, which NRM Big Man is Next?'

government positions but are also owners of big businesses, some of which are previously state-owned companies that have been privatized, such as the Entebbe Handling Services (owned by Salim Saleh and Muhoozi Kainerugaba, Museveni's brother and son), or the Kisozi Ranch, a former state farm, which Museveni now owns. The privatization of the Uganda Commercial Bank (now Stanbic) was said to be compromised by the first family, as have those of other big companies, including, allegedly, the former state-owned Dairy Corporation. In addition, at least half of the most important NRM party leaders also hold posts as cabinet ministers or other important government jobs which they can use to channel funds into the NRM.

Another way to maintain the ruling coalition in power is to nurture the support of important individuals and factions by turning the blind eye to their profiting from their jobs in government. This is especially true of the military, whose support is crucial to the ruling elite (Barkan, 2011). Many high-ranking officers benefitted from Uganda's engagement in the Congo, for instance by providing protection to mineral users. Also, the war in the north has allegedly been a source of profit for some army officers, such as in the form of land acquisition (Barkan, 2011; Tripp, 2010). Policies that would hurt the interests of army officers could be costly politically, which is indeed the case with the enforcement of fisheries management.

In sum, the ruling coalition is based in south-western Uganda, so there is a strong regional dimension. Competing factions within the party, both at lower levels and among central elites, are becoming stronger, and this fragmentation (horizontal as well as vertical) makes the implementation of policies to promote the productive sectors difficult. Even so, there have been spurts of growth in the

fisheries and dairy sectors, and there are also sector differences: the implementation of initiatives in the dairy sector has been more sustained than in the fishing industry, where policy-making and implementation have been ad hoc and sporadic. We explain this by exploring the sectors' relations with the ruling coalition.

## **5. THE RULING COALITION, INDUSTRY INTERESTS, ELECTIONS AND THE FISHERIES SECTOR IN UGANDA**

The fisheries sector was relatively unimportant in Uganda until the 1990s, but, as indicated in Figure 1, it grew to be a significant foreign exchange earner. Initial success was due to the general political stability introduced by the Museveni government. Also, the liberalization program implied that everyone was allowed to operate in the sector (in contrast to a previous government monopoly on fish processing). Until the early 1990s Nile Perch were sold in Kenya for processing, but after a government ban on the export of unprocessed fish investments began to be made in fish processing in Uganda. The ban was enacted to encourage processing factories to be established on the Ugandan side of Lake Victoria. The real success of the fishing industry, however, came after the late 1990s, when the public and private sectors managed to cooperate in order to establish procedures to improve hygiene at gazetted landing sites and laboratory testing.

This initial success was not primarily driven by the ruling elite. The one measure the government took was to prohibit exports of unprocessed fish, a measure that promoted investments in processing in Uganda. Subsequently, the combined push from the Euro-

pean bans on Ugandan fish exports and the Ugandan fishing industry made the ruling elite realize that, by putting some resources into laboratories and hygiene inspectors at landing sites, they could help to improve the incomes from fisheries exports quite substantially. The role of government in this respect was thus largely reactive and a response to industry and external pressure.

In fact, even though the fisheries sector became an important foreign exchange earner, the ruling elite has generally not appeared interested in the fisheries sector, which many view to be largely neglected and subject to ad hoc interventions rather than sustained support (Kjær et al., 2011). Thus, many legislated initiatives, such as the establishment of a Fisheries Authority, which it was hoped would improve fisheries management, or the promotion of fish farming, have been only partly implemented, or, as in the case of the Authority, never. The Department of Fisheries tries to control fishing on the lake but lacks basic equipment. Former and present employees in the department tell the same story, that there is no capacity to regulate. For example, one officer said: 'BMUs would do a good job, but they need good monitoring from the department, they should have more support in logistics, training etc. we don't give them the support, because of a lack of resources' (interviewed October 2009). The DFR is considered to be weak, understaffed and with no capacity to enforce management of the fisheries.<sup>8</sup> For example, one officer in MAAIF stressed the lack of manpower, adding: 'The budgets are meager. The patrol boats consume a lot of fuel. You have a dysfunctional system. The logistical support cannot function. They bought boats that were

cheap but too costly to run' (interviewed March 2011). At one time the position of Commissioner was vacant for more than two years following the departure of the former occupant to the Lake Victoria Fisheries Organization. The fisheries sector continues to attract little funding at either the national or decentralized levels of government.

A lack of budget allocations has been a major factor in the low level of implementation of the fisheries policy. According to one observer, a private sector development advisor, only about 10 percent of the budget granted for 2009 was actually allocated (personal communication, August 2010). A recent EU evaluation of its support to Uganda observes that 'further budget allocations to fisheries management would have been desirable' (EVA, 2009). The local governments are in charge of preventing illegal fishing, but they have tended to issue too many fishing licenses, as these have been regarded as a source of income for them.<sup>9</sup>

Explanations for this are to be found in the fact that the success of the fisheries sector meant that many people acquired an interest in maintaining the status quo, and therefore the costs of enforcing fisheries management became high. The ruling coalition risked losing supporters. Implementing strict management would hurt elements in the security forces that benefit from lax enforcement. The fact that the security forces are involved in illegal fisheries has been debated in parliament and acknowledged by the Minister of Internal Affairs, who wanted to investigate the role of the security forces. One MP representing a fishing constituency brought a bag of immature fish to a parliamentary session in order to draw attention to the problem of

<sup>8</sup> According to several interviewees in and outside the fisheries department.

<sup>9</sup> Interviews, local fisheries officers, October 2009, Juma, 2010.

illegal fishing and the fact that armed forces were protecting the fishermen from monitoring units. Leaders of Beach Monitoring Units have been violently attacked trying to do their jobs.<sup>10</sup> Letting important clienteles benefit from their public sector jobs has become one of the Museveni government's strategies to hold the ruling coalition together (Kjær and Katusimeh, 2011). Key members of the ruling elite may also have had short-term gains from the fishing industry which they would not want to let go of. Some interview respondents have thus hinted that, although the majority of the fish factories are foreign owned, one factory is owned by individuals close to the president.

Strict enforcement of fisheries would also potentially harm the ability of Movement members of local councils as well as the NRM government to get re-elected. The industry had attracted a large number of boat-owners, people working on the boats and on the landing-sites, and fish-mongers, and these people were not interested in losing their livelihoods. Many interview respondents mentioned the fact that unpopular measures against the fishing communities were not feasible due to their voting power. An animal scientist, for example, said: 'With fish, regulation has not been implemented at all. There were big fights between communities and the fisheries officers. And the politicians wanted votes, so they listened to the communities' (interviewed March 2011). Small-scale fishermen have for long vehemently opposed attempts to control fisheries resources. The former commissioner in the Fisheries Department said: 'Fishermen also wanted to demonstrate against any punitive measures applied by government.' Several officers interviewed complained that

impounding a boat using illegal equipment to catch fish below a certain minimum size can be difficult due to violent resistance on the part of the fishermen. Local politicians tend to support them since they know it is a way of gaining popularity. A district fisheries officer put it this way: 'You could arrest twenty people, but by the time you reached court there would be two people left because politicians intervene' (interviewed October 2009). Hence, for national as well as for local politicians, supporting the enforcement of fisheries management can be unpopular.

With regard to industry interests, the fish processors realized only at a late stage that the fisheries were being depleted. There were about sixteen processing factories on the Ugandan side of Lake Victoria around 2000, and they were well organized in UFPEA, the Ugandan Fish Processors and Exporters Association. The processors lobbied the president quite effectively to allow them to catch and export smaller fish in the early 2000s, although this was known to contribute to resource depletion (Kjær et al., 2011). Only in the middle of the first decade of the millennium did the processing industry realize it had to do something in order to secure its own long-term survival. Although poorly organized, the fishermen have also lobbied the president not to implement bans on fishing. In 2009, a small fishermen's organization called AFALU (the Association of Fishers and Lake Users of Uganda) protested against alleged lake closures. They found that access to the president was difficult, and they had to discuss ways of acquiring access by paying their resident district commissioner to let them meet one of Museveni's family members (interviews, AFALU meeting minutes). The lake closure was never implemented. This was probably not due to AFALU pressure but rather the combined threat of los-

<sup>10</sup> Hansard, 23 September 2008; *New Vision*, 24 September 2008.

ing votes and of losing support from factions benefitting from the fisheries.

All in all, the need for the ruling elite to maintain power, i.e. the risk of losing the support of important supporters in the ruling coalition, as well as election support, combined with an industry that was for a long period of time not interested in fisheries resources management, led to a lack of political support for an implementing agency that was able to enforce management of the fisheries resource.

## 6. THE DAIRY INDUSTRY'S RELATIONS TO THE RULING COALITION

From the time when the National Resistance Movement took power in 1986, the president focused very much on the dairy sector. To him personally this had a high priority, since he has a background in cattle, as do many of his ministers (Museveni, 1997). There were early government initiatives to build dairy infrastructure in the southwestern milk shed in the early NRM years (1987-1991) (Dairy Master Plan, 1993). 42 milk collection centers with milk coolers and generators were constructed in the southwestern region in that period. Although official government policies affecting milk production since then have not been directed at any specific region, the private-sector response to general policies such as liberalization and regulatory measures has been greatest in the southwestern region, from where many government members come. Going only by urban demand, the private-sector response should arguably have been strongest in the southern-central region, where the capital city of Kampala is located. Kampala is the destination of most of the milk from south-western Uganda, which is

transported by road from the Mbarara-Bushenyi region to Kampala. Traditionally the south-west had cattle, but so did other areas in the north and east, though they lost their cattle in the course of the civil war (Kjær et al., 2011).

In addition to the government measures to rehabilitate coolers in the south-western region, individual members of the ruling elite, such as President Museveni or some of the cabinet ministers, i.e. the former minister of works, have taken a number of personal initiatives to introduce exotic cattle and educate people about producing and trading milk.<sup>11</sup> The reason for these early initiatives is arguably that when Museveni came to power in 1986 he wanted to build a support base in the southwestern area, both through initiatives to develop the area and through government patronage. At that time support from this region could not be taken for granted, even if it was the president's home. The area was considered an Obote (previous president) stronghold, and Museveni had had to launch his guerilla war against Obote from the south-central part of the country. The alliance with the Baganda thus meant that support from the south-central area was secured in 1986, especially because Museveni restored the kingdoms and let the Bugandan king return from exile.

Museveni's efforts succeeded, and the southwestern milk region is now considered a stronghold of the NRM. One seasoned academic and poverty researcher emphasized the importance of the fact that the ruling elite themselves have cattle: "The south-western farmers have succeeded because of many factors, but don't underestimate the power of political connections in this. People from

<sup>11</sup> See e.g. *The Monitor*, 4 October 2009, 'Kazo's Journey from Cows to Wealth'.

this area are better connected – whatever efforts they make, they are already cushioned’ (interviewed June 2008). Narratives from Ugandans who are not from the west tend to portray the dairy story as one of favoring the west and consolidating the NRM’s power.<sup>12</sup>

The subsequent regulation and upgrading of milk happened gradually from the late 1990s. Two processes were important: the regulation initiatives and the privatization of the state-owned Dairy Corporation (DC). The setting up of a regulatory agency and the privatization of the DC were both important components of a big Dairy Master Plan approved by government in 1993. The push for regulation (in terms of milk quality) came from the big processor, the DC (as both a state-owned and a privatized unit). The DC had a dominant position in the dairy sector and did not want the farmers to sell milk to the informal traders. Because they did not add value to the milk, the traders could sell it to the consumer at a cheaper price. Regulation of milk would mean that informal traders had to invest in equipment that would make them sell their milk at a higher price and hence make them less of a competitor to the DC.

The DC was privatized in 2006. Ruling elite members had taken a great interest in this process. The privatization had been scheduled as one of the first in a long row as part of Uganda’s Structural Adjustment program in the early 1990s but ended up being one of the last of the state-owned companies scheduled to be sold off in 2006. The reason the ruling elite had a particular interest in the process of privatizing the DC was probably dual: there was a genuine interest in milk deriving from the governing elite’s regional origin, and there was an interest in somehow benefitting from

the sale of the Dairy Corporation as a way for (members of) the ruling coalition to obtain funding. There had been a lot of public debate on privatization and several corruption scandals involving close relatives of the president, for example, regarding the privatization of the UCB, the Uganda Commercial Bank (Tangri and Mwenda, 2005). They used methods such as winning bids even though they were low and selling the shares directly for a higher price, thus obtaining a personal profit. Or else they would have a foreign company act as a front for their own local company. This was a way of using state resources to fund (members of) the ruling coalition (Kjær and Katusiimeh, 2011).

Another way is to let the company fund the ruling party and then provide political favors in return, such as tax exemptions or access to land. In the case of the DC, such allegations were also made, and on blogs for Ugandans in exile and even sometimes in public debates, the Museveni family is listed as owners of the now privatized DC. The process by which the DC was privatized was never made transparent, an indicator that its sale was influenced politically. A Thai company had turned up and put in a bid for the DC, allegedly a company that the president himself had found. The Thai company finally proved to be unable to make the necessary investments, and there was a public outcry when the Monitor newspaper revealed that it had been offered the DC for one dollar and that it was probably meant to be a front company for ruling Ugandan elites. After a series of articles in the Monitor, a parliamentary committee was set up to investigate the whole process. The committee concluded that a proper bidding process had not been followed (Hansard, July 20th 2005) and that the Thai company was a hoax.

<sup>12</sup> Michael Whyte, personal communication.

After this public scandal, a Kenyan-Indian company called Sameer Ltd (SALL) offered a bid that was more genuine. A big Ugandan industrialist in plastics, batteries and dairy, and owner of his own successful dairy farm, informed us that it was he who established the contact with SALL, 'because it was a good big company; and the government was desperate' (interviewed 2 July 2009). The government was under a lot of pressure after the scandal with the Thai company and therefore needed a new investor quickly. Whether members of the ruling elite and, as alleged, close family members of the president were able to derive rents from the sale is not verifiable, but influential Ugandan observers are of that opinion.<sup>13</sup> It is clear that the president is very supportive of SALL, referring to the company as 'my investor', and there have also been initiatives to protect SALL's new milk powder production. There was initially a tariff on the import of milk powder from Kenya (IPS news update, 2009; Stahl, 2009).<sup>14</sup>

Like its predecessor, SALL needs to buy milk from the farmers, and the majority of the milk it buys is produced by the south-western dairy farmer cooperatives. During the dry season, SALL needs more milk than the farmers are able to sell. SALL does not pay a high price for the milk and farmers often prefer to use other outlets, such as the informal traders. Therefore, SALL and the other emerging processors have an interest in preferably abolishing the trade in raw milk,

or at least in making sure that the informal sector is subject to hygienic and other standard requirements, which adds to the cost of the milk and therefore makes it harder for the informal sector to compete with SALL. This is why SALL has an interest in regulating the informal milk trade.

The south-western dairy farmers and traders both see the DC as allied with government and as hostile to them. Angry that they were not allowed to buy the Dairy Corporation or to take over the coolers, the dairy farmers have set up an umbrella organization, the Uganda Crane Creameries Cooperatives Union (UCCCU), which consists of a number of cooperative unions. UCCCU is using a mix of loans and membership fees to set up its own processing factory in order to compete with SALL. The traders, who are also sometimes farmers and who are increasingly also small-scale processors, have organized themselves in a traders' association called the Uganda National Dairy Traders Association (UNDATA). They have effectively bargained with the DDA over issues such as the ban on jerry cans and the cooling and transporting of milk.

Both farmers and traders are well connected: some of them are (Movement) members of parliament or have been members of a local council. They feel the government is favoring SALL, especially because SALL has taken over the rehabilitated milk coolers in the southwestern areas, which the farmers' cooperatives feel belong to them. There is thus a conflict within the ruling coalition between members of the ruling elite and some of its lower level factions. The conflict is based partly on the price of milk. The farmers feel that, due to its dominant position, SALL is largely able to dictate the price (at least in the wet season, when milk is in plenty). In comparison with other countries,

<sup>13</sup> This opinion was expressed by several interview-respondents. See also *The Independent*, 19 May 2009: 'Dictatorships don't serve their peoples, they give privileges to their cronies'.

<sup>14</sup> However, with the East African Customs union intra-regional tariffs have gradually been reduced, which means that taxes on milk products have come down from 16 percent to zero, whereas there is now a common external tariff that is much higher than Uganda's before joining the customs union (at 60 percent) (Stahl, 2009, EAC Handbook).

it is true that Ugandan dairy farmers are paid very little for the milk they sell. The share of the farmers' price in the consumers' price in Uganda is estimated at 23 percent, which is quite low. In Bangladesh, for example, the farmers share is at 61 percent and in China 41 percent (FAO, 2010). The conflict is also based on the southwestern dairy farmers' desire to own their own cooling and processing facilities, since they were not allowed to put in a bid for the DC.

In 2000, a Dairy Development Authority was set up with the aim of regulating and developing the dairy sector. UNDATA, the dairy traders' organization, has been very active in resisting regulatory initiatives. As already mentioned, the DDA has successfully established a relationship with the traders and big dairy farmers based on mutual recognition and trust. The DDA has competent staff, most notably its director (until 2011), who has a past in the Ministry of Agriculture as Commissioner and was also on the board of the former Dairy Corporation. Himself from the southwest, the DDA director has consistently negotiated with the milk traders and farmers and in the process has persuaded them to upgrade technologically and improve the quality of the milk. For example, one of the first bans was a ban on jerry cans, which the DDA issued for hygienic purposes. However, since aluminum cans cost much more than a plastic jerry can (about 200,000 shillings as opposed to 1,200 shillings), the traders' association and the farmers protested and managed not to do away with the ban, but to postpone it so that they had time to save and invest in aluminum cans. As one UNDATA member said, 'This was a positive development [for milk quality] because it raised standards'.<sup>15</sup>

<sup>15</sup> Interview, Kalidi Matavo, May 2009; see also *New Vision*, Monday 4 September 2006.

Another regulatory initiative has been the abolition of the boiling of milk in big saucepans in the urban centers. DDA tried to sensitize farmers and traders to promote small-scale pasteurizing. The practice of boiling milk had been common because it killed bacteria, but unfortunately also the nutrients. Again UNDATA protested against the ban, arguing that boiling was better than nothing and that they could not afford to invest in the electric pasteurizers which the DDA wanted them to buy. The result was a compromise: the traders bought the cheaper charcoal pasteurizers which were better than boiling (although environmentally unsustainable in the long run) (interview with dairy trader and small scale processor, June 2009).

In fact, according to UNDATA, after the ban on boiling the traders invested in the purchase of 52 batch pasteurizers. In 2005 there was also a ban on the sale of un-cooled milk, which caused a lot of the private traders to invest in milk coolers (allegedly around ninety coolers were constructed). Finally, in 2006 a ban was introduced on transporting milk in aluminum cans over long distances, and the traders (according to their own report) subsequently purchased forty milk tankers. Although the DDA director has an organizational interest in developing and modernizing the dairy sector and there are proponents for doing this 'the hard way' through the outright abolition of raw milk sales, the DDA has argued for a more pragmatic approach, pointing out that it would not be wise to abolish what literally constitutes eighty percent of the sector. The DDA therefore adopted a more gradual approach, where the sector is being upgraded stepwise and thereby gradually formalized. (employee of the American Land O'Lakes, interviewed May 2009). The DDA director (interviewed May 2009) emphasized: 'I think on the traders I have done a good

job in persuading them to invest in upgrading their business. When we came in there was a need for regulation – a partnership with UNDATA was a better option – they have really tried to organize’.

When Minister Bright Rwamirama (himself from the southwest) came out with a plan to abolish the informal sector in 2006, UNDATA came up with a plan to invest in technology to improve milk quality. UNDATA collaborated with farmers in protesting against the ban. The farmers are not interested in losing another outlet for their milk and becoming entirely dependent on selling their milk to SALL. After protests, the president withdrew the ban.<sup>16</sup>

In sum, the combined pressure from milk processors to regulate milk on the one hand and milk producers, traders and small-scale processors on the other in resisting over-harsh and over-sudden regulation has resulted in a situation in which the cold milk chain has been upgraded. There are several challenges and issues in the dairy sector which qualifies this success. The farmers are paid prices that are too low, and SALL still enjoys a favored position. However, more processors are emerging, competition is increasing, and better cooling technologies are being applied along the chain. The fact that the subjects of regulation were often also members of the ruling coalition gave them a bargaining advantage and in this case eased the implementation of regulatory initiatives. At the same time, the alliance between the big processor, SALL, and the ruling elite induced the dairy farmers and processors to organize and to work on setting up their own processing facilities. The DDA became an agency that on the one hand tried to go by the government’s desire to regulate

the sector, and on the other wanted to obtain the cooperation of producers and traders. This target was effectively achieved.

Elections did not affect this relationship in a significant way, but they gave the producers a bargaining chip: since nearly a million voters are estimated to live from dairy farming, the bans may be costly in terms of votes, and elections therefore made the protests against the bans more effective. Elections played a role in the timing of the bans. Two of the most unpopular bans (one of them so unpopular that it had to be withdrawn) were announced quite soon after the 2006 elections.

## 7. CONCLUSION

This paper started out by outlining how economic growth in Uganda did not bring with it a structural transformation of the economy. The reason is that, in spite of the government’s stated desire to industrialize the economy, overall it had failed to promote production in Uganda. When the ruling coalition is increasingly fragmented, as is the case in Uganda, promoting the productive sectors is difficult because resources are used to remain in power and hold the factions of the ruling coalition together. Factions can resist the implementation of productive sector initiatives if they feel their interests are being threatened. Also, the need to win elections does not provide incentives for the ruling elite to initiate long-term development of the productive sectors. Finally, industry interests are often not organized nor strong enough to put pressure on the government to implement production-friendly measures. What do the dairy and fish cases tell us about when ruling elites support productive sectors?

Table 1 sums up the findings and illustrates how the differences in regulation between the

<sup>16</sup> Interviewed May 2008; see also *New Vision*, 4 September 2006.

Table I. Comparing the dairy and fisheries sectors

	<i>Dairy</i>	<i>Fisheries</i>
<b>Relation with the ruling coalition</b>	Dairy farmers and traders constitute support base for the ruling coalition	Individual members of ruling elite benefit from status quo  Security agents benefit from status quo
<b>Role of elections</b>	A potential one million voters, which meant that bans were often not implemented prior to elections	A potential one million voters: fishermen lose their livelihoods through enforcement, which may lead to a loss of votes
<b>Industry interests</b>	Processors push for regulation, while dairy farmers and traders resist it but organize and bargain to reach a compromise	Processors resist enforcement of restrictions on fishing for a long time, then subsequently push for it, while producers resist regulation

two sectors can be understood when relations with the ruling coalition are examined.

In the case of fish, it was possible to establish a temporary success because a combination of outside pressure (the European bans) and an organized processing industry (the sixteen factories) that pushed the government to help establish procedures so that the bans could be lifted. However, this success was not repeated when the challenge was to enforce regulatory initiatives in the fisheries sector where the political costs of the enforcement of regulation were high. Many powerful individuals benefitted from lax enforcement, individuals who together provided important support for the ruling elite. In addition, enforcing regulation was unpopular among the many fishermen who could decide which local and national politicians to vote for. Finally, until the mid-2000s, the processing industry

lobbied the government for a lax enforcement, as did the fishermen, although these were not as well organized.

Milk production received government support from the early NRM years because the ruling elite needed to build a support base in their home region. In addition, initiatives to support and upgrade the sector were seen as important to the big processor, which probably also funded the ruling coalition. A series of regulatory measures were implemented by the Dairy Development Authority in the direction of gradually formalizing the informal milk sector. These measures helped the big processors, but in the end they also served to upgrade the entire milk chain. Elections played a role in the timing, rather than the content of the government initiatives.

We can conclude that, even when the ruling coalition is rather fragmented, promoting

production is possible. This is the case if there is strong industry pressure to implement policies and when the initiatives to promote the sector are also seen to help build, maintain or fund the ruling coalition. In general, though, a fragmented ruling coalition will be an obstacle to promoting an economic transformation because ruling elites will have to consider the urgent issue of how to maintain their coalition and win the next election.

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