and values which people use in relation to their economic activity are not analytically, practically or morally separated from social, cultural or political activity in ways familiar in modern societies. It is very important, therefore to use the model carefully, and only as way of guiding empirical analysis: it is not a theory. At the same time, indigenous models of local economies need empirical investigation so that concepts can be adapted to the circumstances.

What emerges in relation to real African countries is that these categories do not adequately represent what is going on in Africa. Polities often do not control many of the people and activities within the geographical area of the nation-state. Economies cross borders, and frequently are not integrated. Society flourishes at a level lower than the nation-state, while nearly all African countries are multi-cultural and multi-lingual. The division of labour does not involve people doing just one thing; there is rather a division of energies between a range of occupations and activities. Behaviour defined in modern societies as "economic" is often defined in different terms here; while other behaviour which we might see as non-economic is seen in these contexts as having an economic component. Emergent social institutions set constraints and provide opportunities for economic behaviour; cultural values and beliefs produce preferences which are very different from those of modern societies.

We therefore face a problem in applying these concepts to the real empirical situations we find. However, they are a starting point, and encountering the points where they do not apply provides a learning experience. Future sociological research in this area should involve indigenous sociologists/anthropologists and should develop conceptual analyses from the bottom up as well as the top down.

In the remainder of this section we discuss our conceptions of five aspects of the conceptual model which are particularly relevant for poverty, and policies aimed at reducing it. These are institutions, organisations, politics, culture, and society. We illustrate the discussion with some examples from Uganda. One important conceptual note is that some economists confuse the definitions of institution and organization, using institution to mean both. In the tradition of Northeam new institutional economics (North, 1990) we distinguish between rules (institutions), which are system variables, and players (organisations), which are action variables.

2.3.2 Institutions

These are the rules of the game - informal (norms, self-imposed codes of conduct, conventions) and formal (statute law, common law, regulations). During our research in Uganda we identified a number of institutions which might be operating as constraints on growth as conventionally measured and the implementation of top-down projects and programmes as currently designed. Whether they are (and, if so, where and in what ways) and the identification of other functions they may be fulfilling are a matter for further research. Any choice to be made between growth and security is a political one which, in a democratic political system should be made by the people affected in a democratic way. They include the gender division of labour, the extended family, local social security systems, polygamy, widow inheritance, ceremonies and feasts and other status-seeking expenditures, irrational State regulations.

We also identified a corresponding list of missing institutions which are usually considered as necessary for the operation of efficient markets. They include an agreed business ethic, a framework of accepted laws, property rights, control of monopolies, and contractual arrangements which can be enforced, anti-corruption norms, norms/regulations requiring politicians to declare their interests and preventing them from using their political status for undue personal economic gain.

"The evolution of institutions that create an hospitable environment for cooperative solutions to complex exchange provides for economic growth" (North, 1990). Institutional frameworks which induce economic stagnation and decline can be frequently found throughout history. North argues that the importance of institutions arises from the costliness of measuring what is valuable, protecting rights and policing and enforcing agreements. Once created institutions determine the costs of acting
in various ways in political and economic contexts. In all African countries one of the main challenges is to change the structure of incentives away from political competition and towards economic competition. The hypothesis that in many African countries dominant elites (politicians and bureaucrats) obtain more of their resources from aid (legitimately and illegitimately) than from production is one that is hard to test but not immediately unbelievable.

Markets, individual enterprise and competition require an active citizenry and political agencies that can guarantee that the market operates fairly and to ensure that the economically powerful do not abuse their power. Markets in modern societies are highly structured environments regulated by detailed systems of law and customary practice and depending on a dense network of national and international regulatory agencies which are accepted as legitimate. Uganda does not yet have the basic institutional framework required to ensure the free and equitable operation of markets (Brett, 1992). For example, in a study in Masindi Bazaar describes a market that does not equate the forces of supply and demand; rather it is an arena for a political fight where powerful local interests compete for benefit. He argues that these people are not interested in production but in speculating and that they can only survive through authoritarianism.

Small enterprises in rural Uganda have to operate in environments lacking most of the aspects of modern business which transformed Europe: the rational organization of free labour, the business separated from the household, rational book-keeping, modern science, a calculable legal system, and administration in terms of formal rules. Constraints on business include problems with obtaining credit and regressive flat rate taxes which penalise small businesses and producers. Under the present tax system businesses pay a substantial lump sum in advance which has put a number of them out of business. The constraints are especially costly for formal businesses although many can be circumvented through connections and corruption. Excessive red tape is a reason for not being formal but it limits access to other markets especially the financial.

Land tenure is still confused in both urban and rural areas. There is little land planning and bureaucratic inefficiency and corruption make it difficult to obtain secure titles. The banking system is in crisis. There are 200 branches of UCB. The services are very poor: transactions are delayed, borrowing is subject to stringent and costly conditions, and depositors are often not paid quite small amounts of cash on demand. Upcountry branches cannot lend on a commercial scale, make heavy losses, and depend on state or donor support (Brett 1992).

2.3.3 Organizations

Organizations are usually set up in conformity with either a formal plan (eg a civil service, large business organizations) or with some wider social norms (eg a new household). As individuals interact within these organisations informal norms may develop out of the interaction. The informal norms may be in conflict with those more formally prescribed.

There is a process of civil service reform under way in Uganda, financed and designed by the World Bank and other donors (although the arguments presented in Section 5.3 suggest that bureaucratic and technocratic centralized structures might not be the best state design for African countries). In a predatory state normally law abiding people ignore the law since salaries are not paid, resources are misappropriated, bribery becomes institutionalised, and taxes are not collected but the tax officials are bribed. During the eras of Amin and Obote a "new parasitic elite emerged in the state and private sector, with a vested interest in maintaining the corrupt system which allowed them to make fortunes by manipulating monopoly controls, stealing public assets or extorting public money." (Brett, 1992). The civil service reform is part of a broader restructuring programming involving decentralisation, liberalisation, privatisation, and constitutional reform. To date a considerable reduction in the number of staff has been made (see Appendix 4). However, while the structure is now in place for improved performance the problems of "eating" and inefficiency still remain. Before the reform process started the Civil Service was ineffective, inefficient, and corrupt, and it was not delivering the right services to people. While the structure is now in place for
improved performance the problems of "eating" and inefficiency still remain. Two recent attempts to improve matters have not worked. NRM legislation has introducing a new penal code involving dismissal or other punishment for corruption but this has not yet proved effective and training programmes have not worked. The benefits of civil service reform will not be experienced until the culture and practices of civil servants have changed. A major problem in implementing the reforms is that the civil service managers, with the power to change things, operate in a culture which does not reward performance, responsibility, risk-taking, or a sense of public duty. There is still a problem of attitude, particularly at the top. In addition while management is used to planning they are inexperienced in implementation, partly due to management style and partly because they have few resources with which to implement. Furthermore reform is not necessarily in the interests of all the political leadership (Langseth, 1994).

A second organizational reform currently under way in Uganda is the decentralisation. The Resistance Councils were introduced into a centralised local administrative system which had once operated efficiently but then collapsed creating a political and institutional vacuum. They grew from the bottom up. The NRM has tended to increase the authority of the RCs as time has passed, giving them power to hear domestic and land disputes, try minor misdemeanours, maintain law and order, develop infrastructure, and organise local militias. RC5s and RC3s have been granted corporate legal status enabling them to engage in economic activities. The NRM replaced the District Officer with a District Executive Secretary, who is the head of local civil service, and responsible to the Ministry of Local Government. Above him a District Administrator was appointed by the President and expected to provide political direction. In 1991 the authority of the DA was reduced and the RC5 council and chairman were given charge of the administrative system. Control over field staff in line ministries was decentralised to the local authorities although Brett (1992) suggests that effective control by the centre disappeared in 1972 and that since then line ministries have not had the resources to establish control over local officials.

The RC system, with councils at 5 levels, involves hundreds of thousands of people but does not give clear terms of reference to the councils or effective controls over officials. Indirect elections tend to reduce control from below while too many levels confuse and dilute responsibilities. Burkley (quoted in Brett, 1992) found that the occupational level of officials at RC1 level was little different from average. At RC3 level most people have post-primary education and higher incomes. RC5 members are an elite group consisting mostly of professionals, bank managers, and university graduates. Decentralisation is having some effects on the structure again. The Local Governments (RCs) Statute 1993 transfers real power, including funds and the authority to make decisions, and reduce the workload on remote under-resourced central officials. Much of the planning and budgeting for all sectors including health and social services, will be moved to the districts to the districts. Moving the political and administrative control of services to the point where they are delivered should improve accountability and effectiveness. In particular taxes and services can be linked. Local managers will be freed from central constraints and the long-term goal is that they will develop organisational structures tailored to local circumstances. The responsibility for the provision of most public services will devolve to the 39 districts. Each district has been reviewed and further reviews will be necessary as decentralisation takes root. Thirty districts received ministry votes in 1993/4 and in 1994/5 will receive a block vote. However they have no control over establishments which absorb virtually all income. RC5s have control over the Graduated Poll Tax although RCs are to be allowed to keep 30% of the funds collected. However, the other councils have almost no revenue except for fees for settling disputes. Voluntary councillors are tempted to charge for services and there is also misappropriation. Accounting procedures are very poor and there are problems with tax. Progress will depend on the ability of DA and District Development Committee which is currently an unwieldy body facing very complicated tasks from an under-resourced base. The system currently has many levels and parallel and potentially conflicting lines of authority. Decentralization is an opportunity as there is likely to be more impact of resources when they are decentralized; transparency will increase and the mismanagement of funds will be much more obvious (Brett, 1992).
The central ministries will keep a number of functions which cannot be performed locally such as curriculum revision, drug supply, and basic agricultural research. There is also a role for the centre in setting targets and guidelines and monitoring and publicising progress. There is a need for mechanisms to create effective links between local government and central government. Financial systems need to be monitored closely as decentralisation progresses to check on the effectiveness of systems of revenue generation, the allocation of financial responsibility, auditing, and accounting. Currently local government is mainly financed from graduated poll tax which is collected by the chiefs and other sources of local revenue such as market dues, fees, licences, and government block grants deposited in the District Treasury and administered by the District Executive Secretary on behalf of the District Committee. It is used to pay local salaries and where adequate for development activities. However, even the wealthiest district cannot afford to pay staff a wage which they can live on and few can spend on anything beyond wages. Most districts are in chronic deficit.

Not much is known about organisation, and how it works outside the civil service and local government contexts, although generally organisational life is marked by rigid and formal rules which cause delay and then are got round via various kind of informal practice, often involving the payment of rents.

2.3.4 Politics

"It is politics that shape economic performance because they define the rules of the game." (North, 1993). The Ugandan polity has not yet shown it is committed to national economic development. For example, as in other countries where patron-client relations and ethnic politics have established themselves, there are politicians who try to direct service provision and development projects to their areas, often undermining national plans and budgets in the process. The role of interests and politics in changing and maintaining institutions and organizations must be recognised, analysed, and taken into account in economic policy making and institutional design (see Appendix 4 for more). The development of checks and balances at all organizational levels is particularly important.

Economists have seen the market as a solution to the problem of the predatory state in Africa. However businesses depend on an external context to provide markets, capital, skills, information and services and one function of the public sector is to invest in the infrastructure and legal framework supporting the activities of the private sector. Between 1972 and 1986 the new entrepreneurial class received none of the support and services required to run a modern business: communications, markets, security, power supplies, law and order, monetary stability all disappeared and these things are difficult to re-build. State provision for private sector development is poor even in the main urban centres. There is little training for engineers, craftsmen, and designers and few of them. There is no library with technical information and communications are poor and costly. The government does not provide access to market, design, product, and process information. Money is only available in tiny denominations and is costly to carry, count and conceal. Security is poor and the police and judicial system slow and corrupt. Problems worsen the further one moves from Kampala and the most intractable are in areas recently affected by civil war (Brett, 1992).

Just as there are certain basic economic, institutional and cultural preconditions for the efficient operation of markets, so there are certain basic conditions for the operation of effective democracy. It is of key importance that attention is focused on the nurturing of a political culture where people listen to arguments and compromise on decisions. It is necessary to develop an ethos that goes beyond the tribe.

"Analysis are increasingly sceptical, if not downright pessimistic, about the prospects for consolidating democratic regimes in Africa. In making this argument they often point to the absence of key economic and political preconditions for democratization which include an expanding material base, narrowing income gaps, and a set of countervailing institutions such as a rule of law, independent legislatures and courts and an effective loyal opposition" (Bratton and Liatto-Katundu,
1994, p535). Also important is the political culture: the survival of democracy depends on whether people are willing to defend it.

Political accountability involves an implicit contract between a group of politicians who agree to implement specific programmes and provide required services and a citizenry who accept the proposals, and monitor and evaluate the performance of the politicians and executive. They have to contribute in cash or kind. Accountability needs an electorate with the orientation to intervene, information to enable them to make judgments about public policy and administration, and access to credible alternative candidates. In poor rural environments educational levels are low, information is scarce, and poor voters depend on rich patrons for economic support. Many of those seeking office do so for personalistic rather than social objectives. Some recent preliminary evidence from a study in Zambia is relevant here: "the majority of citizens interviewed seemed to think that political participation begins and ends with voting. While most respondents vigorously asserted their right to vote, few understood that they could also hold their representatives to account between elections" (ibid, p561). The authors suggest that the electorate are waiting for guidance from above rather than demanding action from their political leaders. Cynicism about politicians leads to withdrawal from politics rather than action to change things.

The design of any democratic structure is important. For example, a first past the post system may not be so suitable as some form of proportional presentation. Any federal solution must include redistribution between rich and poor areas.

The NRM is not keen to re-introduce political parties but the decision is to be made by the Constituent Assembly in the near future. It is not clear that multi-partyism in Africa leads to choice and accountability. The role of parties in Western democracies is to provide electors with a choice of policy. Policies are argued out by members of the parties and presented to the electorate in a manifesto which covers all areas of public interest and policy. Parties which gain power tend to represent different occupational sections of the population rather than ethnic or religious groups ones and offer the voters philosophical as well as material choices; ideas, programmes and policies. There is, however, a large degree of underlying consensus. Governments are judged by the effectiveness with which they carried out the policies in their manifestos and the advantages they have delivered both to their supporters and to the country as a whole. African politics are very far from having the structures required to support this kind of party; parties in Uganda are based on both ethnicity and religion and do not present national programmes as alternatives to the current NRM programme. However, the NRM structure does not allow for the aggregation of interest and policy negotiation which is provided by the party structure in the West. There is accountability at the village level where candidates are known but higher up election is indirect reducing the capacity for planning, policy management and supervision of politicians (Brett, 1992).

2.3.5 Culture

If institutions determine the performance of economies, what creates efficient institutions? (North, p137). North fixes on informal constraints, which come from the cultural transmission of values, and the transactions costs inherent in the political process. In the past effective traditions of hard work, honesty and integrity developed in response to fundamental changes in relative prices; the lower the costs of information, the more rapid the alterations were. In political arenas where politicians are relatively unconstrained by constituent interests there are circumstances where politicians have borne the costs of organization or providing a legal framework in which binding commitments can be enforced. When there is a change in the formal rules that makes them inconsistent with the existing informal constraints, or a change in informal norms that make them inconsistent with existing formal rules, the unresolved tensions between them will lead to long-run political instability. One question for Uganda, considered further below, is whether it is currently designing formal institutions that fit with the informal rules which have become part of the Ugandan
culture, and if not how each can be steered towards an integrated structure of rules which offer incentives to economic efficiency and expansion. If structures to constrain politicians by constituent interests are hard to develop are there other, maybe less democratic, ways of establishing a legal framework that really works.

With regard to other aspects of local cultures there is strong evidence that rural welfare could be improved through effective education campaigns related to the prevention of crop diseases, crop storage, pest control, alternative crops, and household budgeting and expenditure for consumption smoothing. There are many problematic beliefs with adverse health consequences, for example taboos about the use of latrines, and food, and damaging practices such as extracting "false teeth" and circumcision. There are also values and preferences with detrimental effects. The importance placed on fertility has damaging consequences for women's health and status, while over-expenditure on alcohol can lead to poverty, unsafe sexual practices and violence against women (for more on this see Appleton et al., 1995).

2.3.6 Society

We are calling this "society" for the want of any better term. It refers to those activities, conducted to a large degree by women, or in the "private" realm, concerned with relationships, emotions, personal obligation, friendship and love, and, most importantly, reproduction, or the production of people. It involves nurturing, socialization, responsibility, and an ethic which requires that the interests of others be put before one's own. While societies, economies, polities, and cultures could not exist without it, it has not been modelled in a satisfactory way by social scientists; not has it been measured in Government statistics. People without relationships and those who have not been nurtured and socialized cannot surely be described. In Uganda, the long-running civil war and unrest has disrupted this aspect of life with long-term consequences which need to be assessed.

3. Policy

These aspects are all interlinked and policy must take account of the complex web of relationships between system variables and social action at the different levels and along the different dimensions described above. Successful reform of the political and organizational areas will require changes in social institutions and in the mental models held by the actors involved, since it is these that will shape choices.

3. The Economics of Poverty in Uganda

We are aware that we have not done justice to economic analyses of poverty in Uganda. We have focused on research and policy advice emanating mostly from the World Bank and have only looked at this patchily. However, one of our problems has been the lack of an integrated economic macro/meso/micro approach to poverty on the part of economists. We hope this paper will stimulate a response from them along these lines.

3.1 What are the problems?

The problem of poverty are seen as resulting from basic conditions, shocks and bad policies. Some economists are still not sure that there is a long-term problem in Uganda. It may be that structural