

# THE ROLE OF PUBLIC CORPORATION IN NATIONAL DEVELOPMENT IN UGANDA

*Case Studies of the Uganda Development Corporation and The Uganda Electricity Board*

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## Introduction

The overall purpose of this article is to contribute to the assessment of the contribution public corporations can make to national development in developing countries. This is done by concentrating on the ways in which two public corporations have contributed to Ugandan development. An attempt has been made to analyse the policies and motivations of these two bodies as case-studies on the general rationale that an understanding of their capabilities may have lessons and insight for others. This is immediately controversial as the extent to which individual public corporations can be considered as generalizable case-studies remains debatable.

Since the authors of this paper tend to a strong emphasis on the uniqueness of each public corporation and the need for caution in generalisations, there is little attempt to offer wide-ranging conclusions. We have been largely satisfied at the level of understanding the Uganda Development Corporation (UDC) and the Uganda Electricity Board (UEB) against their Ugandan environment. The definitive answer on whether or not the conclusions have relevance for any development corporation, or any electricity board in any developing country, awaits the comparative results of more research.

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## Public Corporations and Public Enterprises<sup>1</sup>

Public enterprises in different countries can be of a variety of organisational types. These can be roughly classified into three groups:—

1. The Departmental Management type: the characteristics of this type have been described in a study by the United Nations Technical Assistance Administration as follows:—
  - (a) the enterprise is financed by annual appropriation from the Treasury;
  - (b) the enterprise is subject to the budget, accounting and audit controls applicable to other government departments;
  - (c) the permanent staff of the enterprise are civil servants, and the methods by which they are recruited, and the conditions of service under which they are employed, are ordinarily the same as for other civil servants;
  - (d) the enterprise is generally organised as a major sub-division of one of the central departments of government and is subject to the direct control of the head of department;
  - (e) wherever this applies in the legal system of the country concerned, the enterprise possesses the sovereign immunity of the State and cannot be used without the consent of the government.<sup>2</sup>
  
2. The Public Corporation type: the characteristics of this type have been given by the United Nations study already quoted, as follows:—
  - (a) it is usually owned by the State;
  - (b) it is generally created by, or pursuant to, a special law defining its powers, duties and immunities and prescribing the form of management and its relationship to established departments and ministries;
  - (c) as a body corporate, it is a separate entity for legal purposes and can sue and be sued, enter into contracts, and acquire property in its own name. Corporations conducting business in their own name have been generally given greater freedom in making contracts and acquiring and disposing of property than ordinary government departments;
  - (d) except for appropriation it is usually independently financed. It obtains its funds from borrowing, either from the Treasury or the public, and from revenues derived from the sale of its goods and services. It is authorised to use and re-use its revenues;
  - (e) it is generally exempted from most regulatory and prohibitory statutes applicable to expenditure of public funds;
  - (f) it is ordinarily not subject to the budget, accounting and audit laws and procedures applicable to non-corporate agencies;

1. The term parastatal bodies has not been used in this paper. The expression has wide usage in East Africa but appears to vary from being synonymous with public corporations to including the whole range of public enterprises.

2. United Nations Technical Assistance Administration *Some problems in the Organisation and Administration of Public Enterprises in the Industrial Field*. (New York, United Nations 1954) p. 9.

- (g) in the majority of cases, employees of public corporations are not civil servants, and are recruited and remunerated under terms and conditions which the corporation itself determines.<sup>3</sup>
3. The State Company type: this type has been defined by Professor Hanson as: 'an enterprise established under the ordinary company law of the country concerned, in which the government has a controlling interest, through its ownership of all or some of the shares. It thus covers enterprises wholly owned by the Public Authorities, as well as "mixed enterprises" through which the government enters into partnership with private owners of capital.'<sup>4</sup>

In this article the concern is with public corporations. For convenience the range of public corporations discussed has been narrowed to refer to industrial, agricultural and commercial concerns which are owned and controlled by the Central Government (in a unitary state) or by the Central and Regional Governments (in a federation).<sup>5</sup> Corporations owned and controlled by municipal bodies (city, municipality and town councils and district administrations) are excluded from consideration, the main reason being that they can be better treated as a separate study to avoid adding another dimension to this study which is already multi-dimensional.

#### *The Extent and Significance of Public Corporate Enterprise in Different Patterns of Development*

Quantitative measurement of public corporate participation in a national economy is difficult to make; so are comparisons between different national economies in this respect. Even in centrally planned economies,<sup>6</sup> where the Government has been pursuing a policy of eliminating the private sector, there is some doubt about categorisation of the property of collective firms and, perhaps more, about the actual extent of small scale production and trade. Elsewhere, the establishment of a public-private balance sheet is complicated by (a) the defectiveness and non-comparability of the available statistical information; (b) the use of different definitions of 'public' and 'private'; (c) the interpenetration between the public and private sectors, particularly through the use of institutions such as industrial and agricultural development corporations; and (d) the existence in the economy of non-monetized and unmeasured areas, such as production for subsistence or for barter in agriculture. All the complications are met with in an attempt to study the role of public corporations in Uganda.

Despite these difficulties, it is possible to make certain broad comparisons. For example, in centrally planned economies, public corporations predominate in the fields of industry, trade and service. In Rumania, for instance, public

3. *Ibid.*, p. 9.

4. A.H. Hanson, *Public Enterprises and Economic Development* (London, Routledge and Keegan Paul 1960) p. 351.

5. A.H. Hanson, 'Report of Preliminary Study' in *Organisation and Administration of Public Enterprises-Selected Papers*. (New York, United Nations ST/TAO/M/36, 1968) p. 2.

6. *Ibid.*, para. 2.

corporations are responsible for 96% of industrial output, 63.6% of domestic trade, and 100% of the activities categorised as 'Public Services' and 'Banking and Finance.' Only in agriculture are public corporations, as such, in a less prominent position, and even here no less than 64.2% of production comes from co-operative enterprises (e.g. collective farms), and no more than 5.9% from twenty private enterprises.<sup>7</sup>

Less predominant, although still decisive, is the role of public corporations in countries which although not completely centrally planned, have embarked on a policy of wholesale nationalisation of industry and commerce, e.g. the United Arab Republic, where the major manufacturing enterprises, all foreign commerce, all financial institutions and all public utilities are controlled by the State.<sup>8</sup> Other countries with similar patterns (or similar ambitions) are Burma, Guinea and Mali. Ghana under Kwame Nkrumah and Uganda under Milton Obote were leading in the same direction.<sup>9</sup>

In countries which are attempting to operate mixed economies, the role of public corporations quantitatively, varies widely from one economic sector to another. The main quantitative indices normally used are (1) the percentage contribution of public enterprises to the Gross National Product (GNP), (2) the percentage contribution to gross fixed capital investments; and (3) employment in the public corporations as a percentage of total employment. All these indices, however, have to be used with great care. Take employment, for instance: in Spain the percentage of total employment provided by public corporations is given as 5%, whereas in Ghana there are more public than private employees.<sup>10</sup> These overall figures conceal the fact that, whereas the Spanish economy is one in which a high proportion of the occupied population obtains its living from paid employment, the Ghanaian economy is one in which the independent farmer, artisan and trader predominate. So feebly has it developed, capitalistically, that employees in 'infra-structural' enterprises (predominantly public) outnumber those in manufacturing and commerce (predominantly private). However, even if such global comparisons were possible, they would not be of much use unless one could build up a series, covering a number of years: for what one wants to discover is not only the proportion of economic activity for which public corporations are responsible in one year, but whether that proportion shows a tendency to increase or decrease.

A purely quantitative approach to the public corporation in a mixed economy is not a very helpful one. The important thing is to be able to estimate the strategic role that it is playing in the process of economic development. This may be of the utmost significance even though the actual extent of public corporate enterprise, measured by direct contribution to the GNP or amount of employment generated or some other index, may be modest. For this purpose one needs figures on relative participation in economic activities, sector by sector (such as transportation, heavy industry, mining, etc). Research of this

7. *Ibid.* para. 3.

8. *Ibid.* para 5.

9. Dr. Busia and President Amin have reversed these policies and seem to have opted for 'mixed' economies.

10. Hanson, 1968 para 6.

type is being conducted in Uganda, but has not yet reached a form in which it could be presented in this article. One also needs to examine and assess, in detail, the patterns, motivations and contribution to economic growth of a few key public corporations such as the Uganda Development Corporation (UDC) and the Uganda Electricity Board (UEB) as case-studies in the capabilities and importance of these bodies. While the quantitative contribution has yet to be assessed, the rest is the function of this article.

#### *Public Corporations in Uganda*

In general, the picture for countries of mixed economies such as Uganda is much as one would expect. Public corporations are overwhelmingly important in the traditional and well-established fields of public utilities (e.g. power, transport and communications). Here and there one finds a few remaining 'concessionaires'<sup>11</sup> but it is doubtful whether they will last much longer. In manufacturing, the picture is not so clear-cut. Much depends on the availability and willingness of private entrepreneurs and investors, which in turn depends partly on the climate for private entrepreneurship and investment, which again depends partly on the political situation. Governments keen on industrialising have to take up whatever 'slack' there may be, whether it is of their own creation or by giving private persons such public assistance, financial and technical, as may seem necessary to galvanise them into activity. The method selected, and the extent to which the Government sets itself up as a manufacturer, will depend to some extent upon political ideology and social perspectives.

Public corporations in commerce (e.g. the Export and Import Corporation) can be of immense economic and political importance. 'Marketing boards' (e.g. CMB, LMB, PMB) and similar institutions (e.g. UTGA) in countries which depend upon the overseas sale of a small range of primary products (in Uganda's case coffee and cotton) are the most outstanding examples. They have been used in the past, for both 'stabilisation' and for capital accumulation purposes which are sometimes extremely difficult to reconcile. Public corporate enterprise in internal commerce (e.g. the National Trading Corporation) has been rare but now there are examples in Uganda, Kenya and Tanzania as well as in some other developing countries. Politically, it is likely to arouse strong opposition, and technically, efficiency in the operation of State monopolies in this field is difficult to achieve.<sup>12</sup> Non-monopoly state trading, however, can sometimes be a useful means of controlling prices and influencing standards.<sup>13</sup> Central Banks nowadays are almost invariably publicly owned (e.g. the Government owns and controls the Bank of Uganda), but the extent of the State's incursions into commercial banking varies widely from country to country. In Uganda, 'Government has decided to restrict its participation to 49% and

11. For example until very recently, when the Kenyan Government bought a majority shareholding in it, the East African Power and Lighting Company which has the monopoly in electricity distribution in Kenya.

12. The Ugandan N.T.C. has been the frequent subject of public debate and commissions of enquiry since its inception in 1966.

13. Though Hanson points out that for example the experiment with 'fair price shops' in India has not been very encouraging (Hanson, 1968 para. 8).

to be flexible in determining the amount of minimum capital for incorporation.<sup>14</sup> Almost everywhere there are publicly-owned institutions concerned with the financing of industry and agriculture. In industry these institutions (e.g. the East African Development Bank owned jointly by partner states of the East African Community) are largely concerned with making up for the shortage of long and medium-term loan capital; in agriculture (e.g. the Uganda Co-operative Bank<sup>15</sup>), they still tend—at least in so far as they serve the needs of the 'small' farmer—to do most of their business in the form of short-term, seasonal or 'crop' loans. As for public corporate enterprise in agricultural production itself, there is comparatively little of it in Uganda, though the UDC jointly with private investors own subsidiary companies (e.g. Agricultural Enterprises Ltd., Kiko Tea Company Ltd., Kigezi Plantation Company Ltd., The Muzizi Plantation Co., Ltd., Mwenge Tea Co., Ltd., Salama Estates Ltd) which are primarily engaged in agricultural production and marketing. Like most Governments, the Government of Uganda concentrates on helping the private agriculturalists (through extension services, the encouragement of co-operation, improvement of seed through research and marketing of the crops), rather than on establishing state farms and plantations. Another form of partnership has recently begun with the establishment of the National Sugar Scheme at Kinyala. The scheme is financed jointly by the Government and a private sugar-producing company. Eventually the scheme is designed to benefit private cultivators as well, by allowing them to participate as 'outgrowers', growing sugar-cane and selling it to the plantation's factory.

#### *The Method of Approach*

The central premise on which the approach of this paper is based is that public corporations can only really be successfully analysed as unique entities against their respective national environments. Generalisations about their characteristics and capacities that go beyond this micro-analysis to the developing world as a whole or even East Africa as a unit must be made very cautiously. The major concentration in the paper is therefore on an understanding of the organisational dynamics of the two public corporations chosen as case-studies—the Uganda Development Corporation (UDC) and the Uganda Electricity Board (UEB).

There are several reasons for choosing the UEB and UDC as the examples, apart from the obvious fact that they have been the focus of research interest. They belong to the pre-independence generation of public corporations and are two of the oldest parastatal entities in East Africa, the UEB having been

14. President Amin's 'May Day Speech' 1st May, 1971.

15. The Uganda Cooperative Bank is not a public corporation (nor for that matter is the East African Development Bank in the definition used here). The Cooperative Bank is owned by the various Growers' Cooperative Unions in Uganda but is eligible for loan or grant assistance from the Government.

set up in 1948 and the UDC in 1952.<sup>16</sup> These comparatively long life-histories provide an opportunity to study the response of two public corporations to a much greater variety of challenges and external stimuli than is possible with the public corporations that have been created since Independence. At the same time the demands and expectations that have produced the relative explosion in numbers of public corporations since Independence also made themselves felt on the older units, in many ways more vigorously and with more interesting results for study.

Another point in favour of these case-studies can be argued from the concept of organisational maturity or at least of a developed organisational *modus vivendi*. Both the UDC and the UEB can be considered as 'successful' public corporations from the point of view of organisational self-maintenance and expansion. Assets and returns have increased, the extension of activities and services has been impressive and the numbers employed have grown steadily.<sup>17</sup> It is reasonable to assume that this physical expansion has been achieved by the development of a set of guiding principles and organisational imperatives that have allowed a response to external stimuli that has maintained the viability and expansion of the organisation. An examination of these principles and imperatives in these 'mature' bodies should be of value to more recently created public corporations which have not yet been able or been allowed to develop such a *modus vivendi*.

The argument for the selection of these two case-studies as generalizable examples of types of public corporations is the more tenuous one. The view that public corporations should be analysed as unique entities and not as representatives of categories receives indirect support from Livingstone and Ord in their discussion of development corporations, which could readily be assumed to be an easily comparable group.

Apart from the words Development Corporation which usually appear in the name of the organisation set up by governments to undertake the roles assigned to it, there may be great differences in its corporate structure and commercial behaviour.<sup>18</sup>

There is the further difficulty of deciding in which categories to group public corporations for the purposes of comparison. Bradley and McAuslan have produced the following functional breakdown of public corporations<sup>19</sup> in East Africa:—

16. The governing statutes of the two bodies are: The Uganda Electricity Board Ordinance No. 29 of 1947 substantially amended by Ordinance No. 17 of 1961 and consolidated as the Electricity Act Cap. 135 Vol. V Revised Laws of Uganda 1964.  
The Uganda Development Corporation Ordinance No. 1 of 1952 substantially amended by the Uganda Development Corporation (Amendment) Act No. 39 of 1963 and consolidated as the Uganda Development Corporation Act Cap. 319 Vol. VIII, Revised Laws of Uganda 1964.

17. See Appendices III and IV.

18. H.W. Ord and I. Livingstone "National Development Corporations and Private Enterprise" in P.A. Thomas (ed.) *Private Enterprise and the East African Company* (Dar es Salaam, Tanzania Publishing House 1969) p. 262.

19. The definition of public corporation employed is a wider one than in this paper. For convenience 'public corporations' have here been taken to be in industrial, agricultural and commercial fields while Bradley and McAuslan have recognised that they can appear in the fields of social service, education and even culture.

Group	Kenya	Tanzania	Uganda
Agriculture	19	13	7
Investment and Development Agencies	4 (including ADC ICDC)	3 (including NDC)	2 (including UDC)
Industry, Trade and Public Utilities	6	7 (including TANESCO)	6 (including UEB)
Finance and Banking	4	6	2
Social Service, Educational Culture and Welfare	13	15	10

Source: A.W. Bradley and JWPB McAuslan "Public Corporations in East Africa" in W.G. Friedmann and J.F. Garner (ed.) *Government Enterprise* (London; Stevens 1970).

Note (1) Excluding the community corporations and public enterprises in Zanzibar.

(2) Treating the development agencies as single units.

In this categorisation, the UEB and the UDC are representatives of two numerically small functional groupings. This does not say very much about their representative claims as it ignores the size and importance of the corporations in their national economies. A more important criticism of such categorisations is the allocation of various public corporations and particularly national development corporations to different functional groupings. Is the UDC more predominantly an investment and development agency, an industrial complex in its own right or a medium for the generation and movement of finance? This paper will, in fact, seek to show that it has played all these roles at various times and with varying degrees of importance in its history. Even the UEB at various periods in its expansion of electricity supplies can be seen to have operated differently—at one time and in certain fields attempting to emphasise the social service function of electricity and at another time and in other circumstances limiting expansion by the application of a strictly commercial rate of return in the investment of extra capital.

The important point to be made is that generalisations from the UDC and UEB to other examples of categories of public corporations that are assumed to exist must be heavily qualified. The conditioning factors are the historical stages in organisational development, the particular side of organisational activities that is being examined and the nature of the external environment.

It can be said, for example, that the UDC of the early and middle fifties has parallels with the Kenyan Industrial and Commercial Development Corporation of the same period and with the Kenyan Tea Development Authority of a much later period through the work of Agricultural Enterprises Ltd. (the UDC's agricultural subsidiary) in tea development. Beyond this rather specific qualified level, generalisations about the capacities and capabilities of public corporations must be treated with extreme caution—as, of course, is done in this paper.

There is certainly some risk here in labouring the point about the uniqueness of each public corporation. A factor that appears to be increasingly prevalent in the creation of public corporations, accounts for this elaboration. There is an increasing tendency in developing countries today, to look on the public corporation as a kind of all-purpose device that can be easily inserted into any situation to produce a predictable set of results. The models for comprehensive national development planning were at one time in danger of acquiring a similar status. In practical terms neither they nor public corporations can be treated in this way. Each public corporation must be assessed individually, on the basis of the separate circumstances and nature of its creation and the separate organisational imperatives produced by its unique relationship with its environment.

*Reasons for the Creation of the Uganda Development Corporation and the Uganda Electricity Board*

In the minds of the British and Ugandan colonial authorities of the late forties and early fifties the reasoning on public corporations seems to have been as follows:—

Britain, under the Labour Party Government of 1945-1951, was undergoing a remarkable expansion of the public enterprise sector of the economy. The main vehicle for this was the creation of public corporations—in the words of one authority:

... the most important invention of the twentieth century in the sphere of government institutions... specially designed as an organ of public enterprise.<sup>20</sup>

The motivation was on two levels. On the political ideological level ownership and operation of basic industries such as fuel and power, transport and essential raw materials had to be in the interests of the whole community and not left to private profit. On the organisational level, public corporations were the chosen vehicle and not government departments because in the words of Herbert Morrison:

We are seeking a combination of public ownership, public accountability and business management for public ends.<sup>21</sup>

20. William A. Robson, *Nationalised Industry and Public Ownership* (London, Allen and Unwin 1960) p. 28.

21. *Ibid.* p. 69, Quoted from Herbert Morrison *Socialisation and Transport* (London 1933) p. 149.

Professor William Robson has amplified the latter point:—

The underlying reason for the creation of the modern-type of public corporation is the need for a high degree of freedom, boldness and enterprise in the management of undertakings of an industrial or commercial character and the desire to escape from the caution and circumspection which is considered typical of government departments.<sup>22</sup>

The basic ingredients of the public corporation were soon firmly established—ownership and operations by and on behalf of the public to whom a separate and commercially expert management were to be responsible through the medium of the national government.

In the British colonies<sup>23</sup> this basic rationale for the creation of public corporations was accepted and amplified.<sup>24</sup> The 1945 Colonial Development and Welfare Act with its £120m. funding had already made clear the more positive attitude to colonial development of the post-war British Labour Government. Some new organisational vehicle was needed for this development orientation, outside the traditional colonial government machinery that hinged around the concept of a balanced budget for each colony. The separateness of the public corporation in staffing, financial policy and development enterprises together with the continuing guarantee in public accountability of its service to the whole community weighted the balance heavily in its favour.

Territorial public corporations were set up rather than a multiplication of Empire-wide bodies—like the Colonial Development Corporation and the ill-fated Overseas Food Corporation. Territorial bodies fitted in with the territorial autonomy that remained the basis of Britain's relations with her colonies. They had the added advantage of being more amenable to integration with the new ten-year colonial development plans asked for in the 1946 Colonial Development and Welfare Act.<sup>25</sup> In the face of growing allegations of colonial exploitation and an increasingly defensive British reaction to such charges, territorial public corporations also had a much better image as vehicles for the service and advancement of the actual people who helped to finance their creation.

Within this framework of background influences, one of the central themes that has shaped the organisational development of the UEB and UDC can already be discerned. The basic control versus autonomy dilemma of the territorial government in relation to its public corporations was already shaping up. Public corporations needed to be separate to recruit more expert staff to follow more vigorous development policies and to get away from the traditional government constraints of the balanced budget. At the same time the new

22. *Ibid.*, p. 47,

23. Uganda of course was a Protectorate not a Colony, but for the purposes of the argument here the two can be considered together.

24. The creation of public corporations in the colonies after the Second World War is more fully discussed in J.M. Lee *Colonial Development and Good Government* (Oxford, Clarendon Press, 1967) pp. 111-127.

25. The Ugandan response to this demand was E.B. Worthington's *A Development Plan for Uganda, 1947-1956* (Uganda Protectorate, Government Press 1947 reprinted by OUP 1949).

emphasis on development for the benefit of the colony's population through the vehicle of national development planning made control and public accountability all the more vital.

The most immediate reason for the creation of such large public corporations as the UEB and the UDC in Uganda so soon after the Second World War was the increasingly pressing need to find outlets for the enormous surpluses in the country's cotton and coffee Price Assistance Funds. From June 1948 when they were set up to the end of the 1952-53 growing season, £44.5m was accumulated in these funds in forced saving from cotton and coffee growers. Even when the Cotton Price Assistance Fund was limited to £20m in 1952 this still left a total of £14.5m from cotton to be transferred to an African Development Fund created in the same year.<sup>26</sup> The initial share capital of £5m for the UDC was subscribed from this African Development Fund, which was searching for outlets. It was also the strength of these comparatively enormous surplus balances that allowed the Uganda Government to advance the UEB some £14.5m between 1948 and 1953<sup>27</sup> to finance the initial stages of the Owen Falls Hydro-electric scheme.

The fact that the money for both corporations came from Ugandans (albeit without their explicit approval) increased the pressure to develop for the benefit of the population rather than to improve exports to Britain. The fact however, that the money came from outside the regular capital budget of the Government increased the chances of autonomy in operations for the two corporations and made it easier for them to interpret benefit to the population in terms of 'commercial viability.'<sup>28</sup>

The registration of the UDC under the Ugandan Companies' Act, was made possible by the allocation of a lump sum as initial capital. This registration has been of vital importance in the UDC's generally successful efforts to withstand Government directives when these have not been based on commercial viability as the guiding principle in investment decisions.

In a similar way, the lavish scale of initial (and subsequent) Uganda Government advances to the UEB created such an enormous debt burden that the Electricity Board has been relatively free to arrange its supply extension policies in a way which maximises the return on capital invested. Any social welfare orientation in the extension of electricity supply has been largely excluded by the overwhelming need to maximise revenue to service the loans, help to repay the principal and make some contribution towards finance for further expansion.

26. Figures from *East Africa Royal Commission, 1953-1955 Report* (London, HMSO 1955—(ed. 9475) p. 82.

27. U.E.B. Annual Report 1953 p. 20.

28. This is a much used term which lacks a definitive meaning. What consensus there is seems to agree that it implies a return on the capital invested that bears an approximation to that which would be acceptable to a private commercial firm in the same field. The UDC has an average (taking both long and short term respectively in different fields) adopted 8% as the return on capital invested while the U.E.B. in its formula for calculating the viability of extending its distributive network demanded 10% before 1962 and no less than 14½% since that time to give a return of capital of 7½%. These figures are certainly not strictly comparable but they do give an idea of what commercial viability meant for each organisation. Though it was not precisely and explicitly defined, the concept has played a crucial role in the history of both organisations.

It is noteworthy that other Ugandan public corporations and, in particular, the large number that have been created since Independence, have not had these elements in their creation and have not been nearly so successful in maintaining commercial viability as the guiding policy principle. Where Government has wished to the contrary, it has been able to be much more persuasive.

#### *Expectations from Creation*

The public statements of the first two chief executives—James Simpson of the UDC and Charles Westlake of the UEB—give an indication of what was expected of the two corporations when they were created. Each of these individuals was a key influence on their patterns of development.

Within the overall aims of 'assisting in the whole composite pattern of broadening and strengthening the basis of the economic life of Uganda,' and 'associating in political terms the people of the country with the development of Uganda', Simpson distinguished four key functions in order of importance for the UDC :

- ... to assist in associating private enterprise with development schemes required by the country;
- ... to assist in the provision of essential capital or industry where this is required;
- ... to encourage the establishment of any entity found viable... by the provision of reliable basic data on industrial conditions and requirements;
- ... to take over from Government and organise on commercial lines, existing ventures which it had been agreed should be in the hands of a commercial corporation.<sup>29</sup>

In one of his two reports that paved the way for the creation of the UEB, Westlake summarised the benefits that should arise from its existence:—

- (i) the raising of capital on the lowest possible terms;
- (ii) the construction of new works at minimum cost;
- (iii) the provision of electricity supplies in smaller towns at an early date;
- (iv) an early start being made on rural development;
- (v) development of new sources of hydro-electric power and extension of existing sources;
- (vi) uniformity of tariffs and conditions of supply;
- (vii) service to the consumer being the sole aim and the elimination of the profit motive.<sup>30</sup>

One feature of these statements should be noted as it had a key bearing on patterns of organisational development. This was the emphasis on the two public corporations as finance raising agencies. The UDC was to facilitate the involvement of private enterprise capital in development schemes, and, where necessary provide its own money. The UEB was to ensure the raising of capital on the lowest possible terms so that capital works could be constructed at minimum cost. As the organisations developed these financial considerations became

29. J.T. Simpson in *Uganda Development Corporation Ltd.—A Handbook of the Corporation and its Subsidiary and Associated Companies* (Kampala, Uganda Argus Ltd. 1957) p. 1-2.

30. C.R. Westlake, *Preliminary Report on Electricity Supply in East Africa*, (London, September 1946) p. 6.

increasingly predominant in policy formulation. In the case of the UEB which had been so explicitly committed to the supply of electricity as a social service, financial imperatives came to be overwhelmingly preponderant and drastically reduced the scope for non-commercial criteria in supply extension. Finance has also been the key factor in the relations of both bodies with the Uganda Government.

#### *Phases in Organisational Development*

An examination of the phases and motivations in output policies (the UDC in industrial, commercial and agricultural development and the UEB in electricity supply extension), should reveal the pattern of key organisational imperatives, constraints and capabilities of the two corporations.

A plausible case has been made out for the UDC as the agency created to absorb the power generated by the UEB or alternatively for the hydro-electricity of the UEB as the essential prerequisite to the industrial development of the UDC. Interdependence has only really existed to the extent that both are part of the infrastructural and industrial development of Uganda. There is little evidence of direct or indirect co-operation.

The UEB has not extended particularly favourable tariffs to UDC enterprises even in the special agreements that were negotiated with large consumers such as NYTIL.<sup>31</sup> Though it talked about it occasionally in the early 'fifties, the UDC has not really developed industries for their electricity utilisation potential, nor can it be said that it has located industries to take particular advantage of an electricity supply. Energy costs have been calculated to be 3.27% and 1.22% respectively of total production costs in industrial and agricultural processing industries in Uganda and electricity makes up no more than half of the energy used.<sup>32</sup> It is unlikely that such costs were crucial when in addition tariffs have been uniform throughout the country.

Phases in output policies cannot be categorised into hard and fast chronological divisions, as they represent changes in emphasis in response to changing circumstances rather than absolute changes in policy.

### THE UGANDA DEVELOPMENT CORPORATION

#### 1. *Large-scale Industrialisation and Foreign Partners*

As already mentioned, the UDC had two crucial initial advantages (the £5m lump-sum share capital and the registration under the Companies' Act) in any vigorous policy of commercially-based investment. The Protectorate Government could perhaps have shaped investment policy through the seating of such leading officials as the Financial Secretary and the Protectorate Development Commissioner on the UDC Board. However, these officials were in a minority

31. The largest single subsidiary of the UDC Nyanza Textile Industries Limited at Jinja.

32. Hans Amann 'Energy Supply and Economic Development in East Africa' (Munich IFO Institute African Studies 37, 1969) p. 78.

on the Board and were not, in any case, interested in differing from Simpson's publicly stated conception of the goals of UDC policy. Both Government and UDC chief executive favoured an investment policy dominated by commercial principles and the former was prepared to leave the latter to get on with it.

The UDC was, therefore able to live up to the goals to which Simpson had publicly committed the organisation<sup>33</sup> for the early part of the 'fifties. The enterprises started by the Government either unilaterally or in partnership with private firms, were taken over and subjected to much more vigorous commercial management<sup>34</sup>. At the same time, new investment opportunities were sought so that by the end of 1954 the £5m of the initial share capital had already been earmarked or committed.<sup>35</sup>

There seem to have been three major guiding principles in determining the UDC's investment policy at this time. Perhaps the most influential was a commitment to introduce large-scale industrial projects. While no one denied that 'Uganda is and must remain for the present at all events primarily a country of peasant agriculture'<sup>36</sup> agriculture was doing well enough in the early 'fifties for the UDC to place its primary emphasis on industrialisation. The foundations for this were seen to lie in two factors—the large mineral deposits (principally phosphates, niobium and iron ore) near Tororo and electric power from the Owen Falls at Jinja. Industries based on these factors and on agricultural processing could be set up on a large-scale to deal with the comparatively recently recognised problem of surplus labour from the agricultural sector and to build a balanced economy in Uganda. The popular phrase of the time that likened Jinja to the 'Detroit of East Africa' gives a somewhat over-exaggerated view of the spirit behind these early efforts at industrialisation. There was even a military strategic element stemming from the isolation of East Africa in the two World Wars. The proposed iron and steel complex in particular was seen as the nucleus of a self-contained East African economy.

To what extent Simpson and the UDC were influenced by these rather visionary policy goals remains unclear. Certainly the UDC capitalised on the opportunities that existed for large-scale investments and did enter into vigorous efforts to industrialise through fairly large projects at this time. It probably seemed both to the Government and to the UDC that money for the organisation and for the country as a whole would not be a problem in the foreseeable future, while purchasing power amongst the people was at a high level, in spite of the compulsory levies of the Price Assistance Funds.

The UDC was not at this time prepared to go it alone in project investments.

33. See p. 12.

34. These were: Lake Victoria Hotel Ltd. (with the Colonial Development Corporation); Nyanza Textiles (with the Calico Printers Association of Manchester), Kilembe mines (with Frobishers Ltd. and the Colonial Development Corporation—still in 1952 a paper commitment); Uganda Fish Marketing Corporation (TUFMAC alone); Uganda Cement Industry (alone). In addition there were commitments taken over to investigate the mineral deposits at Sukulu near Tororo with a view to establishing fertiliser and chemical industries and to look at the prospects for an iron and steel industry to serve the whole East African market.

35. U.D.C. Annual Report 1954, p. 5.

36. Governor J.H. Hall, 'Foreword' in E.B. Worthington, *op. cit.* p. 4.

It gave high priority to the association of private enterprise—and especially foreign private enterprise—in investment projects. Uganda had money, although insufficient to invest in its development, but more important, it lacked technical and human expertise and contracts abroad. UDC's search for foreign partners was helped as much as anything by the organisation's clear freedom from government control and dedication to commercial principles.

This is one of the major reasons why the relationship or the image of the relationship between Corporation and Government has always been so vitally important to the UDC. It has often not been clear whether operations according to commercial principles, the attraction of foreign expertise and investment, or simply freedom from Government control is the primary goal, but the three have always been inter-related in the minds of UDC officials and foreign investors. Government influence, though almost non-existent at this time, was already regarded as an intrusion into the operational autonomy vital to UDC in its role as the main agency of Ugandan industrial development.

## 2. *Improving the rate of return on Investments*

By 1955 the record of the UDC's physical expansion of activities was already an impressive one. Net assets amounted to £5,411,188, fixed assets to £2,576,434 and net unappropriated profits to £355,348.<sup>37</sup> Yet there were a number of changes already in the offing. Perhaps the principle of these revolved around the rate of return on the UDC's investments. This was certainly not very high for the amount of money invested. Though cash for investment was not a desperate problem during the 'fifties and the Uganda Government did increase the issued share capital to £6.4m between 1956 and 1958,<sup>38</sup> the Government was beginning to raise mild questions in the later 'fifties about the payment of a dividend. Not only the Government but foreign private investors and international agencies who were beginning to come into the picture, would be encouraged to put up more cash by a dividend or at least a higher rate of profits.

The UDC itself was becoming more concerned with the rate of return on the capital it had invested. The measure of the success of a commercially-orientated investment company, which the UDC partly saw itself to be, was this rate of return. The rate for the UDC's investments varied a lot from subsidiary to subsidiary, but overall was at the low level which could be expected from a development corporation that went where private enterprise would not go alone and had quite rightly not stuck to the safety-first lines of the private commercial investor. Still the risks that the UDC had undertaken alone in building up the Uganda Hotels network for example, could not be allowed to destroy the image of the organisation as a commercially-orientated money-maker with the financial

37. U.D.C. Annual Report 1955, p. 7, 8.

38. U.D.C. Annual Reports 1956, p. 6, 1958, p. 8. The authorised share capital was increased to £8m in 1955 but this has still not been issued—something which has been central to the UDC's financial problems since the early sixties.

capacity to pay a return on its investments and to internally generate resources for further expansion.<sup>39</sup>

A number of other factors also contributed to the emphasis on improving the rate of return on investments. The introduction of the Ministerial system at the beginning of 1956 and the creation of the Ministry of Corporations and Regional Communication as the UDC's (and UEB's) parent Ministry raised the possibility of a new balance in control-autonomy relationships with Government. The first Minister, Sir Amar Maini, had sat on the UDC's main board of directors since its inception and had very definite ideas about how the organisation should run and what should be its investments. Any weakening in the Corporation's image of commercial viability might provide an opening for increased government control.

At the same time, the UDC had embarked on a new line of investment that showed only long-term possibilities of any return. This strengthened the need for healthy returns from other sectors. 'Agricultural Enterprises Ltd' had been incorporated in April 1955 as the UDC's agricultural subsidiary and had embarked on a long-range fifteen-year programme of tea development with an even longer twenty-two year forecast of returns. The UDC had never forgotten that the future of Ugandan development lay primarily in the agricultural sector. By 1955, tea had established itself as a new crop with potential in Uganda. The first wave of enthusiasm and good opportunities in the industrial sector had been utilised and the UDC felt itself strong enough to undertake the longer reward perspective of agriculture.

A final factor increasing the concern for the rate of return was the stage of development of many of the UDC's investments. As initial production problems were overcome and a significant level of output was attained, attention shifted to the problems of distribution and marketing to ensure that a return was obtained on capital invested. By the late 'fifties NYTIL, Uganda Cement Industry (UCI), Uganda Grain Milling (an associated company) and Uganda Metal Products and Enamelling (TUMPECO) were all showing signs of this preoccupation.

There were two ways in which companies were affected. NYTIL, UCI and Uganda Grain were concerned with limiting competition within East Africa and, the last two in particular, with limiting access to the Ugandan market. TUMPECO's major problem was with competition from Hong Kong enamelware. The vehicles for dealing with the first kind of difficulty were the East African Industrial Licensing Council and bilateral negotiations between producers. NYTIL and UCI were successful for a time in obtaining protection and NYTIL, in particular, could be said to have based its prosperity on the access

39. One initial idea that already by the mid-fifties seems to have been abandoned was the intention of selling off commercially successful ventures to private investors and using the capital generated in new schemes. Whether this was dropped deliberately at this early date is unclear. More recently the Uganda Government's refusal to increase the issued share capital, urging that the corporation should increase its shareholdings in Ugandan business and the absence of private buyers in conditions of political and economic uncertainty have made it impossible for the UDC to contemplate such sales. It may be a policy that will be revived in the new climate of the Ugandan Second Republic.



to the East African market that it obtained.<sup>40</sup> TUMPECO, which had to appeal to three East African Governments for direct action, was also for a time successful though the overall viability of its operations remained rather tenuous.

This concern for ensuring a share of the market by regulation and protection has been a factor of varying degrees of importance in organisational viability ever since. It has come to particular prominence again since Independence with the weakening of East African market-sharing arrangements and the intensification of (often competing) development efforts in the three countries.

### 3. Capital Shortage

In the three to four years preceding Independence, there were no great changes in the UDC's development policies or in the imperatives governing expansion. Instead, there was an intensification of the central concern of the UDC with its financial viability. This was in response to a number of changing circumstances.

By the end of the 'fifties, it had become clear that the Uganda Government could not and would not increase the issued share capital of the UDC or make available any other large loans. The country's financial situation and the ever-increasing number of competing demands on the Government's resources made this impossible. At the same time, the demands on the UDC for capital to maintain the expansionary momentum of existing enterprises and to keep up the flow of new investments had not appreciably slackened. A situation of potentially crippling capital shortage was shaping-up for the early 'sixties.

The obvious answer was to develop alternative sources of capital from private sources at home and overseas, from international agencies and from the aid given by foreign governments. This did not, however, prove so easy given the circumstances of the time.

In spite of the UDC's concern for its image as a commercial organisation subject to minimum control by Government, this was being called into question by private business in the pre-independence era. Nationalist Governments were looked on with suspicion as probable sources of efforts to regulate or even nationalise private investments. Wholesale Africanisation of personnel was feared. Association with the UDC was not felt to preclude such possibilities.

More immediately, private investors in Europe and North America had been frightened by the instability they saw developing in Africa. The UDC suffered particularly badly from this when in 1960 a proposed London Stock Exchange quotation and placement of £1.5m was shelved, on the grounds that the impact of the Congo situation and the Sharpeville shootings in South Africa made it unlikely that the issue would be taken-up.

The creation of the UDC's holding company, Uganda Crane Industries in November 1960 was a part of the London issue plan. A Stock Exchange quo-

40. The importance that NYTIL's and UCI's prosperity came to have in the overall net profits of the UDC should be emphasised. In 1962 e.g. the UDC made a net profit of £986,875 and of this NYTIL contributed £238,468 and UCI £265,562. UDC Annual Report 1962 pp. 2, 37, 45.

tation required a vehicle for share dealings and CRANE was vested with £2m of UDC "blue-chip" shares in Uganda Consolidated Properties (UCP), NYTIL, UCI, AEL and Kilembe Mines in the hopes that private investors would take them up. Very few did after the failure of the quotation, but CRANE continued as much for its contribution to the image and capacity of the UDC to act as an autonomous commercial organisation. Even if it did not attract much finance itself (though its returns were running at a respectable 7%) it was agreed that its existence might tip the balance for other investors.<sup>41</sup>

The Development Finance Company of Uganda (DFCU) incorporated in 1964 was another creation stemming from the complimentary motives of raising capital for investment and involving external agencies to counter-weight Government influence and buttress the adherence to commercial principles. DFCU was owned by three partners—the UDC which contributed only shares, the Commonwealth Development Corporation and a German finance company. Each of the last two had put in £750,000 by 1968, most of which had been re-invested in the UDC.

Another result of the fears of a severe capital shortage was a revived interest in partnership in investment. Links with the likes of Madhvani (paper and steel) and the Commonwealth Development Corporation (agriculture) were to go on developing during the 'sixties, even though the UDC's enthusiasm for these arrangements had by this time been substantially reduced. Greater confidence in its own abilities to successfully go it alone and exasperation with the difficulties of co-ordinating policy in partnerships had created doubts about their overall utility. Still the need to maintain capital investments at acceptable levels and the fact that they helped the insulation from Government policy directives and the adherence to commercial investment criteria were sufficient to ensure continued interest in their formation.

Though at one time in 1962, the UDC Board was debating whether to consider any new projects or to defer them all due to lack of finance, the UDC persisted in its preparation of investment portfolios and survived through this crisis period around Independence. By 1964 internal returns and external confidence had improved to such an extent that an ambitious £10m five-year investment programme could be planned. This was helped by the fact that the capital shortage did not show in the UDC's balance sheet. Group net profits after tax and before appropriations rose from £862,449 in 1961, to £1,415,305 in 1964. The net shareholders' interest (after deducting the interests of outside shareholders) rose from £8,407,242 to £8,969,495<sup>42</sup> in the same period, in spite of the uncertainties of Independence and poor weather conditions for agriculture. This successful record was attributed by the UDC to the good quality of the

41. The search for finance from foreign governments and international agencies was not very successful at the time. The World Bank's investment guidelines were seen to preclude its participation with the UDC. A loan of \$2m was obtained from USAID in late 1963, but it was so tied to US purchasing that utilisation was initially rather difficult.

42. U.D.C. Annual Reports 1961 p. 10, 12. See also Appendix III 1964 p. 8, 10.

investments made five to seven years previously.<sup>43</sup> Whether or not this was true, the net affect of these figures was good for the confidence of all concerned.

#### 4. *Relations with Government in Development Initiatives*

In the preceding section centering around the implications of a severe shortage of capital for investment, no importance has been attached to the actual coming of Independence in October 1962. This is not because it was not important, but because the policy initiatives of the new Government took time to be formulated and to make themselves felt.

A development that seemed to have the greatest potential significance for UDC investment policies in the post-Independence period was a change introduced in the UDC's statute. Government directive powers were defined as follows in the 1952 Ordinance (No. 1 of 1952) Section 6:

The Governor in Council may give the Corporation directions as to the exercise and the performance of its functions in relation to matters appearing to him to concern the public interest.

Provided that if the Board certifies that it is of the opinion that the carrying out of any such directions may prejudice the Corporation's financial position, the Board shall not carry out such direction until Legislative Council has approved the direction and has guaranteed that any loss made by the Corporation as a result of such direction shall be borne by the revenues of the Protectorate.

Section 6 of the UDC (Amendment) Act 1963 (No. 39 of 1963) redefined these directive powers:—

The Minister may give to the Corporation such directions as to the exercise and performance by the Corporation of its functions under this Ordinance, as appear to the Minister to be requisite in the public interest, and the Corporation shall give effect to any such directions.

There seemed to be scope here for a radically different balance in the relationships between the UDC and Government. Hitherto, Government had hardly ever used its directive powers and these, in any case, had a double-edged impact as the Corporation could refuse to carry them out until guaranteed against losses by the Legislative Council. Now the way seemed to be open for the much more vigorous use of Government powers as the impact of such directives would be borne by the UDC alone. As the Government had already announced its intention of initiating a vastly expanded and decentralised programme of development through the *First Five-Year Development Plan 1961/62—1965/66*, the UDC expected much more pressure to undertake projects which were either non-commercially viable or could achieve commercial viability only over a long period.

This pressure has materialised, but not to the extent that the fundamental basis of the UDC's investment policy in commercial principles has been destroyed or even irrevocably impaired. Directive powers have been used in

43. By the same argument it could be said that the difficulties the UDC has experienced since 1967 are due to the difficulties in investment policy in the early sixties. It does appear however that a deterioration in trading conditions is more to blame.

various ways in the Lira Spinning Mill, Uganda Meat Packers at Soroti, a project to set-up a large tannery and in the Kigezi vegetable dehydration plant (subsequently dropped). The UDC has limited the influence of such directives by reserving the right to disassociate itself from the consequences in its published annual report, demanding the directive in a formal written letter and commissioning its own feasibility studies of the projects involved.

A considerable number of schemes with much longer timetables for showing adequate returns or breaking even have been undertaken by the UDC in response to Government's efforts to accelerate and decentralise development.<sup>44</sup> The Mubuku Irrigation Scheme (which grew into the Toro Development Company), Lango Development Company and Uganda Livestock Industries are three examples. None have, as yet, shown much of a return for the UDC or its partners, though the balance-sheet shows that they have swallowed a lot of capital.

These undertakings and the projects initiated by Government directives have combined with two other factors to re-emphasise the UDC's preoccupation with finance. As the three partners of the East African Community have drawn apart and restrictions on inter-territorial trade have increased, the trading positions of a number of UDC under-takings such as NYTIL have received set-backs. This has not helped in producing returns that will attract outside finance. The chances of receiving additional investment finance from Government have been set back not only by compelling demands from e.g. the greatly increased number of public corporations, but by Ministries' tendency to initiate development projects in their own right without involving the UDC. This may be a result of frustration at the UDC's still generalised insistence on a commercial return, but the diversion of resources does not help to reduce this insistence and the lack of co-ordination may be wasteful.

Within the conception of a commercial return there have, however, been two modifications of what might be called the 'pure' concept. One involving an increased willingness to undertake development projects with longer schedules of return has already been mentioned. The other involves a choice of projects which alongside the required return can contribute to import substitution, export potential or agricultural diversification. To this extent, the UDC has modified its commercially-orientated role, but only very cautiously and non-fundamentally in spite of the increased Government pressure.

#### THE UGANDA ELECTRICITY BOARD

##### 1. *Electricity for Industry and the large towns*

Westlake was not as fortunate as Simpson in being able to follow his publicly stated aims for the UEB for even the first few years of its existence. Between

44. These have however not been within the context of the national development plans which have not really come to grips with planned programmes for any of the Ugandan Public Corporations.

the optimism of the intentions expressed in the 1946 Report<sup>45</sup> and the realities of the UEB's initial supply policies in the early 'fifties, there had obviously been a substantial revision in expectations. Faced with the unenviable task of raising revenue commensurate with the vast investment in the Owen Falls Scheme, the initial supply extension policy of the UEB was not able to aim at supplying all the sections of the Ugandan population.

Owen Falls supply had primarily to be concentrated on supplying industry in the hope that an extensive industrial base could be built-up in Uganda. Jinja was to become in Westlake's phrase 'the Detroit of East Africa.' Apart from industry the best that could be envisaged was that a supply would be made available to the profitable centres of demand in the large towns. These were seen as industrial and commercial undertakings, government offices, community centres and European and Asian domestic consumers.

## 2. Revenue generation in the towns and richer rural areas

By the mid-fifties it was becoming apparent that this cautious supply extension policy was not a success. Electricity was not creating its own industrial demand and demand generally was not growing fast enough to take up the vast supply capacity becoming available from the Owen Falls. An even more pressing problem was electricity revenue, which was not growing fast enough. The huge loan burden incurred in constructing Owen Falls could not be met nor could a contribution be made to the financing of further supply extension. The possibility of attracting further external loan finance to fund the debt and finance supply extension was made much more difficult by the poor prospects in revenue. A further tariff increase would merely deter potential customers. Financial imperatives were already, in fact, predominant.

Efforts had to be made to raise revenue by the extension of demand. The Kenya-Uganda Bulk Supply Agreement of 1956 by which the Kenya Power Company agreed to take up to 45MW of Uganda electricity annually from 1958 was one possibility. However, the price per unit of below 3½ cents for over a third of total supply, when it was estimated that the costs of generation at Owen Falls were just over 10 cents per unit, hardly meant that earnings from the Kenyan bulk supply were the solution to the revenue problem.<sup>46</sup> There were better prospects for revenue expansion in Uganda.

The solution that began to be implemented in the latter half of the 'fifties was a two-pronged one. Greater efforts were to be made to expand domestic and commercial consumption in the towns relying principally on the European and Asian sectors of the population. In the suburban and rural areas, a drive was to be mounted to carry supply to agricultural processing plants and concentrations of the richer (per capita annual income £25-£200)<sup>47</sup> coffee and cotton producers.

45. See p. 12.

46. U.E.B. Annual Report 1960 p. 41, 42, 43. The price received by the U.E.B. was only 3½ cents to allow for the 5-6 cents it cost Kenya to transport the power from Tororo to Nairobi and still be competitive with Kenya's generation costs of around 10 cents a unit.

47. Economist Intelligence Unit *Power in Uganda 1957-1970* (London 1957) p. 130.

This meant that from about 1957 the UEB had become committed to at least a limited programme of rural electrification in the richer and more populous coffee and cotton areas of Buganda and the Eastern Region. This was a big advance over the earlier limited phase of supply extension and much more in keeping with the rationale for the UEB's creation, which had been suspended but never abandoned.

By the end of 1959 it was proudly claimed that three quarters of Uganda's coffee and two-thirds of its tea were processed by electricity.<sup>48</sup> The record in cotton was more disappointing due to the declining state of the industry in Buganda and the shaken confidence of many ginneries owners after the 1959 Asian trade boycott in that area.

The emphasis on 'processing' by electricity gives a clue to the dominant pattern of supply extension in these rural areas, a pattern that remains basically characteristic of the whole of rural Uganda served in any way by electricity. Other centres of demand with the exception of a few large trading and administrative centres, were too unreliable in demand potential to risk supplying.

The UEB's financial position did not allow the taking of risks involving the non-materialisation of revenue. As a result Rural Development and Urban and Rural Consolidation schemes whose major justification was not a satisfactory financial return, but perhaps social welfare or longer-term infrastructural considerations, were ruled out. It was felt that there were no alternative policies open if the UEB were to generate enough revenue to service the ever-increasing loan burden, make at least a partial contribution to the capital investment involved in new supply extension and keep up its revenue earning potential that has so great a bearing on attracting further loan finance.

Urban and Rural Consolidation schemes were kept in line with financial imperatives by the adoption of a capital extension formula (hereafter referred to as the capital formula) in 1958. Financial estimates for a scheme had to show a return on net capital investment of at least 10% per annum and 6 cents per units consumed. Ten years was chosen as a suitable write-off period on the grounds that this represented sound commercial practice in relation to the Board's capital investment. 6 cents per unit was calculated to cover generation and operation and maintenance costs on the units consumed. Each scheme was examined strictly on its financial merits and if the prospective consumer(s) did not make the required capital contribution, no supply was forthcoming.

## 3. The Influence of the World Bank—Financial Strictures and Further Rural Expansion

By 1960 extension of demand through Rural Development and Urban and Rural Consolidation was already running up against an increasing cost-decreasing revenue spiral. The respectable capital formula schemes had very largely been put on supply. Further expansion within Buganda and the Eastern Region

48. *Uganda Argus* 17th June, 1960.

would require either relaxation of the capital formula or substantial new investment in the transmission network.

The overall financial situation in 1960 showed no real improvement over 1955 and, in fact, could be said to have got considerably worse. Though revenue had grown from £748,388 to £1,853,857 between 1955 and 1960, a £22,304 deficit now showed in the annual accounts.<sup>49</sup> The burden of charges on loans now totalling nearly £29m. and the capital expense involved in new extensions were the causes. As Independence drew nearer and political uncertainty grew, it seemed likely that the traditional source of external funds, the British Exchequer through the Protectorate Government, would be increasingly difficult, if not impossible, to tap.

In these circumstances, there were two possible policies. A defensive commercial strategy would have accepted the dearth of external loan funds and taken steps to balance the budget and earn a reasonable profit. Tariffs would have been raised to generate revenue sufficient to cover outgoings. If any surplus was made available for supply extension, then only schemes which satisfied an even more rigorous capital formula would have been considered. Every effort would have been made to economise on administrative and operational expenses.

Fortunately there was a range of factors which helped the Board to resist the adoption of such a policy. Instead, it entered upon a new phase of Rural Development and Urban and Rural Consolidation.

The decisive factor was undoubtedly the agreement in March 1961 with the I.B.R.D. for a loan of up to £3m. This came as part of a two-part package, with a British Government £2.5m. Exchequer loan to clear the Board's short-term debts with the Ugandan Government. The upshot was that the Board was able to embark on a £4,359,000 expansion programme from July 1960 to December 1963. Provision was made for the connection to the grid of a number of up-country urban centres,—Lira, Gulu, Masindi, Hoima, Kasese, Kilembe and Fort Portal. Another town, Kabale, was to have a separate small hydro-electric scheme, while diesel generators were to be installed at various places for back-up purposes and to carry supply into areas where grid extensions would be uneconomic. Lastly, expenditure was authorised on further Urban and Rural Consolidation schemes which turned out mainly to be in the Greater Kampala and Kampala-Jinja areas.

While the securing of the loan package was undoubtedly the key to this new phase in supply extension, the decision to seek the new loan and utilise it in this way was the product of a more complex process. On the political level, the Ugandan Governments that were coming to power on the eve of Independence had a much greater commitment to the redress of rural-urban and regional imbalances in development. Electricity supply extension was believed to play a part in this process. The Northern and Western Regions, where supply was now contemplated, had begun to play a much fuller part in the political life of the country. They were unlikely to accept the denial of electricity on the

49. U.E.B. Annual Report 1955 p. 33; 1960 p. 6.

grounds that the commercial policy of a public corporation, set up ostensibly to supply the whole country—precluded extension in the foreseeable future.

The price that the Board had to pay for this commitment to expansion and new phase in supply extension was a high one. The World Bank laid down a range of conditions which had the paradoxical effect of making a number of major innovations in supply extension possible, while ensuring that they and the whole attitude to rural extensions were conditioned by even more rigorous commercial criteria than before. Tariffs were raised by 18%<sup>50</sup> to try to make the Board virtually self-financing. The Electricity Ordinance governing the UEB was altered to ensure freedom from Government interference for the Board to pursue even more explicitly commercial policies.<sup>51</sup> By this was meant not only avoiding financial losses but actively seeking profits. 7½% was set as the earnings target for net UEB capital investment, a requirement which caused the capital formula to be raised in 1962 to 14½% on net outlay and 10 cents a unit.

The impact of the World Bank loan on supply extension was thus a two-sided one. Specific Rural Development schemes were authorised but a number such as those to supply Kitgum, Arua and Moroto were refused. Provision was made for Urban and Rural Consolidation schemes but the new capital formula was even more restrictive than before. The overall price paid for the finance necessary to continue to expand electricity supply was a *de facto* limitation on

50. The tariff system of the U.E.B. is a complicated one. There are six standard tariffs (A) domestic; (B) hotels, clubs; (C) flat rate commercial power and heating; (D) commercial and security lighting; (E) street lighting; (F) industrial power. In the breakdown of electricity sold in 1968, standard tariffs accounted for only 32%, 9% of which was sold to domestic consumers and 14% to standard industrial tariff users. 'Special agreement' large industrial consumers and Kenya through the Bulk Supply Agreement each utilised 34%.

In this division there is a basic weakness. Standard Tariffs can as in this case be increased from time to time. Special agreements and the Bulk Supply arrangement were initially priced as *de facto* subsidies and can only be altered by bilateral renegotiation. As a result Ugandan standard tariffs are among the highest in Africa subsidising the industrial sector and Kenya consumers. The U.E.B.'s demand pattern is a very poor one for revenue increases through higher tariffs.

51. Section 8 of the revised Electricity Ordinance No. 17 of 1961 laid down:—

1. It shall be the duty of the Board so to perform its functions under the provisions of this Ordinance as to ensure that taking one year with another the revenues of the Board exceed the outgoings of the Board, properly chargeable to revenue account.
2. For the purposes of subsection (1) of this section the words 'the outgoings of the Board properly chargeable to revenue account' mean all charges which, in the normal conduct of business are proper to be charged to revenue account in particular provisions for—
  - (a) the depreciation or renewal of assets or the redemption of any loan raised by the Board (whichever is the greater;) and
  - (b) allocations to reserves.

Not that there had been much scope for non-commercial activities in the terms of the original Electricity Ordinance No. 29 of 1947. Section 13(i) stated. The prices to be charged by the Board for electricity supplied by it shall be such as to cover—

  - (a) the cost of production including generation, transmission, distribution maintenance and administration;
  - (b) the amounts required for interest on money raised by way of loan or advance, the redemption of any securities for such loans or advances and any other expenditure thereto;
  - (c) any amounts under Section 12 (providing for the setting-up of a reserve and/or rate stabilization fund.)

the area served and the number of consumers eligible, which enhanced the restrictions imposed by the loan burden.

The programme of extension work scheduled under the World Bank loan was almost completed by the end of 1964. Total revenue had risen from £1,853,857 in 1960 to £2,920,949 in 1964,<sup>52</sup> in spite of the fact that the number of units sold under domestic tariffs had actually gone down with the departure of many European and Asian consumers.<sup>53</sup> An accumulated deficit of £781,150 in 1963 had become surplus of £384,005 by 1966.<sup>54</sup> The actual contribution of the World Bank schemes to these improved figures is really impossible to assess as separate statistics do not exist. An estimate was made in 1962 that the World Bank's up-country Rural Development schemes would bring in £627,100 in extra revenue between 1962 and 1966. Set against this figure, which may not have materialised in practice, is the fact that many of the Urban and Rural Consolidation schemes around and in Kampala did not live up to revenue expectations. It may be assumed that Rural Development and Urban and Rural Consolidation financed by the World Bank were net assets to Board revenue but not by as much as was hoped.

#### 4. Pressures for further Rural Electrification

Another plateau had now been reached in the extension of electricity supply. As Arua and Moroto had been supplied by diesel generators financed by the UEB's own resources, in 1964 and 1965, the scope for further Rural Development that would prove financially viable was severely limited. Urban and Rural Consolidation schemes could go ahead within the existing grid network, but without major initiatives in line extension and diesel generation the vast mass of the population would go without electric power.

In spite of their beneficial effects on the UEB's finances, the extensions of the early 'sixties had not contributed to the solution of the overall problem. In spite of the UEB's obvious commitment to expand supply, what to do about supplying the vast mass of the population in the rural areas who will never constitute financially viable electrification schemes remained unresolved.<sup>55</sup> It had, however, been brought a stage nearer resolution by the need to reconsider electrification in three further up-country centres—Kitgum, Moyo and Mubende. The whole debate over finance, social welfare and development consideration in supply extension focussed on these three centres.

The range of non-economic considerations which had been so important in the adoption of an expansionary policy in the early sixties had come to exert

52. U.E.B. Annual Reports 1960 p. 42; 1966 p. 29.

53. The U.E.B. estimated at this time that it took 10 African consumers to maintain the level of demand produced by one European.

54. U.E.B. Annual Reports 1960 p. 41; 1966 p. 13.

55. The problem is typified by the rural domestic consumer who produces revenues of around shs. 3 per month from one small electricity light bulb. It would almost be cheaper to supply this electricity free from the grid as costs of collection are greater than revenue, and generation costs are very low. The situation is somewhat different with the large number of such consumers who will have to be supplied by expensive diesel generation. Here some sort of tariffs have to be charged.

even greater pressure. Dissatisfaction in political circles—as evidenced for example in questions in the National Assembly and no doubt paralleled in direct pressure on the UEB and Government—increasingly focussed on the slow rate electricity extensions to African consumers. By the mid-sixties the supply network had expanded sufficiently to make the existence or non-existence of electricity in an area, a hot issue in the minds of a sizable minority of the population even outside the urban centres. M.P.'s reflected this in the pattern of their questioning on the affairs of the UEB. Persistent criticisms were made of pricing policy and the financial priorities of the Board, of the apparent bias in favour of the urban areas and of European and particularly Asian consumers, of the capital contribution required for most connections and of regional preferences in rural supply extension. Demands were repeatedly made for the electrification of specific areas. The underlying objection seemed to be in the apparent role of the UEB as a commercially-orientated wealth producer rather than a social service provider and agency fostering development.

The substantial revenue surpluses which the UEB had begun to turn in in the mid-sixties re-doubled this pressure for the extension of supply to as much of the African population as possible.

Arguments about the UEB's need to use revenue surpluses to repay foreign loans and to rely on Europeans and more particularly Asian consumers to keep up the level of demand received scant respect. Though the UEB could justify claims that it was precluded by its revised statute of 1961 from pursuing non-commercially viable extension policies, this argument was rejected. The World Bank had been the key influence in the formation of the 1961 Electricity Ordinance, but the loan it had provided had now been spent and it could not be allowed to continue dictating electricity supply extension policy through the whole twenty-five year repayment period.

There was also the even more persuasive argument about electrification as a key element in infrastructural development. If areas of Uganda which were already relatively underdeveloped, were to be penalised for their existing lack of development by the denial of electricity supply, then their chances of catching up and eliminating regional discrepancies would be reduced.

Political pressures, the UEB's own clearly apparent commitment to supply extensions and the overall logic of country-wide development prevailed to create a two-phase programme of further rural development. Phase 1 involves the provision of diesel sets in Kitgum, Moyo and Mubende by 1969, while Phase 2 provides for the extension of a supply to two even smaller centres—Kapchorwa in Sebei and Rukungiri in Kigezi by 1970. None of these schemes are likely to prove financially viable in the near future. Prospective demand is too small and supply costs too high at roughly 27 cents per unit for diesel generation as against just over 9 cents per unit from Owen Falls. The scheme at Moyo for example, is estimated as likely to lose £8,400 per annum on annual costs of £14,000 and an initial investment of £53,000.

Whether this two-phase programme of rural electrification will prove a precedent for the future course of UEB supply extension remains uncertain. The scale of investment and losses in these schemes remains small enough for the

UEB to carry, while it remains to be seen what development and increases in power demand the provision of an electricity supply will foster. The hope is that electricity demand will grow to make these schemes viable and allow others to be initiated. Obviously if demand does not grow, there is a limit to the number of financially non-viable schemes the UEB can undertake without external assistance, even with a net surplus on Revenue Account of £1.4m. in 1968.<sup>56</sup>

The UEB appears to be taking a continuously optimistic view of the prospects of growth in the financial viability of such schemes, and the possibilities of supply extension generally. Recognising the need to press forward with expansion it has, however, set itself against the possibility of supply to the whole Ugandan population and insists on financial viability based on demand potential over a period of five years.<sup>57</sup>

#### KEY ORGANISATIONAL IMPERATIVES

There is no doubt that the UDC and the UEB are "successful" organisations in terms of organisational self-maintenance and expansion of assets. The figures in Appendices III and IV make this clear. It is important now to summarise the governing principles which have allowed them to achieve this success.

##### 1. *The Uganda Development Corporation*

For the UDC the key imperatives seem to be contained in a three-part relationship. The need to raise enough capital to maintain the level of new investment and the expansion of on-going projects was taken to necessitate operation on commercial principles with maximum freedom (or at least the image of maximum freedom) from Government directives. Operation according to 'the economic and commercial merits of any undertaking'<sup>58</sup> predated the preoccupation with capital formation, which became paramount in the late 'fifties. It seems to have been adopted right from the UDC's creation as the key guidance provided by the statute. The need for a commercial frame of reference was inferred from the major advantage public corporations had to offer—the capacity to combine the flexibility and dynamism of private enterprise with service to the community shareholder. Profits or at least positive rates of return on capital invested, were seen as the essential safeguard of this management approach, which had to approximate to that in private enterprise. As they were also essential in the attraction of foreign private enterprise they had a second major advantage.

In the early and middle 'fifties, this style of operations, summarised and buttressed by commercial principals, did not envisage the possibility of any cleavage between projects that were commercially viable and those that were in the

56. U.E.B. Annual Reports 1968, p. 8.

57. Erisa Kironde (Chairman U.E.B.) Electricity and the Second Five Year Plan in Milton Obote Foundation *The Challenge of Uganda's Second Five Year Plan* Kampala 1967 p.78

58. U.D.C. Ordinance 1962 Section 4(3) unchanged in the 1963 Amendment Act. This phrase is of course open to several different interpretations.

best interests of national development. Since the attraction of foreign private enterprise was seen as an intergral part of national development crucial to capital formation, the two criteria were assumed to produce the same projects. In any case, capital for investment was still sufficient to go around and avoid too many hard choices over priorities.

This harmony did not survive into the later fifties and early sixties as conditions of capital shortage intensified. The Uganda Government found itself in a difficult position in capital formation at a time when the number of demands on its resources was growing rapidly. It could not release the resources that the UDC needed to maintain its expansionary momentum in the way that the Corporation planned. Furthermore, Government began to question and to try to exert a more positive directing influence over the pattern of UDC development. The UDC was after all investing Government resources. It seemed reasonable that Government should have vastly more effective directive powers, (hence the changes in Section 6 of the Act), especially when as in the mid-sixties there appeared to be definite choice to be made in favour of investments without any immediate hope of commercial viability.

As the Government became less able and willing to expand the UDC's capital resources and more pressing in its demands for influence over investment policy, the UDC felt it had to intensify its resistance to this pressure. The raising of capital from alternative sources became the first priority, if the Corporation were not to stagnate or even face bankruptcy. Alternative sources meant foreign private enterprise, international agencies such as IBRD and IDA and foreign governments, all of which demanded as the first conditions of assistance, operation according to commercial principles and freedom from Government direction. The UDC therefore saw its organisational survival (let alone expansion) as dependent upon its resistance to Government and adherence to commercial criteria. The more it dug in its heels, the greater became the cleavage with Government as the issue moved from that of the controlling criteria in investment decisions to the more basic one of the division of power in shaping these decisions.

Fortunately, the practical impact of this cleavage—and indeed the extent of the lack of understanding—has not been as great as the previous paragraph might imply. The Government has, with a few notable examples in the use of its directive powers, respected the commercial basis on which the UDC operates. It has appreciated that the most that the UDC can really do on any large scale is as it has done in Agricultural Enterprises, Toro and Lango Development Corporations and the like—extend the perspective on returns to cover a much greater number of years.

The UDC has not had the latitude to emphasise these aspects of the role of a development corporation which stress projects that do not produce a commercial rate of return. It has done what it can in accepting a slightly lower rate of return over a longer period of years than would be acceptable to private industry. Such, however, have been the financial pressures, that strictly non-commercial schemes have been at minimum. There has been a Small Industrial Loan Scheme but only a little over £1,200,000 has been lent. African Business

Promotion Ltd. (absorbed into the NTC) was set-up to build a wholesale network to foster African retail enterprise but it was to run on commercial lines.

Success for the UDC has been interpreted from its statute and defined in the minds of its executives and (with a few exceptions) the Government as predominantly the increase in its wealth and the earning power of its investments. There is no moral evaluation intended in this description of the UDC's 'success' and there is certainly no opposite form of spiritual 'success' that might have been chosen. While there are alternatives which are discussed in this last section of this paper, it is the writers' contention that the totality of imperatives and circumstances gave the UDC no choice but to develop in the way that it has done. The consequences could have been a lot worse for Uganda.

### *The Uganda Electricity Board*

The UEB has always had to face something of a vicious circle in approaching supply extension. The Board and the Uganda Protectorate Government incurred a comparatively vast burden of debt in constructing the Owen Falls network. From the middle 'fifties it became obvious that the growth in demand first from industry and the large urban centres and then from the rural areas in the successive phases described, almost always fell short of the levels needed to balance expenditure and the debt burden. Steps had to be taken through the capital formula and tariff increases to maximise revenue at every stage of expansion. In spite of the detrimental effect this had on the social welfare and infrastructural impact of electricity supply, it was the only way that some internal finance could be provided and foreign lenders (and the Ugandan Government for that matter) persuaded of the value and security of loans to the UEB.

In short, the UEB had to fulfil certain conditions to finance supply extension, conditions which at the same time severely limited the scope of the development.

In physical terms, financial imperatives have ensured that the impact of the UEB on Uganda's population and economy has so far been a very small one. For an investment which now totals approximately £36,75m. the UEB has only been able to supply 55,740 consumers of all types.<sup>59</sup> It supplies only 23%<sup>60</sup> of estimated total energy consumption in Uganda and by its own estimate reaches between 3 and 5% of the population.<sup>61</sup>

Social, and it can be added economic infrastructural considerations, have never had first priority in supply extension. The Board could never afford to give them the precedence which it seems it would have wished, had it been free from external financial pressures and the basic need to match the large investments involved in electrification with revenue producing schemes.

The basic dilemma between costs and potential revenue is epitomised by the current two-phase programme of supply extension. These schemes are typical of the type of electrification project the UEB will have to face if it continues

59. U.E.B. Annual Report 1969, p. 30; p. 29.

60. The equivalent figure for both Kenya and Tanzania is 6%. Hans Amann: *Energy Supply and Economic Development in East Africa* (Munich I.F.O. Institute African Studies 37, 1969), p. 67.

61. Erisa Kironde, *op. cit.*, p. 78.

to expand supply in the future. If demand for electricity grows in these areas and allows profits or at least a break-even situation, then the Board will (in stages) be able to undertake similar schemes. If there is no sign of growth in electricity demand, then the Board will either have to curtail its expansion or secure external resources for new schemes, reconciling itself (and the Uganda Government) to the permanent burden of loss and debt.

The most important external pressures conditioning the Board's extension policies have, of course, been those from financial lending institutions—the British Exchequer, the Uganda Government on its financial side and the most influential of all—the World Bank. Since the early 'sixties, the World Bank Loan Agreement and the 1961 Electricity Ordinance, which can almost be regarded as a part of the Loan Agreement, have been both the main shaping influences on the Board's activities and its main shield against other external pressures.

These two factors have been particularly successful in insulating the Board from political pressures for more extensive and more rapid supply extension. In spite of their own predilection for expansion, the Board's management have come to terms with the limitations imposed by the Ordinance and the Loan Agreement. Pressure from the Government has accepted these external limitations (to which, of course, it is a party) and operated in the belief that the Board will expand supply as rapidly as it can.

### POLICY IMPLICATIONS OF ORGANISATIONAL IMPERATIVES

There are several questions that must be answered under this heading. Perhaps the best way of doing this is to set out the section in question and answer form.

1. *Could the UDC and UEB have developed in any other way given the circumstances in which they found themselves?*

This paper has tried to explain the development policies of the two bodies as natural reactions to their initial responsibilities and resources and to changing circumstances. Both bodies have centred their efforts around a material conception of success, geared to the expansion of assets and the returns on assets, rather than any social welfare or infrastructural orientation in expanding electricity supply or for example, industrial employment. Short of postulating a defensive standstill policy for each body where no further expansion was attempted and prosperous stagnation became defined a success, then the answer must be no.

2. *In what ways could the UDC and UEB have developed?*

The short answer to this question is in ways which would have given far greater preference to the improvement of social welfare and the development of the Ugandan infrastructure. Electricity supply particularly could have been

extended as a social service and used to decentralise development. The UDC could have concentrated on labour-intensive industries in remote and underdeveloped parts of the country and laid more emphasis on e.g. the encouragement of small industries (which has hardly been mentioned in earlier sections of the paper because they have not been of much organisational importance).

### 3. *What changes would allow the UDC and UEB to act in these ways?*

The lengthy analyses of phases in the two organisations' development policies have shown the primacy of financial imperatives. Sources of capital supply and the rate of return from investments have been the two major shaping influences. It is therefore reasonable to assume that changes in these could have the most revolutionary impact.

If the Uganda Government could afford to subscribe large amounts of capital to either of the two corporations (for example shs. 100m.) for a really comprehensive electrification programme<sup>62</sup> then the criteria for investment could be changed. An almost complete basis for Government control would be established and, if previous obligations could be met, then both organisations could be swung in the direction preferred. Almost the same could happen if a wealthy private investor or international agency could be persuaded to advance the money. Neither situation is very likely.

In a much more realistic way, what would help would be for Government to make clear what exactly it wishes each body to be responsible for, and what priority it attaches to those obligations vis-a-vis other claims on its resources. At least then, each corporation would know in some detail what it was supposed to do, what priority was attached to these tasks and to what extent and under what conditions assistance would be forthcoming. At present, there is little evidence of a process of review of responsibilities in terms of continuing relevance, changed circumstances, etc. after the statute has been drawn-up. Not many public corporations have been able to re-adjust their policies in response to changing circumstances in the way that the UDC and UEB have done. In fact, several of the post-Independence generation of corporations in Uganda are desperately in need of such a review if they are to survive in any viable form.<sup>63</sup> Financial allocations often appear to be the result of fierce and often unfair competition, not only between public corporations, but with ministries themselves, many of which have enthusiastically entered the business of enterprise creation in their own right.

Greater clarity in the nature of each corporation's specific responsibilities and in the exact volume of resources that it would have available for these purposes would be an important aid in emphasising social welfare and infrastructural considerations. Corporations and Government would be helped to face up to the

62. Some indication of the scale of investment needed to supply the whole Uganda population is given by the £37m. the U.E.B. has already spent on reaching between 3 and 5% of the population. Taking this into account the new hydro-electric scheme proposed at Murchison Falls and the dispersed character of the predominantly rural population still to be supplied, £100m. would not be an overestimate of future capital needs.

63. Such a review has been promised by President Amin; *Uganda Argus* 16th June, 1971.

fact that certain service responsibilities involve losses and de facto modifications of statutory break-even formulas. Many of these formulas are at present far too inflexible and demanding for the responsibilities the corporations are asked to undertake.

A more productive source of reform might be explicit changes in the acceptable rate of return on investments. Before this can be changed it must, of course, be calculated or at least accurately estimated. Accepting this first prerequisite that the activities projected for the corporation are susceptible to the calculation of a rate of return (and this might be a useful general guide to which sectors of activity can be allocated to public corporations), the rate might be modified in several ways.

Different areas of a corporation's activities such as agriculture and industry, rural and urban electrification might be explicitly governed by different rates of return and different time perspectives. This is already done informally in practice but to make it an explicit, limited guideline, where possible, would be very helpful in several ways, although it would be difficult in many cases due to the lack of accurate data.

The fear that Government and other finance providers might have that they will lose control of their resources might be reduced. They would not have any more day-to-day control of their investments, but they would have a clear idea of the controlling criterion for use. The pervasive influence of the group balance sheet which is usually judged in overall terms, without taking into account the different conditions in its constituents might be reduced. Finally, the 'commercial' image which is so important to the case-studies and to most of her public corporations might be a little less persuasive and unquestioned. It might be possible e.g. to separate the concept of overall returns from net profits as the criterion for success and to get away from net profits as the criterion for judging the quality of management.

What these suggestions for reform depend upon and what in fact, all students of administration may be forced back to sooner or later—is the fundamental need for an improved system of national development planning, as an essential prerequisite to their success. The reforms suggested that centre around the precise use of the concept of the rate of return are really arguments for more precise internal corporate planning. This is something which is very difficult in any large organisation anywhere and particularly so for public corporations in developing countries with gaps in data collection, political uncertainties and the like. The chances of these reforms succeeding would be immeasurably increased if their environment were better-planned. The particular need is for the national plan to get to grips with the detailed nature of the expansion of large public corporations like the UDC and UEB, so that the plan and the corporate growth targets can be fully integrated.

### 4. *Should the patterns of development of the UDC and UEB be used as models for similar institutions in other developing countries?*

Leaving aside for the moment the question of how exportable and how model-



like the two corporations can be, the writers answer would be yes if the total environment is sufficiently similar. It is interesting to note the reasons which a recent UN seminar on public enterprises sets out to explain what it interprets as a shift in favour of this view.

The recent shift of sentiment in favour of profit as a performance criterion for public enterprise, may itself be the result of important considerations of public policy. Underlying it are growing anxieties concerning capital shortages, deficit financing and inflationary pressures. There is also concern about the ability of public enterprises to finance their own expansion and to generate earnings, which may be utilised in other branches of the economy.<sup>64</sup>

## APPENDIX I

## PUBLIC CORPORATIONS IN UGANDA UP TO AUGUST 1971

<i>A. Pre-Independence Bodies</i>	<i>Parent Ministry</i>
1. Uganda Electricity Board (UEB)	Ministry of Commerce, Industry and Tourism.
2. Uganda Development Corporation (UDC)	Ministry of Commerce, Industry and Tourism.
3. The Lint Marketing Board (LMB)	Ministry of Agriculture, Forestry, and Co-operatives.
4. The Coffee Marketing Board (CMB)	Ministry of Agriculture, Forestry and Co-operatives.
<i>B. Public Corporations after Independence</i>	<i>Parent Ministry</i>
1. National Trading Corporation (NTC)	Ministry of Commerce, Industry and Tourism.
2. National Insurance Corporation (NIC)	Ministry of Commerce, Industry and Tourism.
3. National Housing Corporation (NHC)	Ministry of Works, Communications and Housing.
4. Uganda Tea Grower's Corporation (UTGC)	Ministry of Agriculture, Forestry and Co-operatives.
5. Uganda Commercial Bank (UCB)	Ministry of Finance.
6. Bank of Uganda	Ministry of Finance.
7. Produce Marketing Board (PMB)	Ministry of Agriculture, Forestry and Co-operatives.
8. Dairy Industry Corporation (DIC)	Ministry of Animal Industry Game and Fisheries.
9. Uganda Tourist Board (UTB)	Ministry of Commerce, Industry and Tourism.
10. Apolo Hotel Corporation*	Ministry of Commerce, Industry and Tourism.
11. Export and Import Corporation (EIC)	Ministry of Commerce, Industry and Tourism.
12. Management Training and Advisory Centre. (MTAC)	Ministry of Commerce, Industry and Tourism.

\*This is now called Kampala International (Hotel) and has been absorbed into the Uganda Hotels complex of the UDC.

64. United Nations *Measures for Improving the performance of Public Enterprises in Developing Countries*—Vol. I. Report of the Working group. (New York, U.N. ST/TAO/M/49 1969), p. 12 para. 50.

## APPENDIX II

## THE UGANDA DEVELOPMENT CORPORATION

## Subsidiary Companies

1. The Uganda Metal Products and Enamelling Company, Ltd.
2. Agricultural Enterprises Limited.
3. Uganda Crane Industries Limited.
4. Uganda Cement Industry Limited.
5. Uganda Consolidated Properties Limited.
6. Uganda Hotels Limited and National Park Lodges (U) Limited.
7. Uganda Wildlife Development Limited.
8. Tororo Industrial Chemicals and Fertilizers Limited.
9. Lango Development Company Limited.
10. East African Distilleries Limited.
11. Uganda Meat Packers Limited.
12. Garment Industry Limited.
13. Uganda Livestock Industry Limited.
14. Toro Development Company Limited.
15. Uganda Milk Processing Company Limited.
16. The Ankole Tea Company Limited.
17. Bugembe Plantation Company.
18. Kiko Tea Company Limited.
19. Kigezi Plantation Company Limited.
20. The Musizi Plantation Company Limited.
21. Salama Estates Limited.
22. Mwenge Tea Company Limited.
23. Acholi Ranching Company Limited.
24. The Bunyoro Ranching Company Limited.
25. The Teso Ranching Company Limited.
26. Uganda Bank Limited.
27. Uganda Banking Limited.
28. Uganda Holding Limited.
29. The Universal Asbestos Manufacturing Company (E.A.) Limited.
30. Solutea Limited.
31. Sukulu Mines Limited.
32. Carbonite Limited.
33. Nyanza Textiles Industries Limited.
34. Kulubya Property Company Limited.
35. Uganda Properties Limited—London.
36. Uganda Properties Incorporated—U.S.A.

## APPENDIX III

## Selected Indicators—Expansion of the UDC

Year	Net Share- holders Interest <sup>1</sup> (£)	Fixed Accts (£)	Group Net Profits (£)	Employment Payments (£)	Numbers
1952	5,047,099	9,450	13,556	=	=
1953	5,095,559	1,550,252	69,432	=	=
1954	5,170,143	1,608,801	183,678	=	=
1955	5,411,188	2,576,434	355,348	=	=
1956	6,186,589	2,979,157	467,374	=	=
1957	6,506,972	3,235,758	619,076	973,200	6,708
1958	7,496,925	4,952,494	569,451	1,087,200	8,091
1959	7,863,117	5,197,264	653,308	1,281,500	8,999
1960	8,252,539	5,340,700	773,162	1,569,100	10,089
1961	8,407,248	6,568,307	862,449	1,758,000	11,300
1962	8,506,760	7,277,892	986,875	2,117,000	14,162
1963	8,756,776	7,635,964	1,205,666	2,552,573	14,376
1964	8,969,495	9,020,344	1,415,305	2,788,956	15,319
1965	9,657,435	11,706,716	2,035,049	3,437,853	18,279
1966	10,207,025	12,874,561	2,562,672	3,920,695	20,777
1967 (£U)	10,093,000	13,414,397	2,186,588	4,370,904	21,184
1968 (£U)	10,854,850	15,634,377	1,706,013	4,772,075	21,523
1969 (£U)	11,482,650	15,307,950	1,926,546	5,368,755	22,523

1. The interest of the Uganda Government without those of outside Share-holders

= Not available from reports

Source: UDC *Annual Reports* 1953—1969.

## APPENDIX IV

## Selected Indicators—Expansion of the U.E.B.

Year	Loan (I) Indebtedness (£)	Net capital Expenditure (£)	Units Generated (millions)	Units Sold (millions)	Total No. Consumers	Balance on Net Revenue Account (£)
1948	664,112	673,106	=	=	3,263	818
1949	1,714,112	656,743	10.7	8.8	4,143	(4,670)
1950	3,759,494	3,648,709	16.4	13.8	5,298	4,824
1951	5,558,916	6,128,123	28.5	24.6	6,836	43,060
1952	10,124,244	10,496,231	39.9	33.8	8,783	20,769
1953	14,512,510	14,717,764	59.5	51.1	10,400	62,009
1954	71,168,451	16,525,654	73.2	63.6	11,423	=
1955	19,623,124	19,379,282	79.7	69.3	14,550	29,201
1956	22,264,086	23,046,288	94.9	82.3	16,798	(24,830)
1957	24,252,831	25,703,114	148.8	133.5	19,819	11,164
1958	26,999,201	28,238,968	278.4	252.7	24,010	(1,067)
1959	28,323,746	29,767,190	345.9	314.8	27,720	8,678
1960	28,949,305	30,788,229 <sup>2</sup>	396.5	362.5	30,037	(22,304)
1961	29,793,951	29,133,371	434.8	400.5	32,116	(381,749) <sup>3</sup>
1962	30,554,731	30,182,034	453.1	417.2	33,749	(727,832)
1963	31,069,979	31,633,424	497.0	460.6	37,466	(781,150)
1964	31,092,687	32,756,645	521.0	470.9	32,298	(694,724)
1965	31,205,423	34,053,096	572.0	522.6	44,454	(331,194)
1966	30,718,566	34,760,091	634.7	578.7	48,412	384,005
1967	30,490,138	35,317,999	704.1	639.1	51,184	1,423,756
1968	30,188,580	36,004,145	731.4	658.5	55,368	1,420,514
1969	24,126,904	36,756,001	730.7	663.8	55,739	1,319,555

- ( ) = Deficit  
 = = Not available in reports  
 (1) = Not including interest that accrues  
 (2) = Including an item of £2,052,770 Deferred Expenditure  
 (3) = The large increase in the deficit due to a reorganisation incorporated into the accounts from 1961 as part of the conditions of the IBRD loan agreement.

Source: U.E.B. *Annual Reports*, 1948—1969.

## ENTREPRENEURIALISM AND DEVELOPMENT ADMINISTRATION IN ZAMBIA<sup>1</sup>

DENNIS L. DRESANG\*

Throughout the developing world, governments act to achieve rapid economic development in a planned and conscious way.<sup>2</sup> The most visible evidence of this is the proliferation of development plans in the post-colonial era. Virtually all new states have a plan that extends over a period of three to ten years.

A major purpose of these development plans is to maximise rationality and minimise waste in the use of scarce public resources for development. Economists and planners have responded to this need by advocating a strategy of balanced economic growth. According to this strategy for economic development, the various sectors of the economy should grow at about the same rate. The necessity of this growth pattern emerges from the interdependency of different sectors.

Albert O. Hirschman distinguishes between two different kinds of theories advocating balanced economic growth, one stressing demand and the other supply.<sup>3</sup> The theory of emphasizing balance in demand posits that in order to make self-sustained growth possible, it is necessary to start at one and the same time a large number of industries so that the workers and owners of one might serve as clientele for the others.<sup>4</sup> This theory contends that if a large number of industries are not started simultaneously, then the few that are started are

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1. This essay is based upon field research conducted in Zambia from November 1967 to March 1969. Financial support for this research was provided by the Foreign Area Fellowship Program. The author also wishes to acknowledge gratefully the assistance of the Institute for Social Research, University of Zambia, and Mr. V.S. Musakanya, then Secretary to the Cabinet and Head of the Civil Service.
2. For some of the justifications given for development planning and state participation in the economy, see the discussions in the volume edited by William H. Friedland and Carl G. Rosberg Jr, *African Socialism* (Stanford University Press, Stanford, 1964).
3. Albert O. Hirschman, *The Strategy of Economic Development* (Yale University Press, New Haven, 1958) pp. 50-54.
4. The principal authors of this theory are: P.R. Rosenstein-Rodan, 'Problems of Industrialization of Eastern and South-Eastern Europe', *Economic Journal*, LIII (June-September 1943), p. 205; Ragnar Nurske, *Problems of Capital Formation in Underdeveloped Countries* (Oxford University Press, London, 1953), Chapter I.