REALITY CHECK

A Looming Demographic Dividend or Disaster?

Reality Check on Uganda's Changing Demographic Structure and Its Implications for the Country's Development

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REALITY CHECK ON UGANDA'S CHANGING DEMOGRAPHIC STRUCTURE AND ITS IMPLICATIONS FOR THE COUNTRY'S DEVELOPMENT

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List of Abbreviations and Acronyms

CCO:	Certificates of Customary Ownership
GDP:	Gross Domestic Product
MNCs:	Multinational Corporations
MW:	Megawatts
SSA:	Sub-Saharan Africa
UBOS:	Uganda Bureau of Statistics
UGX:	Uganda Shilling
UPE:	Universal Primary Education
USD:	United States Dollar
USE:	Universal Secondary Education
WHO:	World Health Organisation

Executive Summary

Demographers constantly monitor the number of people within particular jurisdictions primarily because the size of a country's population can have profound development implications. Harness its capacity and put it to productive use, and the fortunes of a generation and generations to come can be altered. Fail to do so, and an underutilised population can become a source of political chaos and economic disaster. Which is why this reality check reflects on Uganda's rapidly changing population and age structure and dialogues with propositions of a possible demographic dividend that have featured prominently, especially in the public sector circles. However, contrary to typical policy papers, this paper does not aim to provide a battery of recommendations that policymakers could consider; rather, its aim is to stimulate a policy debate: one that we consider important and, indeed, must have on how Uganda's rapidly changing demographic structure will transform the geography of politics, the economy, the environment as well as social aspects of Ugandan society in the years to come. Below, we highlight the key messages and conclusions from our discussion.

Uganda's population is rapidly expanding at an incredibly alarming rate of 3.2 per cent per annum: Uganda's population is currently estimated at 45 million people. It is projected to reach 59 million in 2030 and 74 million in 2040. This expansion in population is buoyed up by the imbalance between the fertility and mortality rates: infant and under-five mortality has declined significantly over the past three decades while fertility has maintained a resilient high level, producing a youth bulge.

The consequent impact of the imbalance between fertility and mortality is finally having a salient effect on the share of the working age population: While for a long time the proportion of the young dependents (0–14 years) has kept pace with the share of the working population, from 2019 onwards, the share of the working population began to sharply pull away. Current estimates suggest that as the youth bulge continues to transition into the working age, the share of the working population will expand rapidly.

The expected rapid growth in the share of the working population is what most, especially in government circles, have alluded to as the impending demographic dividend: This, according to theory, results in growth in savings, a decline in consumption, and thus a rise in investment, economic growth and transformation. This is because it is assumed that as the share of workers exceeds that of dependents, the support ratio declines, presumably because the population (or economy for that matter) comprises more producers than consumers. The paper, however, underscores that this interpretation is problematic: evidence from other countries suggests that, while indeed the rising share of the working population can be beneficial to a country, it is seldom automatic. Country states and governments have to implement the right policies that bolster human capacity and put the rising working population to productive use. Failure to do so can essentially produce a demographic disaster rather than dividend, especially when economic precarity drives an idle population to desperate measures in order to realise a certain modicum of economic survival.

The analysis suggests that should business as usual continue, Uganda appears to be tinkering with a looming demographic disaster rather than dividend. This conclusion is borne out of several observations. First, while economic reforms in the mid-1990s placed the economy on a recovery road, the resulting economic model remained unyieldingly clutched in a stabilisation approach as opposed to boosting productivity, jobs and incomes. Therefore, a rapidly growing labour force has failed to find commensurate jobs and means of livelihood. Thus, unemployment and underemployment increasingly characterised by precarious means of livelihood have been an indelible mark of Uganda's troubling capitalist structure. Failure to boost productivity has left the country with a frail productive capacity with a chronic pattern of weak export base and looming balance of payment crisis. Within this context, a rapidly expanding population only portends exacerbation of the land conflicts underpinned by a problematically ambiguous land regime(s). As more people over the coming years will be pushed into towns and cities, precarity will worsen, which is expected to put more stress on the city urban infrastructure, fuelling crime and social instability, and thus making cities ungovernable. Unrestrained or unchecked, this state of affairs is expected to fuel inequality, raise the demand for food and energy; however, all this in a country that is too resource-constrained to respond to these challenges. The reality of climate change will further stretch the capacity of the state to respond to these challenges. With the country in such a dire state, politics will become an amplified game of the most powerful, further excluding the majority of the citizens from the political community, at a time when recasting politics towards the task of addressing development challenges will be most exigent.

Experience from other countries, however, suggests that it is not all doom for Uganda. Crises sometimes can provide a silver lining in terms of improvement in politics and the capacity of the state to commit and attend to development challenges. However, counterfactual contrasting evidence suggests that the central constraint on turning Uganda's looming demographic challenge into an opportunity is the failure of the political elite to cohesively commit to the task of development. An endemically divided political elite, rooted in the country's colonial legacy, has remained the central hamstring to Uganda's development possibilities. In fact, the increased tendencies of rent-seeking and corruption only serve as an indicator of the failure of the political elite to collectively agree and enforce rules on how power is appropriated, and how it is utilised. Corruption, therefore, has become the least bad solution to holding a fractious political elite together at the expense of development. Therefore, this report emphasises that as long as the political elite cannot overcome collective action problems that complicate the question of managing the country's politics, any development policy reform will also be distracted, disrupted and, in the worst-case scenario, thwarted by concerns of political expedience, accommodation and fights over control of the state by the fractious elite.

Overcoming collective action problems related to managing politics comes first before any development policy reform: Because once solved, then the political elite can effectively direct state agencies towards the task of development and, thus, provide a development project with the social and political anchoring necessary to pursue and sustain commitment of a mobilised population to the development project. However, this alone does not guarantee that the policy reform process will necessarily deliver expected development outcomes. Policy reform does not easily fit the standard one-size-fits-all templates. Rather, it is a messy process that demands learning by doing and adapting policies to new conditions and capacities. In addition, it also calls for a thorough assessment of different key players at the core of the binding constraints that have held back development for so long. Mobilising such actors and imagining ways they could block development policy reform in the wake of distributive conflict triggered by reform and ways to compensate losers, as well as generating their buy-in, will be as important as the thorough process that goes into thinking about the reform process itself.

1. Uganda's Demographic Trends and Patterns, and Their Drivers

Uganda's population has increased six-fold between 1960 and 2020 (see Figure 1). Uganda's population today is estimated at 45 million.[1] This exponential growth has been propelled by a combination of a rapid decline in infant[2] and childhood mortality and a considerably slow decline in the fertility rate. According to current empirical evidence, Uganda has registered a significant decline in infant and childhood mortality: infant mortality has reduced from 132 deaths per 1,000 live births in 1960 to 32 per 1,000 live births in 2020, representing a 75 per cent decline in infant mortality. Similarly, childhood mortality (under-five) has also declined significantly: from 229 to 43 deaths per 1,000 live births, respectively in 1960 and 2022, contributing to about 80 per cent decline in under-five mortality (see Figure 2).

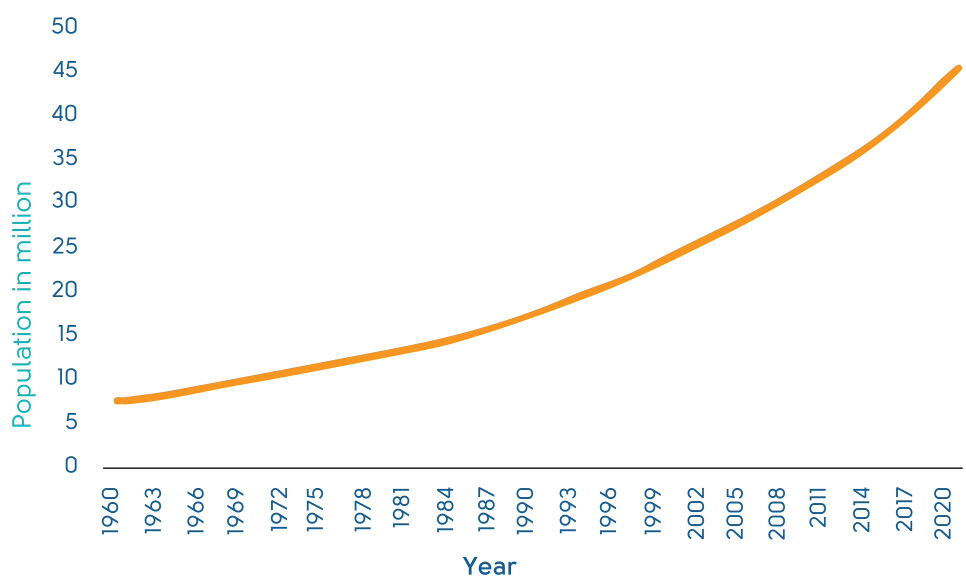

Figure 1: Uganda's population, from year 1960–2020

Source: World Bank development indicators

[1] Figures on Uganda's population, however, vary slightly depending on the source of data: Uganda Bureau of Statistics (UBOS), Uganda's central statistics office, for example, puts Uganda's population at 43 million. Nonetheless, nearly all sources indicate an average of 40 million.

[2] Standard literature defines infant mortality as the number of deaths of under-one infants per 1,000 live births, whereas childhood mortality is defined as the total number of under-five deaths per 1,000 live births.

This enormous fall in mortality trends is reflected in the rise in life expectancy at birth[3]: life expectancy at birth has increased by 17 years from 46 years in 1960 to 63 years in 2020 (see Figure 3). The decline in mortality, however, has not been accompanied by a decline in fertility rate[4]: fertility has, instead, experienced a slow decline.

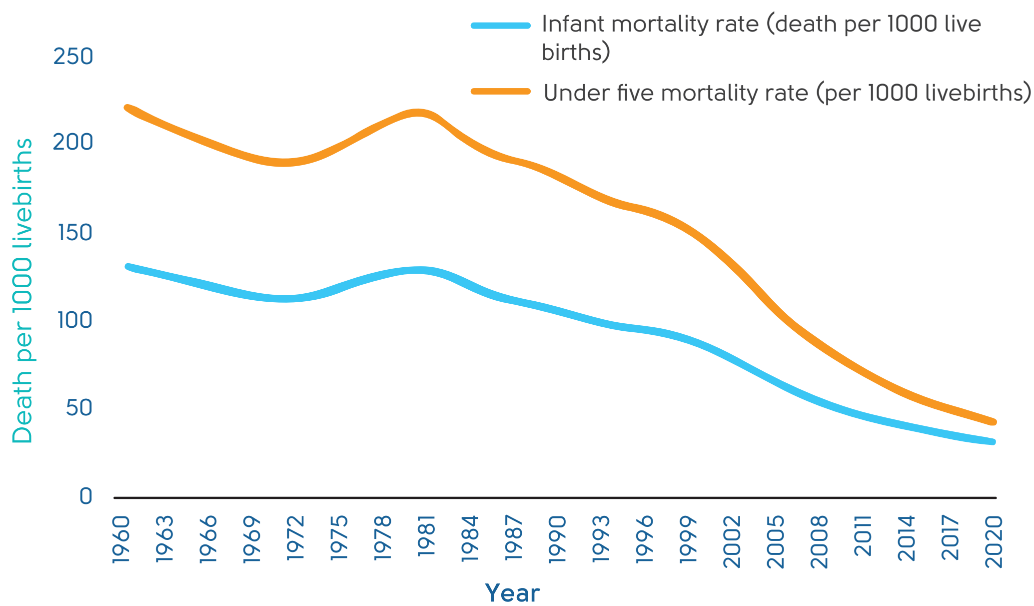

Figure 2: Uganda's infant and childhood mortality trends, from year 1960–2020

Source: World Bank development indicators

[3] Life expectancy at birth is the average number of years a newborn infant is expected to live within a specific country if the existing mortality conditions remain unchanged.

[4] Total fertility rate is the average number of children a woman will bear through her reproductive life span.

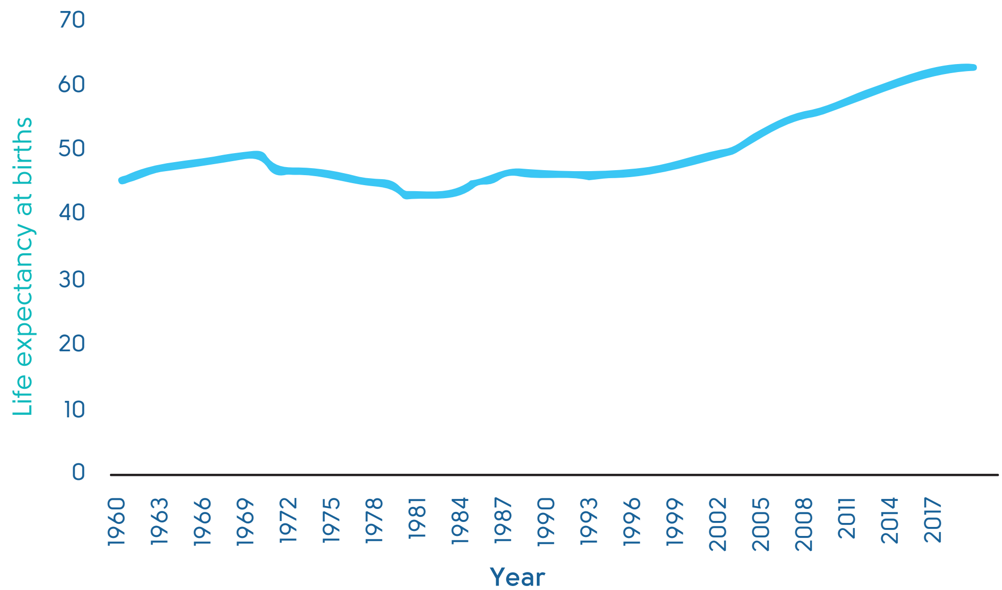

Figure 3: Uganda's life expectancy at birth, from year 1960–2020

Source: World Bank development indicators

Table 1 shows that, overall, the national fertility rate has marginally declined from 7.4 in 1988 to 5.4 in 2016, representing a paltry 27 per cent reduction over the same period. Matters are not made any easier by the significant variation in rural and urban fertility: rural fertility has reduced the least over the same period, posting only a modest reduction from 7.6 to 5.9 children per woman, between 1988 and 2016.

Table 1: Fertility and mortality trends for Uganda, from year 1988–2016

Variable/Year	1988	1995	2001	2006	2011	2016
Under-five mortality	188.2	147.3	151.5	137	90	64
Total fertility rate	7.4	6.8	6.9	6.7	6.2	5.4
Rural fertility	7.6	7.1	7.4	7.1	6.8	5.9
Urban fertility rate	5.7	4.9	4.0	4.4	3.8	4.0

Source: UBOS (1988, 1995, 2001, 2006, 2011, 2016).Notes: Figures are compiled from successive demographic and health survey reports.

This imbalance between mortality and fertility has triggered a rapid population growth. With a growth rate of 3.2 per cent per annum, Uganda ranks among countries with the most rapidly growing population. This expansion in population has also dramatically transformed the contours of the country's population and age structure. Figure 4 shows that the population aged between 0–14 years (commonly known as young dependents) has increased by approximately 17 million, from 3.5 million in 1960 to 20.7 million in 2020. Similarly, the working age population, typically aged between 15 and 64[5], has grown by almost the same size: rising from 3.9 million to 24.3 over the same period. In fact, as Figure 4 clearly shows, it is only recently that the population aged 15–64 years has begun to pull away from that of young dependents.

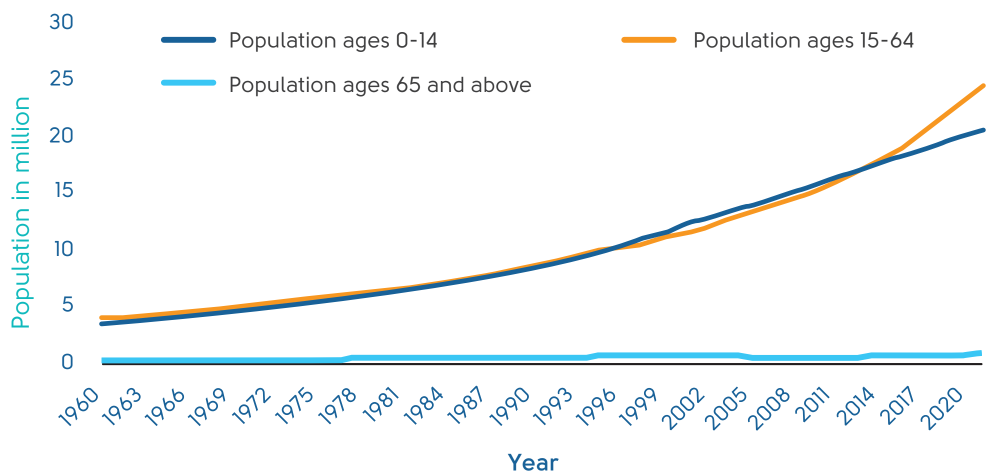

Figure 4: Trends in Uganda's population and age structure, from year 1960–2020

Source: World Bank development indicators

Existing projections[6] suggest that Uganda's population will expand to 59 million by 2030, 74 million by 2040 and 104 million by 2060, if the current fertility and mortality patterns remain unchanged. This would impact the country's population and age structure, despite the population between 0–14 years growing at a slower pace relative to that aged 15–65. Evidence suggests that the population aged 0–14 will increase to 24 million by 2030, 27 million by 2040 and 29 million by 2060. In contrast, the working-age population (15–64) will increase to 34 million by 2030, 46 million by 2040 and 69 million by 2060 (see Figure 6).

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5 In demographic literature, this is also often classified as the productive population, because the majority of persons in this age group are presumed to produce more than they consume and therefore are able to save and invest. The entire debate on the demographic dividend stems from the considerable increase in the population that falls under this age group relative to those aged 0-14 years and those above 65 years.

6 See Myers et al. (2021).

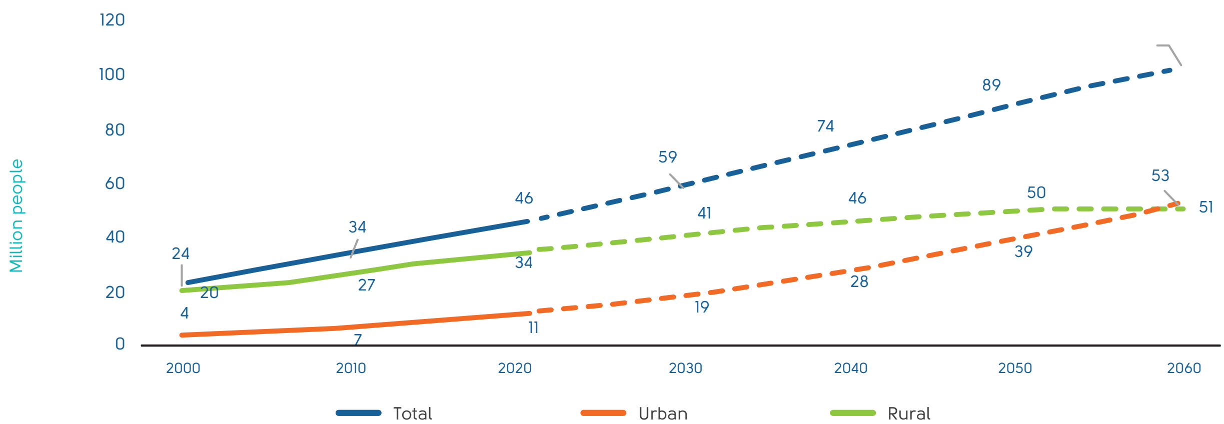

Figure 5: Population of Uganda by location

Source: World Bank (2020) cited in Myers et al.(2021)

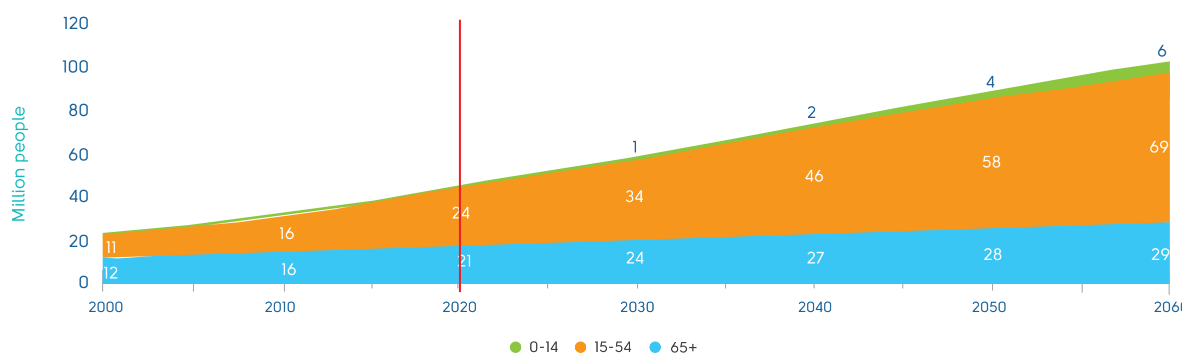

Figure 6: Uganda's projected population by age group

Source: World Bank (2020) cited in Myers et al.(2021)

The shift in the patterns of mortality and fertility, and the consequent effects they engender on the population and age structure, has been a source of theoretical and policy debate connected to the demographic dividend. First introduced by Bloom and Canning (2001), in their seminal paper that analysed how the changing patterns of the age and population structure in East Asia boosted its rapid economic transformation, the term has become an attractive concept utilised in the analysis of development experience of other developing countries that are seeking to catch up with the rest of the advanced economies. In Uganda particularly, the above changing patterns, and the expected future changes of Uganda's age and population structure, have sparked speculations about the looming demographic dividend that may quickly catapult Uganda to its long awaited and most desired middle-class status. However, this begs the question: Do changes in demographic structure (which is to say, increase in the population of the working age relative to the dependent population) necessarily translate into a demographic dividend? We address this question in the following section.

2. Demographic Dividend or Disaster: A Debate

The concept of the demographic dividend is inextricably bound up with the demographic transition. The latter is concerned with long-term shifts in fertility and mortality patterns from a high stable equilibrium of high fertility and mortality to low fertility and mortality.[7] The changes in mortality and fertility patterns as a country undergoes economic transformation produce unique demographic conditions from whence the term "demographic dividend" is derived.

The industrialised world has completed their demographic transition. They have experienced a transition from a rural agrarian society characterised by high fertility and mortality rates to urban industrial societies characterised by low fertility and mortality.[8] During the structural transformation process, mortality declines first while fertility remains high, triggering rapid population growth (as is the case in most Sub-Saharan African countries today). Over time, however, as couples grow more confident in realising their desired fertility aspirations following a sustained decline in mortality, fertility rates begin to drop and eventually the decline gains momentum.[9] The decline in fertility generates two important effects: first, a drop in the number of young dependents and, second, an increase in the size of the working-age population. This shift in the population and age structure results in more workers than dependents, which alters the support ratio.[10] The growing increase in the number of workers relative to consumers, many have argued, offers countries enormous opportunity to spur economic growth and thus speed up their economic transformation.

Theory suggests two possibilities of the demographic dividends. First, an increase in a productive labour force whilst accompanied by a decline in the young dependents raises output worker, leading to an increase in savings, investments and economic growth. This tends to be turbocharged by changes in female labour participation as child care patterns shift with more women moving into the labour force freed from child care. In addition, increase human capital investment, particularly in education and health, results, as Becker (1992) argues, from a preference of quality over quantity of child, further catalyses economic growth.

7 See Coale (1989); Kirk (1996).

8 See Lee and Mason (2006); (2001); Bloom and Freeman (1986); Bloom et al. (2014).

9 See Bloom et al. (2014).

10 The support ratio is generally the ratio between producers and consumers. Some refinements, however, have been made to the definition, introducing the concept of "effective producers" and "effective consumers" (see Mason et al. (2017) for details).

The second channel of the demographic dividend, theory argues, may arise from increased savings in preparation for retirement. As pension and retirement funds explode, their careful investment, alongside a reduction in fertility to replacement or below replacement level[11], may anchor the economy on a steady state path, resulting in sustainable growth.

However, as Lee and Mason (2006) correctly argue, the demographic dividend is not automatic. Rather it is conditioned on effective policies that are implemented that, on one hand, translates the increased availability of working population into a productive labour force and, on the other hand, facilitates prudent management of accumulated capital through accumulated pension funds into a portfolio of investments that sustain economic growth. Otherwise, any underutilisation of the working-age population, or wasteful expenditure of pension funds, can produce a situation where the support ratio may drop below the capacity to meet the growing needs of the population in the dependency group (that is to say, the very young and the elderly). This is why the changes in the population and age structure sparked by the decline in fertility can only create a demographic window of opportunity.[12] But its harnessing into a dividend that propels a country's economic transformation is only conditioned by the nature of economic policies that productively deploys the rising labour force[13] and optimises existing resources. Policies that effectively and productively utilise the labour force, for example, will raise output. An increase in output accompanied by a significant reduction in young dependents implies a reduction in consumption, leading to an increase in savings. Following Harrod-Domar's (1946, 1939) theoretical insight, a rise in savings catalyses an increase in investment and capital accumulation, and thus an increase in economic growth.

This theoretical insight thus gives us a vintage point from which to perform a reality check on the claims that Uganda is on the cusp of experiencing a demographic dividend based, perhaps, upon the earlier observation of tendencies of the working population beginning to rise in ways that outstrip the population aged 0–14 years.

[11] Replacement level fertility is when fertility reduces to two children per woman, which may produce a stable population. This is because two children imply that the couple are exactly represented in an equivalent pattern in the next generation.

[12] The demographic window of opportunity, in essence, departs from the demographic dividend: it implies an expansion in the size of the population, with potentially more producers who can benefit a society's generation of wealth. But having many people and putting them to productive use are not the same thing: underutilised, the same splurge of a rising population can become a country's development nightmare.

[13] In line with Bloom and Freeman (1986: 383), we define labour force as "the ratio of individuals who are economically active—employed or unemployed—to all individuals." We do not delve into issues related to the number of hours people work, or measurement problems related to the determination of whether individuals are, or would like to be, in the labour force, and/or to such qualitative characteristics of members of the labour force as their ability and motivation. While these characteristics of a working population are obviously important determinants of an economy's productive capacity, the measurement issues they invoke are beyond the scope of this paper.

3. Uganda's Changing Demographic Structure and Its Implications for Development

3.1 Food (in)security

The changing demographic structure, particularly the increase in the urban population, will transform production and the food regime and affect food prices. Unlike most African countries, in Uganda the propitious weather and climate have always insulated the country from serious food-related crises. With two rainfall seasons a year, Uganda has always been guaranteed two seasons of food harvests per year. This has always been the basis for more stable food prices. But all this is about to change for three main reasons. First, climate change, which is visibly observable through more common erratic rains, droughts and floods. For example, between April and August 2022, the intense drought significantly decimated expected harvests and some analysts have argued that this, in addition to other factors, has contributed to a rise in food crises.[14] Second, the growing urban population is likely to see a rapidly rising demand for food in urban areas. Uganda's urban population (which is the share of the total population that resides in towns) is growing, although it remains substantially lower than the Sub-Saharan average of 38 per cent.[15] A World Bank report predicts that there will be just as many people in cities as in rural areas.[16] Neoclassical theorists would be quick to argue that a rise in the urban population would be good for smallholder producers that are ubiquitous in different parts of the country, because a rise in the urban population would spur the demand for food and therefore incentivise food supply as a result of growth in such demand.

However, a sophisticated look at the current evidence points to something contrary to this fact: productivity in rural areas has been declining for the last three decades because of the combination of a rapidly expanding rural population, which has intensified land cultivation, as well as an endemic decline in the use of fertiliser and extension services.[17] This, together with the escalating climate change, only suggests that, unless Uganda weans its food supply system from being weather-fed, its good weather conditions will not be able to deal with the stress of additional demand for food triggered by further expansion in its population size.

In the long run, therefore, Uganda will transition from being a net producer of food to a net consumer, implying that the rise in the urban population would drive the demand for food, which will raise food prices. Neoclassical economists have often argued that globalisation ameliorates the risk of food crises because countries can compensate their shortages of food by importing from other countries with food surpluses. However, this creates the second challenge: the one of intensified pressure on the country's current account, which raises the risk of depreciation, which would heighten the import bill and thus lead to food-related inflation. In other words, the rise in population in an environment of declining capacity of the agricultural sector to raise productivity is a harbinger of a looming food crisis and food poverty, especially for the urban poor.

[14] See Atingi-Ego (2022).

[15] See Sladoje et al. (2020).

[16] See Myers et al.(2021).

[17] See Pender et al. (2006)

3.2 Social policy and human capital development

In Sen's (2000) seminal text on development as freedom, he makes a case for building human capability not only as universally and intrinsically desirable in itself[18], but also as an instrument of development because it enhances the country's human capital skills. While Uganda has witnessed increased enrolment in primary and secondary education, thanks to Universal Primary Education (UPE) and Universal Secondary Education (USE) programmes, spending as a percentage of GDP has been in continuous decline since 2005 (see Figure 7).

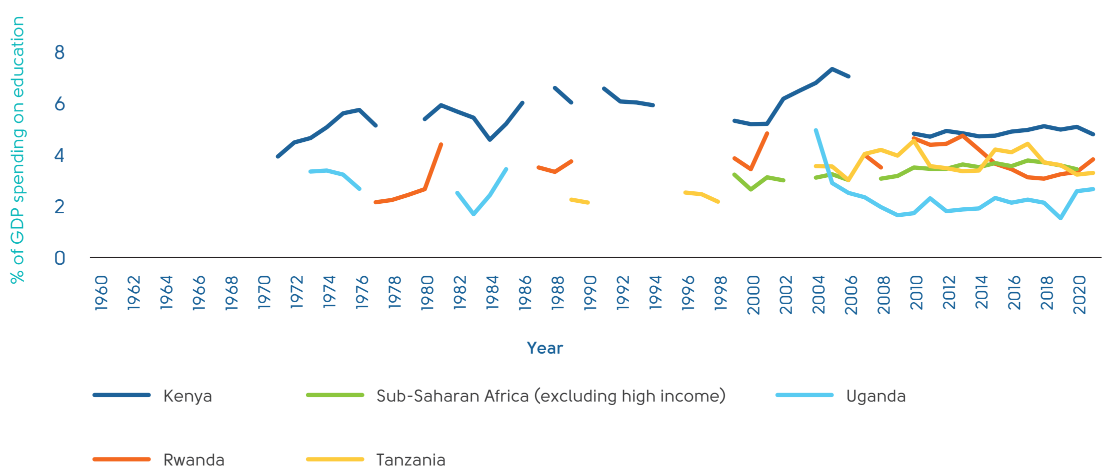

Figure 7: Comparative government expenditure on education as a percentage of GDP, from year 1960–2020

Source: World Bank development indicators

Between 2004 and 2020, government expenditure as a percentage of GDP has reduced from 4.9 per cent to 2.6. This is not only lower relative to other countries in the East African region, it is also lower than the Sub-Saharan average. Perhaps the reduction in education spending is exacerbated by the resilient high fertility rates in rural areas, which has resulted in an unyielding rising enrolment of young learners in school each year, without commensurate schooling inputs to adequately accommodate them.

[18] Sen makes a compelling case for raising investment in human capital development: he argues that it empowers citizens with the capability to shape their own destiny, as well as to be productively engaged in their adult lives, making a transition to adulthood smooth and possible with less bottlenecks.

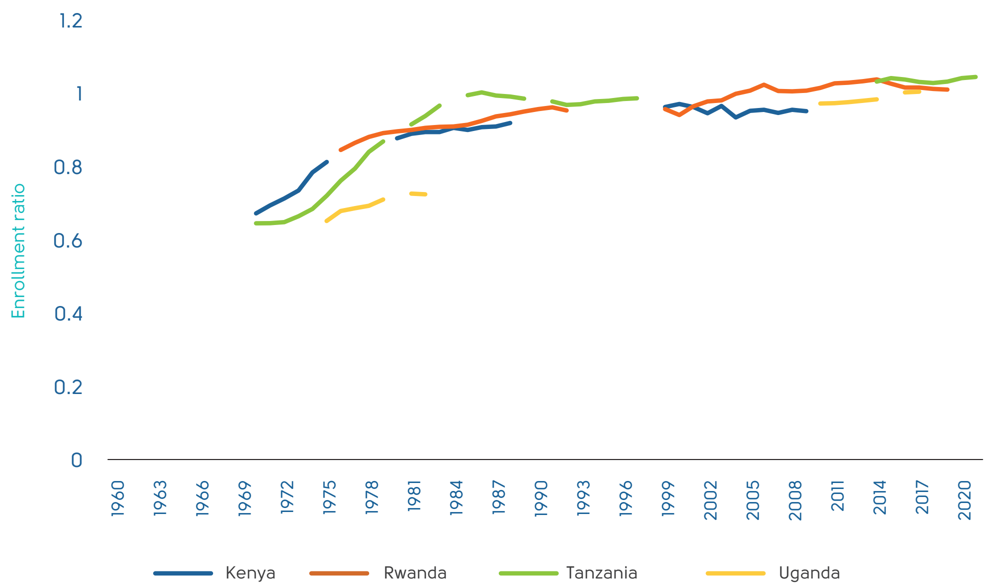

Figure 8: Country comparative school enrolment in primary and secondary, and gender parity index, from year 1960–2020

Source: World Bank development indicators

This perhaps partly explains the high school dropout rates that characterise transitions from one level of education to the next in Uganda.[19] Moreover, the quality of education in Uganda has been seriously deplored by different sections of the population: a recent report published on 8 July 2022 in the *Daily Monitor* newspaper (2022a), for example (quoting another report by UWEZO) warns that out of 8.5 million enrolled in primary school, only 39.5 per cent that progressed from Primary Three to Primary Seven had acquired the required competence in reading. This, therefore, implies that most learners' progression through school is neither accompanied by the expected impact in the form of acquired skills that enable them to command their destinies nor as productive citizens with the ability to shape and positively contribute to their country's development. Therefore, not only is Uganda's quest for a skilled workforce currently undermined by the current level of education spending and, by extension, the quality of delivery, but this is likely to be made worse by future population growth. Unless fertility rates drop, there is likely to be a further attenuation of the already precarious spending, which, in turn, will worsen education outcomes, further undermining the country's chances of social and economic progress.

[19] In a study conducted by the Ministry of Education and Sports together with Elevate, a Ugandan NGO, the Independent Magazine (2020) reports that "[a]n estimated 240,000 pupils who are enrolled in Primary One under the Universal Primary Education (UPE) drop out before reaching Primary Four."

As regards health, the picture does not differ significantly from that of education. Investment in health as a percentage of GDP has been reducing since 2000, although the reduction in health spending is lower than that in education. Between 2000 and 2019, for which data is available, health expenditure as a percentage of GDP has decreased from 5 per cent to 3.8 per cent, respectively. This is even lower than the Sub-Saharan African estimate of 4.9 per cent (see Figure 9). One could again argue that perhaps Uganda's rapidly growing population, turbocharged by the imbalance between fertility and mortality, is putting a lot of pressure on her health spending. This is particularly felt in terms of the availability and quality of health facilities, as well as service providers, such as nurses and doctors.

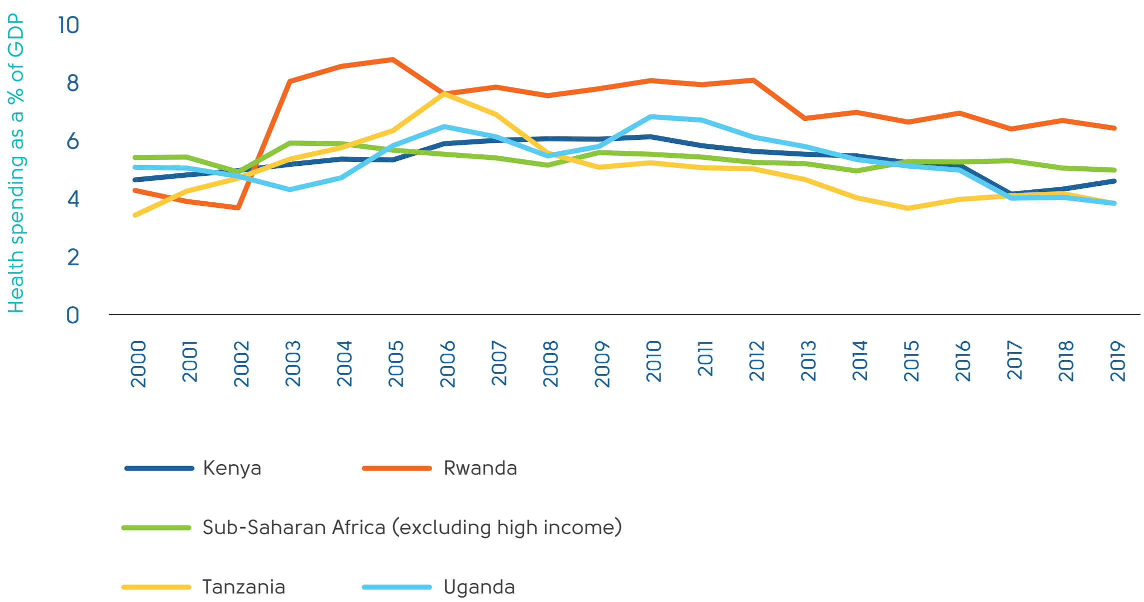

Figure 9: Government expenditure as a percentage of GDP, from year 2000-2019

Source: World Bank development indicators

Uganda has a pyramidal decentralised health care system consisting of health centres I to IV, regional referral and national referral hospitals. There is a total of six national referral hospitals and five specialised hospitals. The Ministry of Health reports a total of 6,937 health facilities comprised of public, private and not-for-profit health facilities. The decentralised health care system was designed to ensure that the more complicated cases are referred to the national referral hospitals. However, because of the near absence of available health care provision at the health centres (I to IV), most patients end up at the national referral hospitals, which has overwhelmed and overstretched the capacity of the hospitals to meet the needs of the rapidly growing population.

No wonder there is an increase in reported cases of patients experiencing appalling health care across nearly all hospitals in the country. For instance, a report by the *Daily Monitor* recently cited cases of admitted patients sleeping on hospital floors, and this illuminated a conspicuous lack of enough hospital beds.[20] This appalling state of health care provisioning is also exerting serious pressure on the service providers. It is reported that the doctor-to-patient ratio is significantly lower, estimated at 1:25,000; similarly, the nurse-to-patient ratio also remains significantly lower, at 1:11,000.[21] This is below the World Health Organisation (WHO) recommended doctor-to-patient of 1:1000. Therefore, not only are current service providers overwhelmed and thus too overstretched to provide adequate health care, but also the preparedness of Uganda's health care system for any uncertain health shocks is significantly brittle.

Moreover, the Covid-19 pandemic and the recent outbreak of Ebola have demonstrated and powerfully illuminated the need to bolster Uganda's health care system. Therefore, even in the context of the current paltry spending on health care, it is not difficult to see that the government will require significantly higher levels of finance to sustain the current undesirable health service provisioning if Uganda's projected population growth trends remain unchecked.[22] But even significantly higher spending will be required if the goal is to raise the quality-of-service provision by increasing the quality and quantity of health facilities, as well as health care providers. Which begs the question: How would government raise the required level of financing given its inability to raise taxes, which explains its excessive appetite for borrowing to compensate for the lag in the growth of tax revenue? Is it possible to perpetually finance its investment priorities through borrowing?

According to recent reports[23], the government stock of debt has increased from UGX 50.9 trillion (equivalent to USD 13.2 billion[24]) in Financial Year (FY) 2019/20 to UGX 69.5 trillion (equivalent to USD 18.8 billion) in FY 2020/2021. By June 2022, it is estimated that the stock of debt had increased to UGX 78.8 trillion (equivalent to USD 21.4 billion). Moreover, the current unpredictable pattern of economic global conditions, heightened by pandemics, climate change and looming wars, portends more economic disruptions. Developing countries like Uganda, with modest productive capacity and thus endemically vulnerable to global price swings, should expect recurrent precarity in their balance sheets and thus a strong proclivity towards the acquisition of more debt.

However, we know from experience (but also from theory) that no government has ever successfully financed its development needs by excessively borrowing. There is always a limit to how much you can borrow (or at least that limit is set by the creditors' observation of a country's progress towards a debt stress zone), following which actions of creditors may trigger a bank run or, in the worst-case scenario, a country's propensity to default, which may subsequently trigger a financial crisis, as is currently the case with Ghana or Egypt.[25]

[20] See *Daily Monitor* (2017).

[21] See Ajari and Ojilong (2020).

[22] According to a story by the Daily Monitor (2022b), the government spends just about UGX 63,000 (approximately 17USD) per person per year on health care.

[23] See *Daily Monitor* (2022c).

[24] The exchange rate used here is UGX 3680 for USD.

[25] See the *Economist* (2022a, 2023).

3.3 Political conflict and governance

Literature suggests that political conflict is borne out of many reasons that vary according to the societal context. European history, for example, points to reasons connected to warring states waging war against other states, as Charles Tilly (1996) eloquently argues in his book, *European Revolutions*. Other contemporary scholars have pointed to political revolutions as a source of political conflict, which arise as a result of a breakdown in trust between citizens and the state, thus weakening regime[26] legitimacy.[27] However, as Fukuyama (2014) argues in *Political Order and Political Decay*, states legitimise their existence by demonstrating their capacity to create mechanisms for mediating conflict in society, in addition to other functions, such as economic management and social inclusion. But as Centeno et al. (2017) explain, states need to build appropriate institutions that enable them to enhance their capacity, not only to deal with political conflict but also to attend to other essential demands in the spheres of economic management and social inclusion. However, Goldstone's (2016)'s seminal text on revolutions and rebellions in the early modern world emphasises that sometimes inflexible institutions may become overwhelmed by population change, especially when they fail to adjust to the changing aspirational needs of new groups of people in society, propelled by youth bulges and rapid urbanisation.

It is on this point that we wish to underscore a prescient looming demographic situation in Uganda that may call for pause. As Figure 5 clearly highlights, Uganda's urban population is projected to equalise the rural population by 2060; in other words, there will be half as many urban residents as the rural residents. Precarity currently looms large, manifesting in the form of informal jobs characterised by poor working conditions, low pay and often skill-related and time-related underemployment.[28]

The implication of this lack of economic opportunity has been increasing levels of crimes as the 'wretched of the earth', to quote Fantz Fanon (2004), push back against what Polanyi (2001) has called the 'Satan Mill' of capitalism, that is increasingly extending its reach to different areas of Uganda. The dispossessed and disarticulated citizens, pushed into towns and cities, desperate for means of livelihood, but unable to find them in the mushrooming poorly planned, congested and low-growth-centre towns and cities, will only serve to exacerbate crime and social instability. The current political settlement[29] in Uganda has evolved from a stable political settlement characterised by the deployment of development rents that occurred in the early 2000s to 2010, to competitive clientelism that has been heightened by the interest of President Museveni's and his close political factions' overstay in the power.[30]

[26] Following Tilly's definition, a regime is understood as relations between those who control the state and the citizens.

[27] See Goldstone (2016).

[28] See Walter et al. (2015).

[29] Khan (2010: 3) defines a political settlement as "a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability." However, in another published essay in 2018, Khan (2018) revised the definition more concisely as "a distribution of organisational power" in society. For an interesting dialogue between Khan and Kelsall on the understanding of political settlement, please refer to Khan (2018) and Kelsall (2018).

[30] See Golooba-Mutebi and Hickey (2013).

We would therefore like to argue that the new institutions that have evolved around the challenge and question of promoting President Museveni's overstay in power have been realised at the expensive cost of undermining the capacity of the state to deliver on its development mandate, especially with respect to the expansion of the tax capacity and effectiveness of spending priorities to deliver the public goods needed to speed up the country's economic transformation. The consequence has been an amplified shadow of violence as rapidly escalating income inequality is partly, if not largely, connected to political inequality.[31] One can only imagine that the continuing expansion of the urban population, although desirable[32], in the current institutional precedent will only amplify insecurity, violence and what Thomas Hobbes (1967) describes as life becoming "nasty, brutish, and short".

3.4 Land regimes, land rights and sites of contestation and conflict

Uganda's changing demographic structure and its demands on land use will most likely exacerbate conflict over land, poorly governed by a very ambiguous and complex land tenure regime. Land regimes refer to institutions that govern land relations between the state and its citizens and among citizens. As Catherine Boone (2014) observes, land regimes can be differentiated according to forms of political authority, rules around land rights, and citizenship rights, and territorial jurisdiction.[33]

A striking feature of Uganda's land regime(s) is that different institutional arrangements governing land exist across sub-national jurisdictions. This implies that different land tenure regimes exist within the same country, with profound effects on land rights and land tenure security. For example, land rights under private property, such as freehold tenure, usually enjoy de jure and de facto recognition and protection at the national level. In contrast, for people living in other land tenure regimes, such as customary tenure, their rights over land are often not fully recognised or protected.

The beleaguered nature of Uganda's land tenure regime is to be traceable to the "original sin" of the 1900 Buganda Agreement that set the scene for the confusion surrounding the political authority and rules around land rights. But Uganda's troublesome land governance is not only explained by its colonial legacy: It is important to point out that the 1995 Constitution and the 1998 Land Act did less to clarify and address the ambiguity in the political authority and rules governing land rights. As a result, land regimes in Uganda can be categorised

[31] The 2021 presidential election powerfully illustrated how political inequality, specifically the feeling of exclusion by the majority of the urban citizens in cities and towns, who have missed out on the gains in economic growth over the past 30 years, was incredibly and rapidly leveraged by Robert Kyagulanyi, a musician-turned-politician, and how this can create fertile ground for a heightened risk of political violence arising out of political exclusion. The violence that characterised that election portends the worst to come, if the necessary institutional reforms are not undertaken to create a more politically, socially and economically inclusive landscape.

[32] Industrialisation scholars (see, for example, Lewi (1954)) have forcefully argued that urbanisation can create conditions that can stimulate and drive industrialisation: as labour is set free from agriculture, erstwhile self-employed peasants, now pushed to urban areas, become part of the surplus of exploitable urban labour force. This drives down labour costs, especially for shop floor workers, which can create an incentive for industrialisation. The obviously downside of this, which has occasionally eluded neoclassical economists, is that this shift in labour structure essentially results in proletarianising of labour and could eventually produce social and economic uncertainty as opposed to modernisation, as often implied.

[33] See Boone (2014:6).

in three forms: private *mailo*, customary, and state-owned land[34] tenure. The first two are recognised constitutionally whereas the latter is shroud in a lot legalistic confusion: on one hand, the constitution acknowledges that all land belongs to the people, ruling out the possibility of government owning land, yet in practice the government continues to own huge chunks of land.

Private mailo

Under private *mailo*, both freehold and *mailo* tenure systems are officially recognised and protected by law, registered in a central registry, and equip the landowner with exclusive ownership rights. In contrast to freehold, *mailo* tenure is characterised by a dual landownership structure, involving the landlord, who owns the land title to a plot of land 'in perpetuity', and occupants or 'tenants', who occupy a part of this plot, and also have transferable rights to this part of the land. Legal occupancy rights on *mailo* land are divided into two categories: "lawful" and "bona fide" tenants. A lawful tenant on private *mailo* land includes: (1) a person occupying land by virtue of repealed earlier laws; (2) anyone who settled on the land with the consent of the landlord; and (3) a person who had occupied land as a customary tenant, but whose tenancy was not disclosed or compensated for by the registered owner.[35] A bona fide occupant on *mailo* land is someone having occupied and farmed the land uncontested for at least twelve years before the 1995 Constitution, as well as persons who had been resettled on the land by the government before that date.[36]

Land rights by *mailo* occupants are protected and enforceable by law – the result of a long history of land conflict and land reform – and hence provide the claimants with legitimate and legible land rights in the eyes of the Ugandan government. *Mailo* ownership titles are registered and recorded in a central registry. Even though tenants have no outright ownership or documented protection of their claims (titles), the land rights of lawful and bona fide tenants are robust in the Ugandan political-legal context. It is difficult for the state to legally evict *mailo* occupants.[37] Conflicts are frequent but are handled in legal or legalistic ways (i.e. court cases, grievance mechanisms).

State-owned land

There is sufficient confusion regarding what constitutes state land in Uganda. State-owned land is often confused with public land. However, both concepts imply different meanings at the national and local levels. The promulgation of the 1995 Constitution unequivocally declared that 'all land in Uganda belongs to the citizen of Uganda.'[38] By virtue of this declaration, therefore, state-owned land ceased to exist. However, a lot of land is still owned by the Government of Uganda. Article 238 of the Constitution gives the Uganda Land Commission the mandate to hold and manage any land in Uganda owned by the Government of Uganda. Such land refers to the government-owned landholdings that are registered and titled – understood as private

[34] State-owned tenure is not an official land tenure system, but can be deciphered from practice.
[35] See Republic of Uganda (1998, Article 29); Dieterle (2022).
[36] See Republic of Uganda (1998, Article 28); Coldham (2000: 66); Dieterle (2022).
[37] Ibid.
[38] See Republic of Uganda (1995, Article 237).

domain government assets – and handled by the state like freehold land, meaning it can be sold, leased, mortgaged or divided up. This also refers to government land in the public domain, which, in the Ugandan context, can be further separated into public land at the national and the local levels. At the national level, public land held in trust by government includes natural resources and nature reserves (including forest reserves, wetlands, rivers, game reserves) vested in the state. At the local level, public land refers to land that is 'not owned by any person or authority' (Republic of Uganda, 1998, Art.59). The management of the latter is vested in District Land Boards, which can issue leasehold titles on such land to individuals, groups or companies.[39] State-owned land, especially public land at the national level, gives rise to multiple informal and ambiguous land ownership and use claims, resulting in what scholars have termed as 'grey area land zones'. In contrast to claims on private land, these are not protected or recognised by law.

Customary land

Under customary land tenure, land is governed and managed according to the norms and practices of a particular (customary) community. Extant literature on African land politics perceives customary tenure in Sub-Saharan Africa as a co-creation of colonial authorities and local people. Colonial rulers used state-backed local leaders (recognised as 'traditional' or 'customary' by the colonial administration) to indirectly govern the rural population.[40] Most land in Uganda (and in most Sub-Saharan Africa) is not held by individuals as formal and titled private property. Instead, over 80 per cent of Ugandans hold their land under customary tenure.[41] Customary landholding structures vary from region to region, with customary land held by nuclear families mostly found in western Uganda, while extended family (clan) structures are more predominant in northern Uganda.

Customary tenure can also include communal ownership of common grazing land and hunting grounds. This is largely common, for example, in northeastern Uganda (Karamoja), where cattle herding dominates. In Uganda today, customary land is de jure (in other words provided for by the law) in part with other forms of land tenure and was officially recognised for the first time in the 1995 Constitution.[42] De facto, however, customary tenure is not treated as equal to other tenure regimes. For instance, there is no registry for customary land; the Land Act of 1998 provides for the option of acquiring certificates of customary ownership (CCOs) that can serve as confirmation and evidence of customary ownership of land and give the owner the transactional rights in accordance with customary law.[43] In practice, however, these certificates are seen as inferior to a land title (i.e. freehold, mailo, leasehold), especially by financial organisations. The 1998 Land Act provides for the option of converting a CCO into a freehold title, following an official surveying procedure. This further indicates that CCOs are considered an inferior and intermediate step towards what is often deemed by states and international actors to be the ultimate goal: a

[39] See Republic of Uganda (1995, 1998).
[40] See Mamdani (1996); Boone (2015); Peters (2009).
[41] See Obaikol (2014).
[42] See Dieterle (2022).
[43] See Hunt (2004: 177).

freehold title. Very few such certificates have actually been applied for or issued in Uganda at the moment.

The inconsistent and variegated land regime in Uganda reflects the country's checkered history surrounding land governance. Yet, it has produced 'grey land zones', which have turned into sites of contestation and conflict. This has been particularly heightened by the government's enthusiastic search for land to allocate to investors (especially foreign investors) in its desire to advance its economic development agenda. As capitalism and the promotion of agricultural modermisation and industrialisation take shape in the face of a burgeoning population and in the midst of an ambiguous land regime, these conflicts will only intensify rather than abate.

Some specific cases illuminate what is to come: Dieterle's (2022) seminal work, for example, highlights how large-scale investment in different sectors, structured by the Government of Uganda in collaboration with foreign investors, has increasingly become sites of conflicts between the government, with an insatiable appetite for land acquisition to promote such investment, and the local communities who continue to exercise their right to exist and exert ownership claims over land. Dieterle (2022), however, shows that the ability of local communities to exercise and exert their ownership claims varies from one land regime to another. Occupants (whether lawful, bona fide or otherwise) under the *mailo* land regime, for example, are able, through the law, to push back against government expropriation tendencies and, in fact, contest and realise their compensatory claims in some cases, as the example of the Vegetable Oil Project of Buvuma Island shows. In other cases, particularly under state-owned and customary land regimes (which are not clearly defined and are characterised by high levels of ambiguity), the government has often exercised excessive power to expropriate land and refused to recognise land ownership claims that occupants make on land the government seeks to acquire to promote large-scale investments as the cases of the Atiak sugar factory and Busoga Forest Company show.

Therefore, considering that nearly 80 per cent of current rural land occupants operate under the customary and state-owned land tenure, as the population expands rapidly and government's appetite becomes compounded by heightened interest to promote economic growth based on the well justified reason to address the needs of a growing population, lands under such ambiguous regimes will become more and more intensified sites of contestation. This is so because it will be become incredibly challenging to promote a land regime that accommodates the interests of competing groups (i.e. absentee landlords, the state, and land occupants). Yet, as the population expands and the shadow of conflict looms, in the face intensified ownership claims as the value of land increases, institutional arrangements will have to ultimately be clarified. One can only imagine what cost, politically and financially, government will have to bear to resolve such an impasse.

3.5 Inequality

Inequality has become a central topic in development, especially because globalisation and its equalising levers (i.e. increased trade, flow of capital, movement of labour and goods) have exacerbated rather than ameliorated inequality within and between countries. Scholars, such as Branko Milanovic (2016) and Thomas Piketty (2014), have written extensively on this issue, highlighting the causes and corrosive effects of inequality. Conventionally, inequality is measured in terms of income differences among people. Particularly, current measurement considers what percentage of annual income is appropriated by 50 per cent of the working population. Both scholars' work has highlighted increasing global inequality, very much undesirable and concerning in the face of rapidly expanding global population. Both, however, take different points of departure: while Milanovic analyses how globalisation has produced inequality between countries, Piketty points to how globalisation has encouraged rising inequality within countries.

During the period 1995 to 2008, as a result of several economic reforms consisting of financial liberalisation and trade liberalisation, to mention a few, Uganda experienced rapid economic growth, with a significant effect on poverty reduction.[44] This, paradoxically, was accompanied by a rapid increase in income inequality (see Table 2). The Gini coefficient[45], a measure of inequality, increased from 0.347 to 0.428 between 1997 and 2003.[46] Uganda's current Gini coefficient is estimated at 0.437, higher than that of Kenya and Tanzania, at 0.408 and 0.427, respectively.

There is, of course, a general simplified Kuznet's (1976, 1980) hypothesised explanation for this: apparently, when a country is at its early stage of development, income inequality is expected to rise faster because the incomes of asset-rich citizens tend to rise faster than the incomes of asset-poor citizens. However, as the country becomes more developed, there are some magical self-correction mechanisms that will eventually compel inequality to reduce. This explanation is quite problematic for several reasons.

44 See Sewanyana et al. (2004).

45 The Gini coefficient is a statistical measure of inequality, which takes its name from the Italian statistician and economist Corrado Gini. The Gini index is the most frequently used measure of inequality, ranging from 0 – when everybody has the same income – to 1, or 100 (expressed as a percentage or an index), when one person gets the entire income of a city (province, nation, world)—whatever is the relevant population over which we calculate inequality.

46 Ibid.

Table 2: Uganda's annual growth in GDP and Gini coefficient for selected years

Variable	1992/1993	1999/00	2002/03	2005/06	2009/10	2012/13
Annual GDP growth (%)*	3.4	8.1	8.7	6.3	6.8	3.8
Gini coefficient**	0.365	0.395	0.428	0.408	0.426	0.395

*Source: *World Bank development indicators; **extracted from Uganda poverty status report (2014: v), published by the Economic Development Policy and Research Department of the Ministry of Finance Planning and Economic Development.*

First, evidence from current rich or middle-income countries points to something contrary to this hypothesis. As Palma and Stiglitz (2016) show, some developing countries, such as South Africa and Chile, have higher levels of inequality compared to those observable in the rich world. This piece of evidence underlines an important message: while inequality may rise with a country's growth transition, it is seldom self-correctional. In fact, Milanovic (2016) highlights, drawing on a historical analysis of inequality around the world, that it has always taken what he calls "malign" or/and "benign" forces to reduce inequality. Malign forces are in the form of wars and economic crises, such as inflation, that significantly reduce the wealth of the rich. On the other hand, benign forces (perhaps more preferably) refer to particular policies that are undertaken to address inequality, such as welfare state policies in terms of unemployment benefits, subsidised high-quality education, housing and health care for the population, as well as raising taxes on the rich and undertaking investments that promote social inclusion.[47] But how are we to understand Uganda's inequality and what does it portend for the future as her population expands?

Few will doubt that the economic reforms undertaken in the 1990s had a tremendous effect of resuscitating economic growth in an economy that was recovering from war. Initially, the structural adjustment programmes, which revamped economic growth, ironically came to be accompanied by high levels of poverty that, in 1995, basing on evidence from the national household surveys, revealed that nearly more than half of Uganda's population lived on less than a dollar a day.[48] Subsequently, serialised

[47] A case is argued by Iversen and Soskice (2019), but also by Marxist economics scholars, such as Harvey (2014) that after the second world war, a new social contract was reached between European state governments, capital and labour: unforeseen levels of taxation were accepted by the rich in order to raise investment to address the appalling working conditions of labour. This was done to salvage capitalism, which faced a serious crisis having survived (but also having caused) two world wars. Some states, such as the Nordic countries (particularly Sweden, Norway, Denmark and Finland), emerging out of the second world wars, built social democratic states and placed what Mkandawire (2004, 2007) calls "the social investment paradigm" at the centre of development policy, which, some have argued, explains why their capitalism has evolved quite differently from capitalism in the US or the UK.

[48] The 2014 Ministry of Finance, Planning and Economic Development (2014: 8) report shows that the percentage of the population living in poverty in Uganda averaged 56 per cent in 1992/93 and reduced to 34.1 per cent in 2012/13. A comparable report by the Uganda Bureau of Statistics (2019a) highlights stagnation in poverty reduction with significant observable differences in poverty between and within regions, further underlining the depth of inequality across and within regions.

poverty reduction action plans were implemented that prioritised increased spending towards education, water and sanitation, as well as health. And for the time poverty reduced, but income inequality surged.[49] Why? Because economic policy remained unyieldingly focused on stabilisation rather than addressing the structural constraints to boost productivity, jobs and economic growth. This even came to be acknowledged by the World Bank, in a paper written by Escribano et al. (2010), which observed that Uganda's economy endemically suffered from declining productivity arising from growing infrastructural bottlenecks.

Therefore, I will argue that, as economic reforms opened up the economy to more growth opportunities, the economy was unprepared to maximise benefits from economic openness because of its lack of mature productivity vehicles, in the form of local firms that would carry the country to the global economy with the capacity to compete with other productivity-endowed countries, such as the East Asian countries and traditionally rich countries in the Global North. The result has been the arrival of multinational corporations (MNCs), which has stifled the growth of embryonic producing firms in Uganda in various sectors.[50] Therefore, a few citizens with the skills to find employment with these global behemoths have seen their incomes grow while those without the skills have found employment mainly in the informal economy.[51] Informality has been exacerbated by falling productivity in agriculture, turbocharged by the collapse of certain sectors, such as cotton. Failure to find work has forced the majority from rural areas into towns, mainly Kampala, which has been the biggest recipient of multinational capital. This geographical segmentation and concentration of economic activities has also produced regional inequality, resulting in some regions being left behind.

But the most damaging impact of inequality is not that the majority are left behind. Rather, it is that it infests the body politic: the general citizenry loses control over the affairs of politics and the state becomes a province, to echo Karl Marx, of serving the affairs of the bourgeoisie (the rich). Milanovic (2016)"title-short": and Iversen and Soskice (2019) highlight two important ways in which this happens. First,

[49] See Ministry of Finance Poverty Status Report (2014: v).

[50] There is voluminous literature by Ugandan scholars that decries the collapse of local producing firms, following liberalisation of the economy: from banking, to coffee, to cotton, across literally every single sector. The consequence has been what Ndikumana and Boyce (2011) call "capital leakage" where financial flows out of the Ugandan economy seem to be unstoppable. These are caused primarily by an unprecedentedly high import bill (because very little is produced in Uganda), high levels of debt (because a government has to supplement its endemically meagre tax revenue collection with borrowing and therefore will have to make higher levels of interest repayments per year) and transfer pricing (because, given that much of the miniscule production in the country is dominated by multinational corporations, capital flows out to pay dividends to foreign shareholders, but also a lot leaks out because of the inability by the government to stymie transfer pricing).

[51] As clearly highlighted by Walter et al. (2015), informal employment is highly precarious, characterised by unsafe and insecure incomes, poor working conditions, time-related and skill-related underemployment. This perhaps underscores why the Ministry of Finance, Planning and Economic Development (2014) highlights the vulnerability of the "middle class" as the most challenging aspect of reducing poverty. Never mind that their classification of the middle class is too crude to merit the definition: they basically assumed that anyone who spent twice the amount of the World Bank poverty indicator (USD 1.9) should be classified as "middle class". But even with this lower-than-desirable measure, many citizens who had escaped poverty were found to be highly vulnerable to falling back into poverty.

the rich capture politics by funding political parties and, in doing so, ensure that lawmakers legislate in ways that promote the interests of the rich rather than the rest of the citizenry. Moreover, in a highly commercialised electoral politics, where large sums of money are spent on political campaigns, or where interested politicians are required to mobilise huge sums of money to spend on campaigns, such an environment forces an "unholy alliance" between the politician and the rich. As a matter of fact, many of the politicians increasingly are drawn from the rich, or what Michael Lind prefers to call the rich "overclass elite".

Secondly, inequality promotes what Milanovic (2016) where the children of the rich end up marrying each other.[52] This emerges as follows. Inequality enables the rich to carve out their own sub-society: their children end up in the same private schools, not public schools where the government pretends to educate and citizens pretend to learn; and they go to expensive private health facilities where they are guaranteed quality health care, enjoying generous insurance benefits, whereas the rest of the citizens languish in public health facilities, plagued by absent and often overwhelmed health care personnel, and poorly equipped. Eventually, their children end up marrying each other, each bequeathed enormous wealth by their parents and with the capacity to earn higher levels of income for themselves during their lifetime, enabled by cumulative years of high-quality education, health and standard of living. Eventually, this geographically segmented social structure, produced by inequality, generates partisan wars, that one hopes will not orchestrate malign (as opposed to the preferable benign) forces to address inequality.

To sum up, while the economic reforms implemented in the 1990s stimulated economic growth, the focus on stabilisation, which became the leitmotif of economic restructuring, has had limited capacity to endow the economy with the ability to boost productivity, jobs and economic opportunities for the majority of Ugandan citizens. While some (very few indeed) have witnessed unprecedented growth in their incomes, the majority have experienced stagnation in incomes, increased vulnerability and exclusion, which has fuelled growing inequality. This income inequality is visibly having far-reaching consequences in promoting other forms of inequality, such as health inequality, education inequality, assortative mating, and political inequality. The latter is particularly more damaging because it has crowded out the capacity of reform required to address chronic inequality, which portends the creation of a highly divided and segmented society without the possibility of forging a political community with the capacity to address its socio-political and economic challenges.

3.6 Fiscal policy and monetary policy

Theory suggests that as the country's population and age structure go through transitions, its fiscal policy management is transformed.[53] Particularly during the early stages of the demographic transition, when the population is predominantly young,

[52] This is clearly not to suggest that the rich should not marry each other. It is instead to illuminate that as long as income inequality shapes the decisions surrounding marriage and mating, then you have a society that is on the path to social segmentation, which holds potentially damaging political consequences: it creates, in Mamdani's (2020) terms, an institutional arrangement, where the political community forged divides up society into "citizens and subjects". The former belong to the political community and the latter are decisively excluded.

[53] See Shoven et al. (1994); Narayana (2019).

governments face two twin challenges: first, raising various forms of investment required to endow the economy with the capacity to produce whilst at the same time raising revenue to meet its investment needs when the majority of the population from whom to raise taxes are currently not in work, but rather in schools.[54] At this stage, most governments borrow heavily to close the investment financing gap.

However, as economic growth begins to take shape, and the demand for labour increases (especially if the economy begins to undergo structural transformation) wages rise, compelling the participation of women in labour. The participation of women begins to make a significant turning point in terms of the country's demographic structure and fiscal state: women's participation in the labour market produces two effects. First, it contributes to improvement in the standard of living, which implies that any additional childbearing will exert a downgrade on the standard of living (which most couples generally do not like). Second, it raises household incomes, which means that the opportunity cost of having an extra child will be high.[55] Third, it implies that childbearing effectively exerts such an enormous competitive cost on career growth and development. The combined effect of all these changes is a shift in the couple's rational choice to reduce childbearing. A reduction in fertility together with a continued reduction in mortality (sparked and propelled by improvement in nutrition, standard of living and quality of life due to growth in household incomes) implies that the proportion of dependents in the population will begin to take a downward trend. As more workers (including women) increasingly begin to enter the labour force, accompanied by a decline in the proportion of dependents, populations begin to save more than they consume. A rise in savings boosts investment, but it also may orchestrate a decline in interest rates as government fiscal resources face less pressure due to the buoyed availability of resources. An economy may experience what most have called the "demographic dividend" arising out of the boost in savings brought about by a decline in childbearing alongside a consistent rise in the number of workers.

However, it's important to underline that all this assumes non-attention to significant conditionalities. For instance, the transition of a population from predominantly children to workers who then become productively engaged is conditioned on whether necessary investments were made to prepare their transition in such a way that the economy can harness and optimise their potential.[56] However, if limited investment was made, especially in building their human capital, their transition into the working age may instead become characterised by destitution and human waste, and may heighten adult and old-age dependence. Second, realising the demographic dividend in the form of enhanced savings is conditioned on whether the economy can generate jobs for the majority of its transitional youth bulge into the working force. This calls for endowing the economy with the right policy and institutional mechanism to develop its productive base and export capacity that fosters an environment of sustained productivity, job growth and economic growth.[57]

[54] See Bloom et al. (2003).
[55] See Becker (1992).
[56] See Bloom et al. (1999).
[57] Ibid.

However, when a country (as is the case with Uganda) has relied on price swings (which is to say, favourable global price conditions) for its growth and, as we have seen in section 3.5, faces serious challenges of building its productive and export base, unemployment and underemployment become a dark and haunting feature of its population. Rather than benefit from its population's productive years, the country may experience a situation where the frustration and rising incidence of crime committed by a youthful working population that lacks viable means of livelihood unleashes terror on its population. Instead of devoting resources to further expanding investment in viable sectors to farther and sustain its growth trajectory, caught in the low-income trap, the government may devote enormous resources to bolstering its security apparatus to deal with the rising level of crime.[58] The government's inability to raise resources to meet its ballooning public expenditure may lead to increased borrowing, which may heighten the vulnerability of an economy, especially because it remains dependent on global price swings. This context of weak productive capacity, high import bill, vulnerability to price swings and excessive borrowing implies that the vulnerability of the country's currency to depreciation is higher. This, in turn, heightens the vulnerability to inflation connected to the foreign exchange rate and passes through to local prices because of the exorbitant cost of import. This illuminatively renders hollow the idea that somehow you can effectively stabilise prices within an economy characterised by a weak productive and export base.[59]

The fiscal capacity of such an economy becomes even frailer once a working-age population transitions into old age through its most potentially productive years without having been productively harnessed. The failure of a working population to build personal savings during their productive years and that of a government to effectively raise resources through tax revenue implies that destitution awaits such a population during old age as they will be incapable of financing their retirement and when they look to government for support, they will be disappointed to find that not much support is available, as the government will be incapable of the meeting the escalating scale of pension demand. And then you have a whole generation gone to waste.

3.7 Urbanisation

Urbanisation is often used as a measure of modernisation and structural transformation. Structurally, modern economies and societies tend to be industrial and urban and the heterodox development theory was previously particularly concerned with the process of economic transition from an agrarian rural economy (with a large share of its population in rural areas) to an industrial urban economy (with a huge share of its population residing in cities). But a poorly managed process of transition can produce conditions that can make cities unlivable. There is recent literature on urban studies that is exploring the question of how to transform cities into engines of growth.[60] The question is timely as current patterns of cities across most African countries point to cities that are anything but future places for livability.

[58] There is evidence to back up this claim: defence spending as a percentage of annual total government budget spending has been rising continuously. According to the Daily Monitor story published on 18 October 2021, defence spending increased from USD 943 million to USD 1.066 billion between 2019 and 2020 alone. Therefore, this trend should be expected to continue rising further as precarity intensifies.

[59] See an article by the Acting Governor, Bank of Uganda, Dr. Michael Atingi-Ego, published in the Daily Monitor on 12 October 2022, https://www.monitor.co.ug/uganda/oped/commentary/a-united-front-against-rising-inflation-3982162.

[60] See Agergaard et al. (2019); Hommann and Lall (2019).

There has been a recent surge in population growth in cities across Africa over the past 40 years. In Uganda, the city population is expanding at 5.4 per cent annually.[61] Estimates suggest that by 2060 Uganda's population will be nearly equally distributed between cities and rural areas.[62] From a traditional development economics perspective, the decoupling of rural residents from an agrarian livelihood and their migration to urban areas is to be celebrated as it is often considered a move that frees up labour, which becomes readily available for the capitalist. In other words, a rise in the urban population will augment a reduction in the cost of labour, which will incentivise the growth of industrial capitalism.[63] But here lies an assumption that is not backed by the reality observable in Uganda and, for that matter, across most of Africa: that labour migration to urban areas is driven by the pull effect of growing industrial employment.

Contrary to Lewis' (1954) pull effect of labour from the low-productive agricultural sector in rural areas to a high-productive industrial sector in urban areas, the increase in the urban population is resulting from push effect: a perpetual decline in productivity in the rural agricultural sector that is pushing labour out of rural areas to find more promising alternative means of livelihood. Unfortunately, a journey to cities is often fraught with precarity in the informal sector, where the majority of the unskilled rural migrants end up. In this sector, as the paper by Richens (2013) on Uganda's firm dynamics eloquently explains, many workers mainly earn a daily income in the low-value service sector, such as tourism, paper and printing, vending, transport services (mainly boda-boda and taxis), food and beverages, which are characterised by low levels of income that keep them at the edge of relentless vulnerability. Many cannot raise enough income to afford a decent standard of living, and can therefore only afford living in poor neighbourhoods. They thus join other poorly structured living areas contiguous to every rich enclave dotting Kampala's horizon. For most of these urban residents, a decision to stay in town or to return to the rural areas is akin to choosing between a rock and a hard place.

But as the population continues to rise and productivity decline intensifies in rural areas, especially because a complex land regime will only exacerbate rather than ameliorate squatting, evictions, land grabbing and land conflict, many more rural residents will be pushed out of rural areas into urban areas, and thus into precarity. A huge pool of unemployed or underemployed urban residents living on the edge and facing destitution but seeing enclaves of wealthy neighbourhoods does not bode well for the safety and security of life in the cities. As evidence from other middle-income countries, such as Brazil or Nigeria, suggests, the crime rate will increase astronomically and the cost of infrastructure development required to meet the growing challenge of managing cities will increase significantly, not to mention that the politics of policy targeted towards upgrading cities would become ever more complex, if not conflictual.

3.8 Climate change and natural resource sustainability

What is now an irrefutable fact is that human activity connected to the quest of humanity to discover innovative measures to generate wealth and put paid to the ever-looming challenge of vulnerability

[61] See UBOS (2019b); Tumwesigye et al. (2021).

[62] See Myers et al. (2021).

[63] See Lewis (1954).

is engendering the plight of climate change that now threatens to undo years of progress. Capitalism and its attendant levers (technology, competition, international trade, manufacturing, over-consumerism), while important in affording human civilisation a promise of sustained improvement in standards of living, now is undoubtedly also generating effects that threaten not only economic survival but also humanity and human civilisation altogether.[64] Even erstwhile climate change pessimists have had to rethink their positions in view of recent natural catastrophic realities buffeting the world.[65]

Recent floods in Pakistan, for example, the *Economist* reports, have wiped out almost USD 30 billion of GDP.[66] And poor countries will particularly be affected the most because not only are they struggling to catch up with the developed world, but now the rude awakening they confront is that, even the modest effort they have invested in improving livelihoods for their citizens may be wiped out overnight, further weakening their ability to rise to the challenge of climate change. But the concern of climate change and the debate concerning how to address it have shifted conversations on development policy in the developing south to their disadvantage, arming the developed world with one last piece of argument to reinforce Fredrich List's (1856) proverbial kicking away the development ladder to developing countries.

Evidence from climate change research suggests that capitalism in its fierce form has heightened the demand for and consumption of fossil fuels, manufacturing and the avaricious appetite for global manufacturing heavyweights to outcompete one another in consumerism, manufacturing and exports. This has had these impacts: (a) they have propelled the demand for, exploitation and consumption of resources, with an unprecedented effect on greenhouse emissions; (b) they have promoted over-consumerist behaviour that has contributed to further emissions; (c) as countries become more industrialised through capitalism, the infrastructure developments related to energy, transport, water, sewage and sanitation, turbocharged by a consumerist attitude, does not only threaten existing resource sustainability, but it exacerbates rather than alleviate pollution.[67]

In view of this reality, the conversation has shifted not only towards cutting back on economic growth, but also towards considering rethinking economic growth by moving towards more green drivers of economic growth.[68] Both considerations disadvantage late developers: the former deprives developing countries of utilising readily available forms of technology that have been used by today's developed countries to catch up; the latter heightens the cost of catching up as developing countries now have to explore the most expensive ways of achieving economic growth whilst attending to the concerns of climate change. The capacity of developing countries like Uganda to cope will be greatly tested for many reasons.

First, a rapidly growing population with enormous needs stretching from education provision, health, roads and infrastructure, to energy etc. will leave very

[64] See Baer (2012); Nordhaus (1993).
[65] See Boserup (1970); Julian and Bartlett (1985).
[66] See the Economist (2022b).
[67] See Stern (2008).
[68] See Hickel and Kallis (2020); Hallegatte et al. (2012).

limited resources available to devote to innovations to try and find more climate-ameliorating or -friendly (as is the fad) ways of driving and sustaining economic growth. Second, many countries are currently heavily indebted: in Uganda, total debt is estimated at UGX 72 trillion (equivalent to USD 19.6 billion). Therefore, the scope for additional borrowing to meet her required level of investment that attends to climate concerns is certainly limited. Third, a growing population will exert serious effects on existing resources: as pointed out early, land competition in rural areas will exacerbate land grabbing, squatting and conflict between those with land and those without, but also those politically connected to grab land vis-à-vis those who are not. This can be expected in large part because ambiguity in the land regime has left incredible "grey land zones" for grabbing. Striving to survive, the population will turn to desperate means: as the demand for energy and food rises, land and energy resources may come under intensified threat.

3.9 Energy demand and access

Energy is central to development. If in doubt, then observe the difference between cities (in developing countries), where energy availability is relatively in large supply and readily accessible, and rural areas, where energy availability is in short supply, but also highly inaccessible. Energy powers industries and, therefore, the cost of energy and reliability of energy supply can be (and indeed is) a central determinant of location of industrial capital. Power/energy can be a key differentiator of the quality of life between households: those with access to electricity and reliable energy sources can experience a tremendous improvement in the quality of their life, in terms of cooking, lighting, cooling and heating, and this can also have an impact on education outcomes, especially for learners, compared to those who lack or experience problematic access.

The Ugandan government needs to be commended for the effort and investment in addressing energy supply in Uganda. In the late 1990s, Uganda suddenly experienced a 60 per cent drop in installed capacity of 500 megawatts (MW) as a result of a decrease in water levels in Lake Victoria, the primary reservoir of Uganda's hydro-based electric power system at the time.[69] Desirous to address the energy crisis, the Government of Uganda began an ambitious energy reform and investment process. Over the past decade and half, these measures have boosted energy supply to a total installed capacity of 857.5 MW.[70] Therefore, energy policies have been forward-looking and the regulation of the industry has improved significantly.

However, one central aspect has not been attended to just as much: and that is one of accessibility. Despite an increase in clean energy (hydro-power suppy), 90 per cent of Ugandan households continue to rely heavily on biomass for energy supply.[71] In other words, access to energy still remains a major challenge despite the increase in supply. Accessibility is conditioned on two factors: connectivity and affordability, which is linked to ability to pay. Whilst programmes, such as Rural Electrification Programme (REP) have expanded the penetration of electricity connectivity in rural areas, many households lack the ability to pay. Complementary programmes through recently innovative options, such as solar energy, have equally remained costly.

[69] See Meyer et al. (2018).
[70] See ERA (2017).
[71] See Lee (2013).

The total-sum of this has been the paradoxical outcome of expansion of electricity connectivity and penetration, on one hand, and households remaining unconnected to the grid because of inability to pay, on the other. This implies, therefore, that the majority of citizens continue to rely on less reliable sources of energy, such as kerosene for lighting and charcoal for cooking, which are not only harmful to their health, but also pose serious risks to the environment in the form increased levels of pollution.

As the population continues to rise in both rural and urban areas, the demand for energy will rise, primarily because energy is a necessity and, therefore, whether people have the ability to pay or not, they will need energy to survive: implying that they will explore more affordable (but often less desirable) sources of energy.[72] The rise in demand for energy by the rapidly growing urban population in cities and towns in Uganda is having a devastating effect on forests, which are the primary sources of charcoal, a common source of energy for cooking in both rural and urban areas.[73] While the government, through its forestry regulatory agency, the National Forestry Authority (NFA), has strengthened regulation against deforestation and simultaneously bolstered efforts to promote reforestation, these efforts will be outstripped by future demands for energy, arising out of the increased population in cities and rural areas if a turnaround does not occur.

Indeed, the contradictory lower demand for more green sources of energy despite boosted supply is explained by lower purchasing power, which is connected to stagnation or lower growth in household incomes.[74] And the latter, as we have seen earlier, results from the lacklustre capacity of the economy to generate jobs, which, in traditional understanding of capitalistic economies, is the central determinant of incomes. Something, therefore, is problematic with the structure of our capitalistic system, which has a strong bearing on the country's energy security and consumption. In other words, an energy strategy that seeks to reshape and transform the use and consumption of energy within Ugandan households has to be linked to economic growth, which, in turn, needs to be connected to rethinking the structure of Ugandan capitalism with a view to generating jobs and raising incomes for both rural and urban households.

4. Turning a Looming Demographic Challenge into Opportunity: Towards a 'Mission'-Driven Economy

In the previous section, we have reflected on the looming impact of Uganda's current and future population expansion and the daunting task it will engender in relation to bolstering the state capacity to enhance human capability, expand opportunities to reduce, in Sen's (2000) terms, all sources of human "unfreedom". The analysis has problematised those whom we can call population optimists, who, in line with a long list of scholars, see population expansion in itself as good for development, often captured under the moniker of demographic dividend: which is to say a large population holds enormous benefits for its population. We have argued, instead, that, based on current evidence, lack of a sea change in Uganda portends anything but a demographic dividend. Earlier signs already point to amplified

[72] See Bamwesigye et al. (2020).

[73] Ibid.

[74] See Lee (2013).

challenges in several areas: in education, health and other forms of social provisioning, food security, land governance and land conflict, a spluttering and disorderly urbanisation process, an energy and climate change crisis, firm growth stagnation, underemployment and unemployment, and inequality, to mention a few.

There is good news, however. As Bloom et al. (1999) have powerfully illustrated from the recent transformational experience of East Asian countries and other countries like Mauritius[75], a looming demographic challenge can be turned into an opportunity if the right policies are implemented that aim to bolster the capability of a country's human population, and thereby begin a process of harnessing and unlocking its transformative potential, and thus turn it into an engine of economic growth and transformation. As the experience of many of these countries shows, many teetered on the brink of chaos prior to their economic transformation, and countries' political elite began the long road of recalibrating state institutions, not only to deal with current chaotic political disorder, but also to bolster and endow the state with institutions and organisations that enhance its capacity to address collective action problems, which are often the source of institutional incoherence within state bureaucratic agencies, thereby directing the state to the central task of development.[76]

If there are key lessons one can learn from such states, they are the following. First, for any country that is staring at a looming demographic challenge, the critical question is usually not only one of designing policies to slow down population growth and to put the current and future populations to productive work, but the political elite (and by this we mean those who wield the authority to direct and effectively shape the affairs of the state) must be unyieldingly committed to the central task of development. Kohli (2004) prefers to describe this as a 'cohesive elite', the opposite being a fractured and neopatrimonial elite often distracted by concerns of political expedience and political survival. Therefore, solving collective action problems that impinge on the task of managing politics, most dominant across many African states, is therefore a cancer that must be cured. This, therefore, calls for creating what Mkandawire (2005) refers to as a social and political anchoring around the development project, which thus forms the basis for calling onto citizens to make particular sacrifices. In short, politicians across the political divide must work out a way to not let their political differences distract them from building political institutions that shape a political community in which the majority of the citizens and politicians feel like they belong.

Second, the mobilisation process aimed at recalibrating the state will not only galvanise the political elite to solve collective action problems, but they will also develop institutional mechanisms for mediating conflict. Why? Because any policy reform required to bolster the capacity of not only the state but also of the state bureaucratic agencies to shape and implement policies, will ineluctably produce distributive conflict. For example, a land

[75] See Subramanian and Roy (2001).

[76] Qian (2002) and Ang (2016), for example, show that Chinese economic reform and consequent transformation was preceded by a dark period characterised by famine and political chaos. However, the rebuilding of institutions that laid the foundation for the long road towards Chinese transformation followed an unorthodox pattern: the Township and Village Enterprises (TVEs) and state-owned enterprises, for example, had been a source of economic stagnation and declining productivity. Yet, giving provincial governments more autonomy to retain surplus generated from the TVEs sparked productivity transformation, so much so that in less than ten years, TVEs and state-owned enterprises, which had been instruments of economic decline, turned into engines of rapid Chinese rural industrialisation and transformation.

policy reform aimed at streamlining the land regime to promote agricultural development and industrialisation will definitely make propositions that may not favour both parties involved (i.e. landlords and tenants) and, therefore, distributive conflict arising from potential losers should be expected. But a political elite devoted to addressing developmental challenges and building successful capitalism that is characterised by effective internal and external economic coordination of rural and urban areas, and with producing firms with a competitive capacity to sustainably produce and export, should imagine measures for compensating losers that could potentially undermine the reform process.

Third, a political elite committed to the task of development should effectively address the challenge of institutional incoherence that plagues many bureaucracies across the world. Moreover, bureaucratic incoherence itself is borne largely out of a disheveled political process. Once the issue of managing politics is addressed through clear and enforceable rules, both defining ways through which political authority is acquired and exercised, and how political conflict arising out of the political process is resolved, then the state bureaucratic agencies can be directed by the political elite in ways that enable the state to not only create a political and social anchoring around the development projects, but also to effectively impose its wishes on the population in ways that these wishes are willingly accepted by the citizens. This, according to Tilly (2007), establishes a new social contract, where collectively expressed demands by the citizens reflect more broader, more equal, more protected and more mutually binding consultations.

This, however, does not guarantee that the policies adopted and implemented will necessarily be transformative. On the contrary, the framing of a policy and the implementation approach can often spring from a misdirected point of departure. Indeed, if there is anything the experience of the structural adjustment period has taught us, it is that policy design and implementation do not easily fit standard templates.[77] Rather, they evolve from a messy process of searching and learning by doing. Which is why we propose to defer to Dani Rodrik's (2008) and Mariana Mazzucato's (2021) insights that are in line with approaches to rethinking policies aimed at achieving transformation, as well as approaches aimed at ways to mobilise society to implement such policies. The former contributes to ways of rethinking policy reform and the latter speaks to how to implement them.

4.1 A conceptual approach to reform diagnostics

Rodrik's (2008) and Hausmann et al.'s (2008) work on growth diagnostics have become the most recent leitmotif for thinking about policy reform in countries blighted by significant blockages to economic growth and transformation. Learning from the unorthodox approaches followed by most Asian states, their work has provided the most powerful critique of the World Bank shock therapy that informed the bulk of structural adjustment reform programmes that were foisted upon most developing countries in the 1990s. Rodrik (2008) argues that, contrary to the World Bank shock therapy, the unorthodox diagnostic approach does not necessarily emphasise institutional form, but rather the institutional function. Different forms of institutions can perform similar functions.[78] The critical issue, as Rodrik explains, is not so much about the form, but

[77] See Rodrik (2008).

[78] For example, in the early days of the Chinese reform process, the Township and Village Enterprises (TVEs) created similar incentives for production without defining private property rights outright, since private property rights created the exact same incentives for innovation and production elsewhere.

rather, the imperative to adapt the form of the institution to the function it is designed to perform and ensure that the said institution is well aligned to local conditions: these conditions include specific resources, capacities to implement and enforce, as well as the political resources required to address distributive conflict and so on.

To effectively undertake the diagnostic approach, Rodrik (2008) proposes that those involved in the policy framing exercise need to begin from the macro perspective by asking what the binding constraint on economic growth is. The consequent pyramidal inquiry, should ultimately identify where the most binding constraints lie and therefore target policies at the most binding constraint, as illustrated in Figure 10 below.

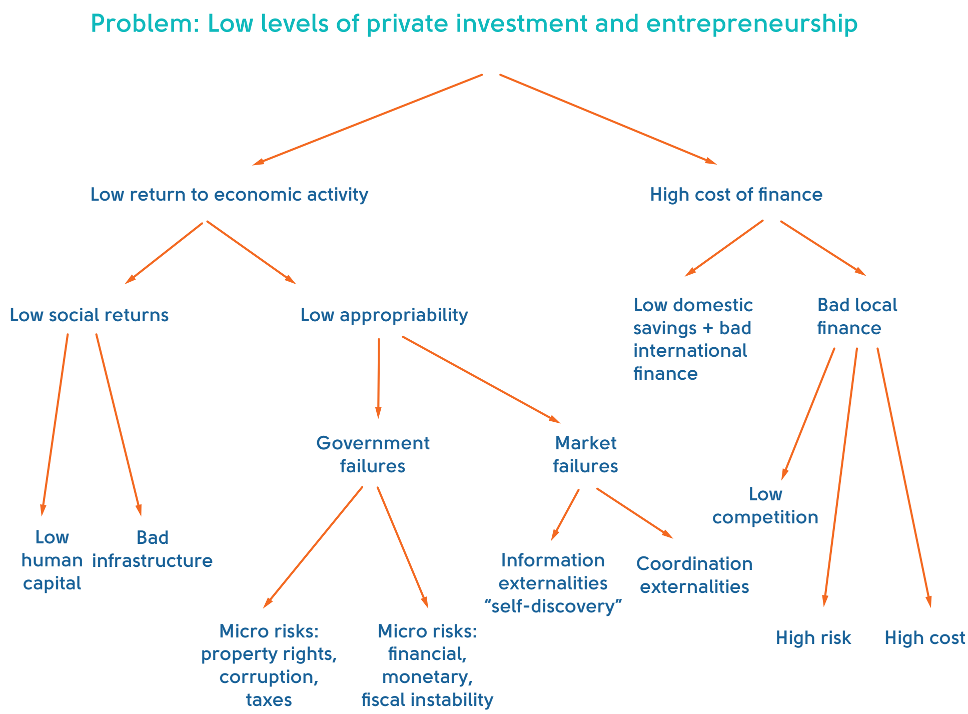

Figure 10: Illustration of the binding constraints diagnostic approach mind box

Source: Hausmann et al. 2008

4.2 Illustration of the diagnostic approach to the question of improving Uganda's low export base

Consider, for example, the question of the binding constraints on Uganda's low export base. Brainstorming work accompanied by some very modest research will point to several explanations, including weak transport infrastructure, weak firm growth, a poorly skilled labour force, WTO trade-related investment policies and intellectual property rights that prohibit the transfer of technology to developing countries[79], a weak market linkage, unreliable input supply networks, high cost of finance, problematic logistics, weak implementation capacity of state agencies. The list is in fact long and may be inexhaustive. So, how does a policy reformer sort his or her thinking through this maze of constraints?

One other way to reflect on this question is to put the question differently: What can we learn from countries that overcame a weak export base and managed to build a robust export capacity? As the reformer ploughs into extant diverse country case study literature, he will quickly realise that in nearly all these countries, from South Korea, to Malaysia, to China etc., specific sectors were often prioritised as an engine of growth and exports, depending on what the export markets demanded. But he will also realise that external conditions play a central role in this: for example, Chinese economic reform was somehow partly enabled by US and Europe's provision of market access to Chinese products. And both the United States and Europe were willing to do so in order to drive a wedge between China and the Soviet bloc during the Cold War.[80] Similarly, the land reform in South Korea was only possible because the United States wanted to blunt the communist appeal that spread from the North and could potentially infest the South.[81] Therefore, such critical junctures produced by different global conditions may determine the country's chances to develop certain sectors as an engine of growth. The central message from this, however is: any country seeking to boost its export sector must identify a sector that will produce commodities that are demanded within particular market destinations and, as a result, must overcome the diplomatic hurdles required to gain access to those markets.

The second key lesson a reformer may underline is that nearly across all countries with a robust export capacity, there are specific vehicles that carry them to the global economy with the capacity to compete with similar producers elsewhere. These vehicles may be private firms (most times local firms), at other times state-owned firms (as in China), and sometimes a hybrid of local and foreign companies (as in Malaysia, Bangladesh and Indonesia). Specific policies (often unorthodox – in other words, policies that do not fit well with classic market economics) are designed to support and develop the competitive capacity of these firms. In Korea, for example, it was the Chaebols[82]; in Malaysia, it has been the Malaysia private and government-owned companies; and in Vietnam and China, it is state-owned companies.

Therefore, the notion and thinking that somehow a country will develop its export capacity through the attraction of foreign firms by offering them often irrational and unconditional generous incentives is not only highly utopian, but also wasteful. On the contrary,

[79] See Wade (2003) for a detailed discussion.

[80] See Arrighi (2002).

[81] See Hamilton (1984).

[82] See Wade (1992); Amsden (1992) and Kohli (2004).

the popular destinations for foreign firms and foreign investment are often countries that possess a strong local enterprise and productive base with enormous opportunity for capital accumulation. This is not to suggest that policies directed towards attracting foreign investment should be discontinued. The intention is, instead, to emphasise that an effective and productive policy for attracting foreign investment needs to be complemented by another for building a local capitalist class with a strong bias towards promoting exports.

Having gained insights into these central observations, the reformer would now turn to the most relevant question: What are the binding constraints on local Ugandan firms that impede their capacity to grow and export. A brainstorming exercise again would lead him to several constraints, including high cost of finance, a labyrinthine bureaucratic red tape, corruption, a poorly skilled workforce, a cumbersome and expensive road and railway infrastructure, and unstable and unreliable supply of raw materials. However, a diagnostic approach also calls for an exhaustive inquiry into the underlying causes of each of the binding constraints. Take the high cost of finance: a reformer would seek an explanation in the underlying causes of the high cost of finance. Research would reveal several explanations: weak financial intermediation; weak financial regulation; high risk and uncertainty, which is connected to political risk; low level of financial development etc. But a sophisticated reformer would also ask: Do all countries with a low level of financial development experience high cost of business finance? And when he reads about cases such as South Korea, he will find that where the government had an interest in supporting firms within a certain export sector to grow, it intervened and compelled banks to lend to such firms at rates that were significantly lower than the market rate in order to reduce the cost of business for these firms. But we also know that picking winners this way does not always work well, as the Latin American experience and the African experience in the 1970s powerfully illustrates. The difference lies in the government demanding performance in exchange for support.

Kohli (2004) and Wade (1992), for example, show that many companies in South Korea were often given annual export performance targets that, if unmet, was likely to be punished by making sure, for example, that financial assistance in the form of subsidies previously advanced was repaid at market rates, and sometimes penalties could also be included; or in some cases, government confiscated company assets and transferred them to an entity with a proven track record of performance. However, to implement such rules again demands the existence of a state where politics will not hamstring the state from deploying its power and capacity. In the words of Kohli (2004), a political elite has to be cohesively committed to developing the export sector and will, therefore, enforce the rules without being distracted or undermined by concerns of political expedience.[83]

In this kind of analysis, the reformer will come to the conclusion that the biggest, most binding constraint on reform is the nature of the state: the configurations of power, which is to say, who wields authority, who are the political elite that constitute the governing coalition, what are their interests, how inclusive is it of different contending forces operating outside the state but vying for control of

[83] The contrast to this is illustrated by Di John's (2009) analysis of how Venezuela's political elite, in an attempt to cure political populism by two most partisan powerful political parties, undermined the country's development during the period when the country's vast oil exports provided a resource revenue that could have propelled the country's economic transformation. The desire to accommodate the interests of different polarised political parties, and the underlying social movements on whose social base

political power? As long as those who control and run the state are not committed to development, but their central preoccupation are other goals (such as keeping political power within a certain group) other than development, then all reform aimed at growing the economy will be distracted, sidestepped or disrupted by the other non-growth or non-development interests of the most powerful elite. Working towards policy reform aimed at stimulating and sustaining economic growth and transformation in such a context, therefore, becomes the most primary binding constraint and, thus, the most central issue to address.

4.3 Moving beyond reform diagnostics to implementation

But assuming that the question of reform politics has been addressed and that the diagnostic approach leads us to a clear identification of other binding constraints, Mazzacuto (2021) suggests that an effective implementation plan calls for assessing and determining as well as mobilising the different key actors that may contribute to the binding constraints and therefore need to be involved in lifting the binding constraints. Consider the issue of Uganda's cumbersome land tenure regime, for example, which has complicated land allocation. A diagnostic approach will point to a series of constraints in a sequential order as: a land law that does not clearly define tenure, leaving many grey zones for land grabbing and illegal land settlement, absentee landlords; a powerful landed elite that could block reform; and insufficient funds to purchase land and distribute to squatters. But one may quickly also observe that these constraints are explained by one central binding constraint: a powerful landed political elite that could potentially forestall the reform effort. Addressing these constraints will, no doubt, require financing but, most importantly, will identify and mobilise the different actors involved in the anticipated distributive conflict at the centre of the land reform question, that is to say, identify the absentee landlord in each territorial jurisdiction, identify the squatters or tenants on those lands, and engage authorities in these localities to facilitate deliberations. These authorities would include local government officials, officials at the Uganda Land Commission, and the Ministry of Lands cartography team responsible for surveying, demarcation, titling and issuance of land titles.

Mazzacato (2011, 2021) suggests that mapping all the different actors and mapping their roles along the reform process does not only define and clarify the different roles and timelines for reform implementation, but also allows for troubleshooting for possible second-order constraints and thinking ahead regarding how to deal with them. Moreover, Strauss' (2017) analytical case of Taiwanese land reform suggests that such a process may actually facilitate a process of strengthening bureaucratic coherence, efficiency and performance, by getting different government departments behind a particular time-bound reform campaign.

To sum up, space and time does not allow for looking

they depended, rather than catalysing effective policy reform, fuelled clientelism. In the end, subsidies allocated towards driving industrial policy resulted in the implementation of a heavy import substitution industrialisation scheme that led to resource wastage because the state could not impose discipline on different economic producers due to fear of jeopardising a political settlement that provided a semblance of peaceful coexistence of polarising political parties. In other words, the desire to accommodate different political interests (however nonsensical), in order to support and sustain peace, was achieved at the cost of weakening the capacity of the state to deliver development.

into all the different looming challenges, their underlying binding constraints, and mapping out the different actors that could be mobilised to participate in the reform process for lifting the constraints. However, the central thesis this section underlines is that Uganda's demographic conditions call for immediate action; otherwise, the looming effects will be dire and daunting for future citizens and its governments. Turning the looming demographic challenge into an opportunity requires a response on two fronts: first, slowing down the rapidly growing population; and, second, turning the increasing youth bulge into a productive workforce involved in generating value for the country and for themselves.

Contrary to many views that slowing down population growth could be effectively achieved by doubling down on contraceptive use and family planning, we argue for boosting economic growth, sector transformation, productivity, jobs and growth in household income. As have seen, the latter does not only alter the economics of childbearing by raising the opportunity cost of childbearing, but it also gives couples the means to exercise their reproductive choices and actually realise them. However, we have also seen that growing the economy requires a reorientation of policy reform towards building a productive base (as in a host of export local firms in different key sectors), which, in turn, demands reforming the politics of state capacity and deployment, which is a central determinant of success or failure in other aspects of reform required to boost the economy. A failure to overcome collective actions problems that hamper Uganda's politics means that the bureaucratic agencies of the state will always serve other competing interests of the fractious political elite and, therefore, no well-meaning economic reform process will ever generate its expected outcomes.

The section has also made a case for the adoption of Rodrik's (2004) diagnostic approach, primarily because reform does not fit standard one-size-fits-all templates. Rather, it is a messy process that calls for experimenting, adapting and scaling-up, characterised by forward-and-backward loops. None of this suggests we should not learn from others. It is instead points up the need to emphasise that contextual conditions within which policy reforms succeed or fail vary from one country to another. Which is why experimenting and learning and adapting in line with the country's capacity, as well as internal and external political, financial, social and other conditions matter. Finally, drawing on Mazzucato's (2021), insights, the section has argued that even when the policy design process is robust, effective implementation calls for the mapping of different key actors that could contribute to lifting of the constraints and then investing in the process of identifying what it is they could do to contribute towards lifting the constraints. The latter has other key benefits, including bringing citizens into public politics, which is a hallmark of anchoring a country's democratic process.[84] Not only does this empower citizens to hold leaders accountable, but it also offers them the opportunity to shape their own development process and thus devolve power to the citizens, thereby endowing the development agenda with the social and political anchoring it needs to sustain the transformational trajectory.

[84] See Tilly (2007).

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