

Dr. Michael F. Keating

Assistant Professor of International Political Studies
Department of Humanities and Social Sciences
Richmond, the American International University in London
Queens Road, Richmond-upon-Thames, United Kingdom TW10 6JP
Phone: +44 (0)20 8332 8307
Fax: +44 (0)20 8332 3050
E-mail: keatinm@richmond.ac.uk

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**The Politics of Democratization in Uganda:
Donor Interests, Development Strategies, and Intra-Governmental Conflict**

Abstract:

The process of democratic transition in Uganda has been explained by scholars with reference to either domestic or international factors: the political interests of the Museveni regime, and donor pressure for procedural democratization respectively. These positions are not mutually exclusive: the regime successfully resisted external pressure for years, until such time as executive interests aligned with donor demands, resulting in the shift from a 'no-party' democracy to a multi-party democracy. This paper explains these changing interests through case studies of conflict between Uganda's executive and its parliament over financial sector reform, central bank independence, and electricity sector reform. Uganda's parliament – the product of a previous round of procedural democratic reform designed to please donors – provided an opposition function, checking executive power and scrutinizing donor advocated development strategies. However, this form of substantive democracy created incentives for the executive to support a transition towards a more procedural, multi-party democracy where parliament might be better controlled. Uganda's resulting multi-party democracy therefore has overtones of a stronger and less accountable executive.

Procedural forms of democratization may better accommodate donor advocated development strategies, however, they have the potential to undermine existing, substantive forms of democracy. Conversely, Uganda's parliament under 'no-party' democracy demonstrates that procedural forms of democratization may nonetheless create institutional space for substantive forms of democracy to 'break out'. Accordingly, from a normative perspective broadly favorable to substantive democracy, democratization processes must be evaluated in terms of their substantive impact on democracy in specific institutional contexts. The tension between development strategies and substantive forms of democracy and democratization must be recognized both by donors, and by theorists of development and democracy.

The Politics of Democratization in Uganda: Donor Interests, Development Strategies, and Intra-Governmental Conflict

Policy transfer is defined as knowledge concerning “policies, administrative arrangements, institutions and ideas in one political setting (past or present)” that is used in a different political context (Dolowitz and Marsh 2000: 5). Processes of democratization, like any form of policy transfer, must be seen as contingent, and as taking place in a particular historical, political, economic, and institutional context. Success in one sector or state will not necessarily be repeated elsewhere. While most studies of policy transfer take place in OECD states (Larmour 2002: 152), public policy analysts have provided a set of explanations as to why policy transfer may fail, or only be partially implemented, or be adapted to meet local circumstances, which have resonance for developing states. These include the normative ambitions of policy-makers, the irrationality of the policy-process, and/or the lack of capacity to properly implement selected policies. The effect in practice is that transferred policies tend to exhibit different performance characteristics in their new context, and these may contradict the intentions of the reform process (see Stone 2004; 1999; Simmons *et al* 2004; Rodrik and Subramanian 2003; Levi-Faur and Vigoda-Gadot 2004; Allegret *et al* 2003; Stone *et al* 2001; Stiglitz 1999; 1999a).

As the problems arising from other policy reform processes in Africa have been analyzed, such as structural adjustment policies or good governance reforms, so should processes of democratization. The policy transfer framework can be useful in this regard, allowing research to explicitly address adaptations and to account for the unintentional consequences of democratization reforms. The ability to compare empirical research findings concerning democracy with the intentions for democratization reform processes hinges upon the recognition of a difference between formal institutions of democracy, or ‘thin’ democracy, and actual, ‘thick’ or substantive forms of democracy (see Przeworski 1991), which may emerge in a range of institutional contexts. This ‘thinness’ tends to characterise donor advocated reforms for democratization, for which the trappings of Western ‘electoral democracy’ tend to suffice (see Burnell 2005; Burnell 2000: 4; Zakaria 1997).

More problematic still is the possibility that formal processes of democratization can be in tension with substantial, actually existing forms of democracy. Indeed, contemporary research regarding democratization in Africa observes that formal processes of democratization and actual democratic reversal may happen simultaneously during complex reform processes (Burnell and Calvert 2005: 434; Burnell 2000: 24). In explaining Uganda’s transition to multiparty democracy, the prospect that formal processes of democratization might undermine substantive, existing democracy is raised. However, the case studies that this paper provides cannot confirm this hypothesis, as they do not address post-2006 multi-party democracy in Uganda.

Instead, the case studies are of intra-governmental conflict between Uganda’s parliament and its executive branch over financial sector reform, central bank independence, and electricity sector reform, between 1995 and the establishment

of multi-party democracy in 2006.ⁱ They explain the formal process of democratization (the transition to multi-party democracy) as a reaction by the executive branch of government against the substantive form of democracy that existed in Uganda between 1995 and 2006, under the no-party democracy system. It helps to view Uganda as a typical post-conflict developing state, where political liberation has occurred in the context of strong executive power (see De Zeeuw 2005). Under such circumstances, following Carothers (1999: 178-95), 3 models of developing state legislatures can be identified. Model 1 sees legislatures as subordinate to executive power, serving only to rubber-stamp executive decisions. In model 2, legislatures end up heavily factionalised, with extensive in-fighting ensuring legislative paralysis and an inability to provide critical oversight on executive decisions. In model 3 legislatures may become the voice of opposition, particular with regard to reform programmes advocated by donors.

The Ugandan case becomes representative of model 3 after the 1995 constitutional changesⁱⁱ, a lengthy process that resulted in the addition of an elected parliament to an already fully functional, executive-driven political system, that included a grassroots based 'movement' system of participation and accountability. This was intended to appease donor pressure for democratization, with the contingency that no-party democracy would both ensure political stability and protect executive power. The actual role of parliament remained unclear: in practice however, these reforms enabled a relatively unified parliament to carve out a niche for itself as a check and balance on executive power, able to provide oppositional and oversight functions. The no-party system itself mitigated model 2. Parliament acted as a voice of discontent, reflecting the critical views of other segments of Ugandan society. Through its research department, a series of reports highly critical of government policy and reform processes was published. Further, in coalition with other actors, parliament was able to utilise its institutional capacity to orchestrate delays in the reform process. The substantive democracy that emerged as an unintended consequence of the 1995 reforms is clearly evident in the intense debates over policy between different branches of government, and in the capacity of parliament to challenge, forestall or prevent development policies promoted by both the executive branch and the donor community. In return, parliament attracted direct criticism from the president, senior ministers, and officials throughout the executive branch, ministries, and government agencies.

Burnell (2002 291-312; 2001: 34-5) notes that a world-wide tendency for legislatures to lose power to the executive branch is exacerbated in the neo-patrimonial context of African states. His research into neighbouring Kenya concluded that successful oversight of parliament over the executive branch increased the executive's incentive to reform parliament to make it less troublesome. One potential strategic response for the executive branch is to impose party discipline on MPs, effectively moving the legislature from model 3 to model 1 – or if this transformation has divisive consequences, model 2. Such reforms are designed to undermine substantive forms of democracy, but might also be problematic from a developmental perspective, as Burnell concludes that Kenya's parliamentary oversight over the executive branch had developmental

benefits in the face of poor developmental decisions by the Executive (Burnell 2001: 34).

This is the context which explains why after 2003 Uganda's executive branch, the author and main advocate of the no-party democracy system, shifted towards political support for democratization reforms, and particularly for allowing multi-party elections. Applying this explanation to the Ugandan case would see Uganda's executive branch as driving the reform process in order to re-establish policy control and achieve further domestic political objectives, effectively, strengthening executive power at the expense of substantive democracy. However, alternate explanations of Uganda's shift to multi-party democracy focus on the influence of donors, and on the conflict they face over reforms aimed at promoting substantive forms of democracy, and those aimed at supporting a more efficient market economy.

The tensions between substantive democracy and the formal process of democratization can be understood in the context of disciplinary neoliberalism (see Gill 1999). The Ugandan case studies certainly demonstrate the capacity of a substantive democracy to create difficulties for donor-advocated reform programmes through effective opposition. According to Ayers (2006: 235), this was 'resolved' in favour of the stabilisation of the neo-liberal reform agenda within a formal, 'thin' form of democracy. Crucially, this was achieved *through the promotion of a multi-party system*. This reflects the observation that donors tend to have little interest in legislatures overall, as they are the least favourable branch of government for reform. Strong executives, on the other hand can push reform programmes through (Carothers 1999: 183-5). Effectively, where substantive forms of democracy exist, the potential exists for conflict between democratic outcomes and the preferred development strategies of the donor community.

Much of development theory since the early 1990s has asserted the inherent compatibility of democracy and development (Sen 1999; see Williams and Young 1994a; Leftwich 1993). However, even if substantive forms of democracy are broadly compatible with development, it does not follow that substantive forms of democracy will always be compatible with the particular development strategies that donors are advocating. From this perspective, donors would be charged with deliberately undermining Uganda's substantive democracy to better enable the promotion of their preferred development strategies. Donors certainly explicitly advocated multi-party democracy in Uganda (Ayers 2006: 326), and their importance to Uganda's economy, which is structurally economically dependent upon donor financing, is clear (Kasfir and Twebaze 2005: 5; Kasekende and Atingi-Ego 1999; Hauser 1999; see Himbara and Sultan 1995). These two explanations for Uganda's shift to multi-party democracy are reviewed in the final section, with a view to overcoming the domestic-international dichotomy that characterises traditional international relations theory. This follows the three case studies of intra-governmental conflict in Uganda between 1995 and 2006.

Conflict over Financial Sector Reform

Conflict between parliament and the executive branch of government in Uganda prior to the move to a multi-party system can be traced back to 1995 political reforms. As part of this process, new parliament was elected under a revised constitution, and the Ugandan central bank, the Bank of Uganda (BoU), was granted constitutional independence. MPs concerned with parliamentary authority appear to have viewed this with suspicion. In 1999 parliament identified a problem with how central bank independence was being interpreted in the context of financial sector reform, stating that the central bank was unaccountable, and should be subject to parliamentary authority, particularly in matters of public concern (Parliament of Uganda 1999a: 8-9).

The issue which stirred up this conflict was reform to Uganda's problematic financial sector. Parliament's opening gambit was to call a Judicial Committee of Inquiry into the central bank's decision to close four problem banks in 1999. Given that financial mismanagement was clearly apparent, the inquiry vindicated the BoU's decision, however, conflict continued as soon after the central bank moved to privatise of the largest and most important bank in Uganda, the Uganda Commercial Bank (UCB). UCB was re-capitalised to the tune of Ushs. 118 billion (1.7% of Uganda's GDP), and became a limited liability company (UCBL) in October 1997 (Parliament of Uganda 2002: 2.4.2; 1997: 2). UCBL, with over 50% of all deposits in Uganda, was widely viewed as "too big to fail".

Parliament was initially in favour of this, with the caveat that "informed professional opinion from the country of origin and also from reputable international professional and banking bodies be obtained" regarding potential investors, to ensure the privatisation process was "fully transparent" and free from "seeds of tension" (Parliament of Uganda 1997: 5-9). Tension was, however, the result of the reform process, as the Malaysian-based company Westmont Land BHD Asia which took over UCBL in April 1998 lasted only a few months, caused Ushs. 23.5 billion in losses, and left the recently re-capitalised UCBL Ushs. 16.3 billion in debt (Parliament of Uganda 2002: 2.4.2). Westmont, it eventuated, had neither the capital nor the expertise to properly manage UCBL, and was in fact secretly fronting for a Ugandan bank (purportedly with links to the president's brother), Greenland Bank Ltd, to whom massive amounts of money had been lent (Kasfir and Twebaze 2005: 15; Kasekende 2002: 10; BoU 2002: 32; Tangri and Mwenda 2001). Parliament referred to the privatisation of UCBL as a "fiasco", and managed through the threat or practice of censoring ministers to claim a number of ministerial scalps (Kasfir and Twebaze 2005: 14; Parliament of Uganda 2002: 2.4.3).

In April 1999, the Bank of Uganda seized managerial control of UCBL from Westmont under sections 31 and 32 of the *FIS* (1993), while the government sued Westmont and regained ownership of UCBL in November 2000, at a legal cost of Ushs. 11 billion. After returning UCBL to solvency, the central bank began preparations for re-privatisation against strenuous objections from parliament. In July 2000, the new privatisation objectives were set out: to sell a controlling stake to a well-established, reputable and credible bank, while preserving the rural branch network; the protection of existing deposits; and floating 20% of UCBL on the Uganda stock exchange (Ministry of Finance

2003: 1-2; Kasekende 2002: 9-10; BoU 2002: 32-3; Parliament of Uganda 2002: 2.4.3; 2.5.1; 4.1.6; Rukutana 2001).

The BoU's strategy, set out to the Joint Parliamentary Committee on the Economy and Finance on February 15 2001, was to approach 11 "pre-qualified" reputable international banks already operating in Africa. An offer from Standard Chartered Investment Banking Corporation Ltd (Stanbic) was accepted on October 15 2001, as it met "the primary objectives for the resolution of UCBL" according to the minister for finance and the Divestiture and Reform Implementation Committee (DRIC) (Parliament of Uganda 2002: 4.1.6; Rukutana 2001). Stanbic took over management of UCBL on February 21 2002 (Parliament of Uganda 2002: 2.6.1).

Parliament, for its part, questioned the legality of the UCBL sale, its public accountability, and the adequacy of the DRIC investigation, arguing that the entire process lacked transparency, and that BoU governor Tumusiime-Mutebile was "very anti-parliament" (Parliament of Uganda 2002: 2.6.2). While critics of parliament suggested in private that MPs sought to maintain state control of UCBL because of its history of generous politically-motivated lending, for example through the 'MPs Tractor Scheme', the BoU received little public support, even from the ministry of finance. Parliament's attempt to portray the sale as 'secretive', given the fundamental lack of trust in the Ugandan political system and a lack of political support for the BoU, inevitably led to suspicions of corruption.

Indeed, on May 15 2002 a Parliamentary Ad Hoc Committee was appointed to investigate the "manner and propriety" of the UCBL sale under Article 90(4)(a) of the constitution. Parliament took the technical position that UCBL should have been sold under the *PERD Statute* (1993) rather than under section 32 of the *Financial Institutions Statute (FIS)* (1993) as claimed by the BoU (Ministry of Finance 2003: 4-10; Parliament of Uganda 2002; BoU 2002: 33). Parliament argued that the BoU's strategy of approaching 'pre-qualified' buyers through a private financial consultant, rather than using an open, competitive tender, resulted in a hurried, secretive sale of UCBL at any price (Parliament of Uganda 2002: 4.1.3-9). The BoU and ministry of finance counter-claimed that an open bidding process would entail the risk of "depositor flight", and that otherwise high quality investors were unlikely to be found, while parliament claimed this process in fact excluded many bidders to the commercially detrimental of UCBL (Parliament of Uganda 2002: 4.1.4-8; Rukutana 2001). The Ad Hoc Committee nevertheless concluded that the eventual sale price and terms were well below market best (Parliament of Uganda 2002: 4.1.9; 4.2.3-4.2.8).

The ministry of finance defended the BoU's decision, arguing that the central bank has a statutory obligation to prevent unsuitable investors from participating in the bidding. The appropriate goal of the second privatisation therefore was not to maximise sale price, but to find a suitable buyer and thereby avoiding a second debacle, the benefits of which "far outweigh" any potential higher sale price (Ministry of Finance 2003: 2-5; Kasekende 2002: 11). Furthermore, one independent evaluation (KPMG) found that UCBL fetched an appropriate sale price, while another (GBRW) concluded that the sale was within the central

bank's mandate. The ministry of finance therefore concluded that the report of the Ad Hoc Committee ignored the "substantial achievements" of the central bank in selling UCBL to a reputable international bank, while maintaining the rural branch network (Ministry of Finance 2003: 2-6; KPMG 2001; see Government of Uganda 2001). Sources with the executive branch of government viewed the Ad Hoc Committee's report as 'very shoddy' and as a case of 'sheer oppositionalism' by anti-government forces in parliament.

Conflict over Central Bank Independence

However, returning to an earlier theme, the Ad Hoc Committee also claimed the central bank had used "purported supervisory powers and independence" to sideline parliament in the sale of UCBL. One MP argued that to privatise the largest state bank without parliamentary approval would be unthinkable in any other state. The Ad Hoc Committee concluded that the power of the BoU in regard to insolvent financial institutions regaining solvency under statutory administration were excessive, needed to be reviewed (Parliament of Uganda 2002: 4.6.2). Further, parliamentary resolutions should be "legally binding and enforceable" to prevent a repeat of this scenario (Parliament of Uganda 2002: 8.1.1-8.1.2).

The conflict between the BoU and the parliament of Uganda over financial sector reform therefore became an explicit conflict over central bank independence, involving other branches of executive government, particularly the ministry of finance. The ministry of finance explicitly defended BoU central bank independence, arguing that the parliament's proposals were unconstitutional, as they breached the principle of the division of powers between the legislative and executive branches. Parliament should enact laws and act as executive oversight, not impose legally binding resolutions on executive functions such as those provided by the central bank (Ministry of Finance 2003: 8).

The Ad Hoc Committee argued that central bank independence, as enshrined in the constitution and the *Bank of Uganda Statute* (1993), had been "misinterpreted". Independence was intended to facilitate monetary and fiscal policy, domestic price stability, and external equilibrium in balance of payments, not to shield the central bank from public accountability. Parliament therefore set out its intent to give central bank independence the "correct interpretation" through a review of both the constitution and the *FIS* (1993) (Parliament of Uganda 2002: 8.3). The ministry of finance replied that the constitution had *not* been misinterpreted, as the BoU's independence also related to its role in financial sector regulation. The central bank must be able to carry out its mandate independent of parliament and government, and remained accountable through parliament's power to request explanations for central bank actions from the BoU Governor (Ministry of Finance 2003: 8).

Revision of the *FIS* (1993) (the *Financial Institutions Bill* or *FIB*) therefore became the new basis for political conflict. Parliament sought to use the revision of the *FIS* (1993) to *reduce* central bank independence, and the entire process was explicitly portrayed in such terms by some sources in the Ugandan media. (allafrica.com 2003). However, the executive branch supported revision of the statute, on the grounds that it was inadequate for central bank regulation of

financial institutions. The revisions, therefore, were for the executive intended to *enhance* central bank independence. Consequently, there were many drafts and the process was a lengthy and drawn-out case of parliament-executive conflict (Kasekende 2002: 18).

The executive branch's plan was to use the reform to reduce regulatory forbearance, with mandatory requirements for central bank actions against financial or banking institutions when certain thresholds are crossed being generated. This, in theory, would reduce conflict between parliament, the central bank, and the ministry of finance, as reduced discretion effectively de-politicised the BoU. Corporate governance would in turn be improved, by clearly defining the role of the board, management, auditors and regulators. The central bank would also be given the power to dismiss the board of directors of failing commercial banks. The executive also sought to use the *FIB* to restructure Uganda's problem financial sector. Minimum capital requirements were to be imposed on small banks, and ownership of a bank would be limited to a 20% maximum for any one family or organisation. Such measures were designed to stop the practice of family-owned banks lending themselves money and then collapsing, with the government (as guarantor of deposits) left to foot the bill. Further restrictions on insider lending (to 25%) were planned, as well as strict limits on large exposures (Kasekende 2002: 7-18; Tumusiime-Mutebile 2001: 3).

Critics noted that proposed rule changes to bank ownership would limit Ugandan citizens and companies, but not foreign banks or investors, who were in fact being encouraged to invest as majority shareholders. It was also suggested that such reforms would prevent important local organisations (such as NGOs) from accessing necessary financial services. Parliament therefore viewed such planned reforms as an attempt to take control of the banking sector away from Ugandan nationals and discourage indigenous enterprises, whilst encouraging foreign-owned banks as if they were "missionaries". Indeed, under Article 26 of the *FIB* (2002), capital requirements were to increase to Ushs. 4 billion, and clauses offering preferential treatment for local investors under the *FIS* (1993) were abolished (Parliament of Uganda 2002a: 6-8; Tumusiime-Mutebile 2001: 1).

The BoU's strategy was viewed as one of abolishing smaller players in the financial sector, rather than strengthening its own regulatory capacity. Explicit attempts to strengthen the central bank's regulatory powers were explained as they targeted specific problematic sectors or individuals in a "draconian" manner, rather than addressing the long-term national economic interests of Uganda. Such reforms were viewed as failing to address the widespread financial sector problems of corruption, insider lending and political loans, and instead, as one MP argued, reflected the BoU's failure and incapacity to properly supervise and regulate the financial sector.

Parliament's report into the *FIB* (2002) concluded that the powers it proposes for the central bank over financial institutions are "excessive" and the penalties too harsh (Parliament of Uganda 2002a: abstract). The abolition of requirements for BoU to consult with the minister of finance under Article 11, for example, would give the central bank significant "unchecked power". Parliament's report reiterated the finding of the Ad Hoc Committee that central bank independence is

being “misinterpreted and must be given correct interpretation”, and misused so as to shield the central bank from public accountability. Parliament again foreshadowed its intent of a constitutional review of central bank independence (Parliament of Uganda 2002a: 15). Parliament was viewed as seeking to resolve its grievances with the BoU over the UCBL sale before passing the *FIB*, and indeed, passed a motion on December 4 2002 that “debate on the Financial institutions Bill, 2002 be halted until the report on UCB has been presented, debated and the house pronounces itself on the matter” (Parliament of Uganda 2002b)

Conflict over Electricity Sector Reform

The UCBL debacle in particular generated a generalised suspicion of corruption in privatisation processes which facilitated parliament’s conflicts with the executive branch to spill over into other issue areas. This occurred in regard to the government’s long standing plans for electricity sector reform, of which privatization was a central plank. The central issue was the proposed Bujagali hydroelectric site, planned to be built, owned and operated by the private sector as an independent power project (IPP). An investor was found (a subsidiary of US company AES), and the approximately 250 MW of capacity to be generated was viewed by proponents as a long-term solution to actual and predicted electricity generation shortfalls in Uganda. A Power Purchase Agreement (PPA) and Implementation Agreement (IA) with AES had been finalised on December 8th 1999.

The project was to begin in early 2002, but suffered extensive delays resulting at least in part from an examination of the project by the Parliamentary Committee on Natural Resources. The resulting report identified several problems with the Bujagali project, and opposition in parliament was fuelled by the blowing-out of projected costs for the Ugandan government. Indeed, under pressure from AES government guarantees for the project rose from US\$350 to US\$500 million, largely as a consequence of the global impact of the Enron crisis. It was suggested by multiple sources that, once again, given the undoubted widespread existence of corruption in Uganda, the perception existed that such costly projects ‘must be corrupt’. In reply, president Museveni publicly lambasted MPs for delaying the project, arguing that parliament was ‘blocking access of ordinary people to investors, sabotaging the economy, and frustrating investors’.

The financing of the Bujagali project was certainly problematic, if not on grounds of corruption. The government’s own electricity sector reform consultants note that Uganda’s potential financial obligations to AES were unclear. Indeed, the Implementation Agreement (IA) and Power Purchasing Agreement (PPA) for Bujagali assigned almost all the risk from the project to the Ugandan government, especially through guarantees of capacity payments (London Economics 1999: 7-11). Ministerial sources conceded that this effectively meant that the government of Uganda had to pay for electricity the plant was capable of producing, regardless of whether the electricity was actually sold, for a period well into the future.

Parliament considered this to great a financial risk, especially given problems in the transmission and distribution sub-sectors for which AES was not responsible

(Parliament of Uganda 1999: 10). Indeed, should the Bujagali project have been completed under AES auspices by the projected date of 2005, Uganda would have a total generating capacity of around 460 MW, for a forecast peak demand of around 500 MW. Transmission and distribution problems notwithstanding, these demand projections are the object of extensive criticism (see Bosshard 2002). To the extent that there was at least some risk that demand would be insufficient for the increased capacity, the government's own consultants saw the potential for serious financial consequences (London Economics 1999: 21).

Under the *Electricity Act 1999* it is the role of the independent regulator, the Electricity Regulation Authority (ERA), to make sure this does not happen, by setting tariff levels able to achieve government objectives. These are to eliminate subsidies and corruption whilst increasing competition, thereby ensuring increases to the grid size, and with both market efficiency in pricing and the building of economies of scale to ensure lower cost electricity. In practice however, the ERA is completely dependent for support and technical assistance from the World Bank and the ministry of energy. The ministry of energy also controls ERA board appointments and dismissals, and is widely viewed to appoint people who will bow to political pressure. Even ERA sources admit that ERA independence is largely compromised. It is on these grounds that parliament criticised the ERA, viewing its board as dominated by executive-appointees, and operating as a rubber stamp for government policy. Parliamentarians argued that while the electricity sector reforms made Uganda increasingly dependent on the private sector, the ERA was incapable of proper regulation. As one MP noted, parliament therefore felt no compunction against its attempts to publicly pressure the ERA over the issue of tariff policy.

Parliament was vehemently opposed to the ERA's June 2001 decision to increase tariffs by a massive 133%. The ministry of energy argued that necessary revenue for the electricity sector must come from electricity consumers via appropriate tariff levels. Tariff levels were therefore to be raised to the market rate, to ensure cost recovery, to ensure commercially viable electricity sector companies, and to cover both UEB debt and the costs of the Bujagali project (Utility Reform Unit 2002: 3; Ministry of Energy 2001; Parliament of Uganda 2001: 4-8). However, the size of the increase was widely considered disproportional, drawing widespread criticism expressed largely in the legislature. Neither the executive branch nor the ministry of energy sought to defend the ERA against parliamentary criticism. Instead, president Museveni, with up-coming elections in mind, sought to subsidise certain categories of consumers directly from the government's central budget, and particularly provide subsidies for rural electrification (Parliament of Uganda 2001: 4).

Parliament released a report arguing that Uganda already had expensive electricity costs relative to world and regional standards, suggesting problems with the ERA's view of 'market rates' (Parliament of Uganda 2001: 4; see ESMAP 1996: 26). Market pricing, therefore, was viewed as an inefficiency levy on consumers. Indeed, the May 1999 draft of the June 1999 *New Strategic Plan* argues that tariff increases are not the key to electricity sector viability in Uganda, as tariff levels are adequate when compared to cost base. Distribution reforms aimed at increasing efficiency constitute the core strategy for building a

financially viable electricity sector in the draft plan (Government of Uganda 1999a: 5). However, this was omitted from the final document (Government of Uganda 1999). Further questions were raised about the capacity of Uganda to extend the electricity grid to new consumers in the context of rising prices.

Indeed, parliament explicitly argued that market-based tariffs could conflict with the aim of increasing rural coverage – a contradiction the *New Strategic Plan* identified but did not resolve. Parliamentary argued that initial connection costs for rural electrification remained prohibitive, such that the assumption that increased generation capacity will be absorbed by growing rural demand remains problematic (Parliament of Uganda 2001: 7-9; Government of Uganda 1999: 7). The government's own consultants note that market rate tariffs would be unaffordable for consumers. During a presentation in 1999, the consultants argued that tariff levels needed to be set by the market and government subsidies abolished, the costs of rural electrification were simultaneously decreased (London Economics 1999a: 58-9). The potential for contradiction here was more than apparent to critics.

One of parliament's environmental NGO allies, the International Rivers Network (IRN) explicitly argued that tariff increases would logically lead to a reduction in demand, and provided evidence from both Tanzania and Uganda suggests that high electricity prices were the single biggest disincentive for investment (Bosshard 2002: 17; World Bank 2000: 45). Parliament happily cited IRN reports that privatisation-based electricity sector reform strategies in developing states usually resulted in the debt burden of state electricity utilities being passed to consumers through tariff increases (IRN 2001; Parliament of Uganda 2001: 7-8). Indeed, the interaction between parliament and environmental NGOs was a particular object of complaint for the Executive branch. Indeed, Parliament's NGO allies managed to delay funding for the Bujagali project at the World Bank through lobbying in Washington D.C., including through claims of corruption. The IRN submission to the World Bank's Inspection Panel (IPN) explicitly argued that the poorly conceived Bujagali project is the cause of unaffordable tariff increases in Uganda that will result in social problems as well as slower economic growth (Inspection Panel 2001: 3-6).

Formal processes of democratization in Uganda

Serious consideration of democratic reform towards a multi-party system began in early 2003 (Kannyo 2004: 125). It is suggested that this bears the hallmarks of an attempted transition from model 3 (parliament-as-opposition) to model 1 or 2. Kasfir and Twebaze (2005) note that MPs expressly feared that party discipline would limit the oversight capacity of parliamentary committees. In the light of these case studies, it seems that in part at least these reforms constitute a strategic response by the executive, reflecting its own political interests. Scholars note that since at least 2001, the executive had engaged in a range of strategies to limit parliamentary oversight and independence, as the president recognised that his legislative agenda was threatened by the no-party legislature. The shift to a multi-party system is therefore open to interpretation as a way of entrenching the Museveni regime (Kasfir and Twebaze 2005; Mugisha 2004: 140-1; Watt *et al* 1999: 50).

It is clearly possible that multi-party democracy would shift Uganda's legislature from model 3, with a parliament which both promotes debate and serves a crucial opposition function (which is of normative importance in the process of democratization), towards model 1, with a legislature controlled by the executive using party discipline, or model 2, with a legislature heavily divided along party lines. Either of these latter possibilities would limit parliament's capacity to exercise executive oversight. Indeed, the announcement that the movement (the basis of Uganda's decentralised democratic forums) would become a political party to contest planned elections, supports this perspective – Museveni had previously argued that pro-movement MPs should be loyal to the movement first, and parliament second (see Kasfir and Twebaze 2005: 13). Further to the idea that the aim of this 'democratic transition' is in fact to shore up the Museveni regime, as of March 2003 the transition to a multi-party system became linked to second constitutional reform: the removal of the two-term limit for presidents (*The Monitor* 22.02.2003; see the Constitution of Uganda 1995: 105(2)). Some commentators argued that Museveni supported the multi-party system as a trade-off for the lifting of the presidential terms (Inter-Parliamentary Union 2005). This analysis suggests however that this is more of a case of killing two birds with one stone.

Museveni, unsurprisingly, was elected to a 3rd term with 59.28% of the vote in February 2006, after constitutional changes were approved by parliament in August 2005. With executive support, the July 2005 referendum saw 92.4% of people vote for restoring multi-party politics (a huge turnaround on the 2000 results, where the executive had opposed the reforms). Indeed, the Museveni regime promoted the transition against years of its own opposition and rhetoric, largely based on the view that such a system would promote ethnic, regional and/or religious tensions (Therkildson 2002; Watt *et al* 1999: 56-8; Karlstrom 1999; Kasfir 1998; Regan 1998: 171). However, following Harrison (2001), this explanation by itself ignores the historically entrenched mutual embeddedness of agents of the state and the donor community. It is in fact necessary to move beyond the traditional dichotomy of 'domestic' and 'international' spheres, towards a more complex model addressing the interconnectedness of political systems and the impact of this on political behaviour.

It is necessary to measure donor pressure towards democratic reforms and a multi-party system in Uganda against the resolve of the Museveni regime against a multiparty system, in the context of increasing executive dissatisfaction with the parliament-as-opposition phenomenon which had emerged under the no-party system. The explanation of donor pressure in the context of disciplinary neo-liberalism (see Ayers 2006), in particular with regard to independent central banking and privatisation (core neo-liberal institutional reforms), must take into account Uganda's record of resistance. This applies particularly to the defence of no-party democracy against the wishes of Uganda's main donors for over a decade, as well as to other issues such as military spending. Uganda's economic dependency on the donors must be held against its economic success under the Museveni regime (becoming the 'darling of the IMF'), which allowed for relative independence from the donors in some policy areas (see Hauser 1999).

It is not unusual to see the donors eventually getting their way in regard to reform in developing states. However, the context for the change of executive heart in Uganda needs to be explained. The prospects for ending parliaments' oppositional function, as well as achieving constitutional reforms for extended presidential terms, provided the Museveni regime with a strong domestic incentive towards acceding to donor demands for further democratization reforms. Disciplinary neo-liberalism then explains the mutuality of interest between Uganda's executive branch and the donor community in democratization reforms that are largely formal, procedural or 'thin' rather than substantive. It explains why the suggestion that democratization may make economic reforms more difficult, a subject of intense discussion for Ugandan policy makers, is rarely addressed by the donors (Kasekende and Atingi-Ego 1999: 412). The fact that the Ugandan reforms may, in part at least, undermine the substantive achievements of democratization made in Uganda between 1995 and 2006, are a normative problem for advocates of substantive democratization, not a problem for the donors.

It may seem counter-intuitive to argue that the transition to a multiparty democracy may have negative implications for democracy. However, by following the policy transfer framework, and reviewing the democratization literature in the context of the Uganda case study, precisely this possibility is raised. Democratization reforms, like any set of policies or institutions, must be subject to contextual analysis for their social meaning to become apparent, and so the limitations and implications of policy transfer processes for democratization can be better realised. Nevertheless, to consistently follow the policy transfer framework, it must also be suggested that the 2005 reforms may also have unintended consequences, and could open up space for democratic accountability and political opposition even if Uganda's parliament shifts to a model 1 or 2 role. Indeed, Uganda's parliament under no-party democracy demonstrates that a range of institutional settings may create space for substantive forms of democracy to 'break out'. Research into the practical operation of Uganda's 8th Parliament under a multiparty system is therefore called for.

Finally, while formal, 'thin' forms of democratization may better accommodate donor advocated development strategies, these may come at the expense of existing, substantive forms of democracy. With a critical stance towards democracy, based for example on the historical example of East Asia's developmental states, there may be legitimate reasons to prioritise development over democracy. However, from a normative perspective broadly favorable to substantive democracy, it becomes necessary to evaluate democratization processes in terms of their actual substantive impact on democracy in specific institutional contexts. Given the historical record of development strategies since independence in Africa, this approach might be more successful as it would be linked to greater 'ownership' of development strategies by African states and societies, though perhaps at the expense of donor interests. Neither approach can be better developed without a critical stance towards the assertion of an unproblematic compatibility between democracy and development.

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ⁱ These case studies are based in part on unpublished fieldwork interviews conducted in Uganda in 2003.

ⁱⁱ The constitutional, legal and structural origins of the activities of Uganda's parliament after 1995 are discussed at length in Kasfir and Twebaze (2005).